



Audit and Risk Committee

Notice of Meeting

A meeting of the Audit and Risk Committee will be held in the Council Chamber, 156 High Street, Dannevirke on **Tuesday 22 July 2025** commencing at **9:30 am**.

Bryan Nicholson
Chief Executive

Agenda

- 1. Welcome and Meeting Opening**
- 2. Apologies**
- 3. Public Forum**

A period of up to 30 minutes shall be set aside for a public forum. Each speaker during the public forum section of a meeting may speak for up to five minutes.

Standing Orders may be suspended on a vote of three-quarters of those present to extend the period of public participation or the period any speaker is allowed to speak.

With the permission of the Chairperson, members may ask questions of speakers during the period reserved for public forum. If permitted by the Chairperson, questions by members are to be confined to obtaining information or clarification on matters raised by the speaker.

- 4. Notification of Items Not on the Agenda**

Major items not on the agenda may be dealt with at this meeting if so resolved by the Committee and the Chairperson explains at the meeting at a time when it is open to the public the reason why the item was not listed on the agenda and the reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor matters not on the agenda relating to the general business of the Committee may be discussed if the Chairperson explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at that meeting, but no resolution, decision or recommendation may be made in respect of that item except to refer it to a subsequent meeting.

5. Declarations of Conflicts of Interest in Relation to this Meeting's Items of Business

6. Confirmation of Minutes 3

Recommendation

That the minutes of the Audit and Risk Committee meeting held on 29 April 2025 (as circulated) be confirmed as a true and accurate record of the meeting.

7. Reports

| | | |
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| 7.3 | Update on the Internal Review Process for the Annual Report | 77 |
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8. Items not on the Agenda

9. Closure



Audit and Risk Committee

Minutes of a meeting of the Audit and Risk Committee held in the Council Chamber, 156 High Street, Dannevirke on Tuesday 29 April 2025 commencing at 9:30 am.

1. Welcome and Meeting Opening

Mr P Jones (Chairperson), Her Worship the Mayor - Mrs T H Collis, Crs E L Peeti-Webber (Deputy Mayor), A K Franklin, S M Gilmore, P A Johns, M F Long, K A Sutherland, S A Wallace and S M Wards

In Attendance

| | |
|-----------------|--|
| Ms S Lowe | - Group Manager – People, Capability and Customer Experience |
| Mrs K Tani | - Group Manager – Strategy and Community Wellbeing |
| Mr H Featonby | - Group Manager - Infrastructure |
| Mrs S Walshe | - Finance Manager |
| Ms J Smith | - Legal Counsel and Procurement Manager |
| Mrs B Fowler | - Senior Financial Accountant |
| Mrs G Anderson | - Health and Safety Coordinator |
| Mr H Mischefski | - Procurement Specialist |
| Ms G Rainey | - Contract Specialist |
| Mr D Erard | - Tararua Alliance Manager |
| Ms S Boyt | - Performance Manager, Tararua Alliance |
| Mrs A Dunn | - Manager – Democracy Services |

2. Apologies

There were no apologies.

3. Public Forum

There were no requests for public forum.

4. Notification of Items Not on the Agenda

Nil

5. Declarations of Conflicts of Interest in Relation to this Meeting's Items of Business

Nil

6. Confirmation of Minutes

- 6.1 *That the minutes of the Audit and Risk Committee meeting held on 18 February 2025 (as circulated) be confirmed as a true and accurate record of the meeting.*

Johns/Wallace

Carried

7. Reports

7.1 Draft Procurement Policy - Feedback item

The Audit and Risk Committee considered the report of the Legal Counsel and Procurement Management dated 16 April 2025 that presented the draft procurement policy for feedback and the proposed timeline and next steps for adoption of the policy.

During discussion questions were raised regarding emphasis on supporting local suppliers, with clarification provided that the feedback presented is on what we can do better in terms of our processes and documents.

In response to a question regarding procurement for emergency works, it was noted that during an emergency a full procurement process would not be able to be followed, however there would be constant review during a state of emergency. The need for close reporting when processes were not being followed for example during a state of emergency, and noted the process would be covered in the manual for employees to follow if seeking an exemption from the procurement policy.

The importance of finding the balance between supporting local business and cost effectiveness was noted.

That the report from the Legal Counsel and Procurement Manager dated 16 April 2025 concerning the Draft Procurement Policy - Feedback item (as circulated) be received and adopted.

Collis/Wards

Carried

7.2 **Audit New Zealand Letters for Debenture Trust Deed Engagement and Audit Plan**

The Audit and Risk Committee considered the report of the Senior Financial Accountant dated 17 April 2025 that presented the Audit New Zealand's Debenture Trust Deed Engagement and Audit Plan letters for approval.

It was noted that the letters confirmed the Tararua District Council's engagement with the auditors to audit Council's annual report, and included the audit engagement letter. Approval was sought for Her Worship the Mayor to sign and then forward on to the other parties of the tripartite agreement for signing.

It was noted that a small change was needed relating to dates for verbal clearance of the Annual Report following the audit, and then the formal adoption of the Annual Report. The verbal clearance would now be on 24 October 2025, and adoption scheduled for part two of the first triennial meeting on 29 October 2025.

In discussion the meeting noted the integrity self-assessment survey that the Office of the Auditor General intended to undertake as part of the 2024-25 audits, and sought information in respect to what the survey would entail. In response, officers undertook to come back with information on that.

For the July meeting of the Audit and Risk Committee, it was asked that information be provided on the following:

Revaluations;

Internal review process for the draft Annual Report.

That the report from the Senior Financial Accountant dated 17 April 2025 concerning the Audit New Zealand Letters for Debenture Trust Deed Engagement and Audit Plan be received, and

That Her Worship the Mayor be given approval to sign these letters on behalf of the Council.

Peeti-Webber/Sutherland

Carried

7.3 **Risk Appetite**

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 9 April 2025 that provided an update on progress of gap analysis between the draft risk appetites and current risks faced by Council.

In discussion an explanation of the proposed changes to the risk appetite statement was given, noting that as this was the Council's risk appetite statement, members needed to have comfort with the changes proposed.

It was noted that although the focus for this meeting had been on the top four risks, it was intended to review all of the risks and bring those back to the committee for consideration.

With regard to the risk appetite setting for rates setting, where the appetite was set at low, it was suggested that the wording for that risk appetite be amended, to change “Council is committed to a robust rates setting process that includes clear and transparent consultation with the community and aligns with its strategic objectives” to “Council is committed to a legally compliant rates setting process that includes clear and transparent consultation with the community and aligns with its strategic objectives.”

It was noted that a review would be undertaken of more of the risk appetite statements and these would be brought to the July meeting of the Audit and Risk Committee for consideration. A suggestion was made that information on the items to be brought to subsequent meetings would also be useful, noting there would be a new Council from October.

That the report from the Risk & Assurance Advisor dated 09 April 2025 concerning the Risk Appetite (as circulated) be received and adopted and,

That the Audit and Risk Committee endorses the risk appetite statement and Moderate (maintain) Risk Appetite rating for ‘Strategy’.

That the Audit and Risk Committee endorses the amended risk appetite statement and Low (maintain) Risk Appetite for ‘Expenditure’.

That the Audit and Risk Committee endorses the amended risk appetite statement and a Risk Appetite of Low (maintain) for ‘Health, Safety, and Wellbeing’.

That the Audit and Risk Committee endorses the amended risk appetite statement and a Risk Appetite of Moderate (maintain) for ‘Resourcing’.

Wallace/Johns

Carried

7.4 Risk Management

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 9 April 2025 that provided an update on matters relating to risk management.

In discussion of the risks associated with the Local Water Done Well reform, clarification was sought on the inclusion of any mitigations for risks highlighted. In response it was noted that mitigations had not been included due to the decision on Local Water Done well would be made on 11 June 2025, and the need to stay neutral in this regard. Once a decision had been made, there would be a review of the risks.

With regard to the use of the acronym “RRT” in the table under item 3.5 in the agenda, it was asked that an explanation be provided of what the acronym stood for.

It was noted that with the legislation due in August, this would provide clarification for some risks. The delay in this legislation adds risk to the delivery of a Water Services Plan by the Government’s deadline of 3 September, as assumptions would need to be made.

That the report from the Risk & Assurance Advisor dated 09 April 2025 concerning Risk Management (as circulated) be received and adopted.

Sutherland/Gilmore

Carried

7.5 Health, Safety, and Wellbeing Management Report

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 9 April 2025 that provided an update on health, safety and wellbeing matters. It was noted that no statistics had been provided against item 9 which was an oversight. It was asked that incident reporting figures be provided to the committee so they could have oversight of this.

In discussion of the information provided on the GetHomeSafe App, the committee noted usage had increased however concern expressed that in general the usage was low which raised safety culture concerns. Information was sought on plans to enforce the use of the App. In response it was noted that there was a need to engage staff and workers on the journey. Workers that could potentially benefit from using the app had been identified, and engagement was needed with the managers and the workers on whether they were working alone or not. More engagement on a workable solution was required to ensure every gets home safely at the end of the working day.

Concerns were expressed about fatigue, and that GetHomeSafe App being a key control for this. It was suggested that strong guidelines for monitoring and enforcing use be implemented, and assurance was sought that a signal was not being sent that key safety mitigations were optional. It was noted there were a number of good users of the App, with a need to encourage others to use the App, and a suggestion made that using clearer language would make it easier for people to understand their responsibilities.

It was clarified that it was not a case of not wanting to enforce the use of the App, it was about building a picture of which officers were working alone rather than making those assumptions. There was a need to understand the work the workers were doing to ensure this could be effectively monitored.

It was asked that a clear target be provided with deadlines for when that information would be known and when it would be achieved.

For the July meeting of the Audit and Risk Committee officers advised that they

would do a deep dive and provide information, along with strengthening wording around what was required to help encourage use.

In discussion of the Central Government announcement of plans to make changes to Health and Safety Law, it was asked whether there was any consideration of how the Council might influence those changes. It was advised that MW LASS had engaged on behalf of the Councils in the region and it was asked that a copy of this be provided to the committee.

That the report from the Risk & Assurance Advisor dated 09 April 2025 concerning the Health, Safety, and Wellbeing Management Report (as circulated) be received.

Gilmore/Johns

Carried

The meeting adjourned at 10:56am and resumed at 11:12am.

7.6 Assurance Management Report

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 9 April 2025 that provided an update on matters relating to assurance.

With regard to quarterly reporting to the Audit and Risk Committee on the Dannevirke Impound Supply monitoring, it was noted that as this was now an imbedded process for the Council, future reports would be made to the Infrastructure, Climate Change and Emergency Management Committee.

The committee noted the positive reduction in unread enquiries in the Revenue Team's inbox, however noted the need to ensure there was plan in place to continue this reduction. It was asked whether any insight could be provided on how many of the outstanding items were follow-ups to a previous enquiry that had not been responded to. In response it was advised that a dedicated staff member had been assigned to this work, however the additional work involved in financial year end preparation required use of some of that resource currently.

It was asked that a better metric be used to report on the number of emails in the Revenue Team inbox, for example the age of an email before it was responded to – number greater than month, number greater than 3 weeks, 2 weeks, 1 week. It was also asked that a timeline for clearing the emails in the Revenue Team inbox be provided, and information on any additional resource required. It was further asked that information be provided on how telephone and physical letter enquiries were being tracked. It was asked that this be reported back to the July meeting of the Audit and Risk Committee.

With regard to item 6.8.2.3, this reported that the recommendation for separate reporting on direct debit customers to provide ongoing assurance that the issues remained under control was complete as of 5 March, however also included a note that a report would be run in August 2025 once all Direct Debits had been

adjusted to ensure all customer payments had been amended. The Group Manager – People, Capability and Customer Experience advised that she would follow up on this matter.

With regards to the debtor management report, it was advised that the most useful information is available after the penalty dates. An example was provided of an another Council that reported quarterly on this topic and provided good, clear information. Information would be provided to the July meeting of the Audit and Risk Committee.

With regard to the proposed workplan, it was noted that a meeting for October had not yet been scheduled, however one would be required in early October prior to the 11 October election date. Officers were to work with the Chairperson to agree a date for an October meeting.

That the report from the Risk & Assurance Advisor dated 09 April 2025 concerning the Assurance Management Report (as circulated) be received and adopted.

That the primary reporting of Dannevirke Impounded Supply dam safety reporting move to the Infrastructure, Climate Change, and Emergency Management Committee with reporting to the Audit and Risk Committee on an 'as required' basis.

Peeti-Webber/Wallace

Carried

8. Items not on the Agenda

8.1 Nil

9. Public Excluded Items of Business

That the public be excluded from the following parts of the proceedings of this meeting, namely:

Confirmation of Minutes

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

| <i>General subject matter to be considered</i> | <i>Reason for passing this resolution in relation to each matter</i> | <i>Ground(s) under section 48(1) for the passing of this resolution</i> |
|---|---|--|
| <i>Confirmation of Minutes</i> | <i>To protect the safety of the public</i> | <i><Section (1)(a)(i)</i> |

This resolution is made in reliance on Section 48 (1) (a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

s6(b) The making available of the information would be likely to endanger the safety of a person.

Johns/Franklin

Carried

The meeting went into public excluded session at 11:39am and resumed open session at 11:40am.

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 11:40am.

Chairperson



Report

Date : 17 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Bryan Nicholson
Chief Executive

Subject : **Financial Risk Incident - Loan to Pūkaha Mount Bruce Board**

Item No : **7.1**

1. Recommendation

- 1.1 *That the report from the Chief Executive dated 09 July 2025 concerning the Financial Risk Incident - Loan to Pūkaha Mount Bruce Board (as circulated) be received and adopted.*

2. Reason for the Report

- 2.1 To update the Audit and Risk Committee of the financial risk incident regarding the loan to Pūkaha Mount Bruce Board in 2021.
- 2.2 To present management's assessment from its preliminary review of Council's due diligence and decision making regarding the original advance of the loan, including identified risks, controls, financial impact and risk assessment of potential loss.
- 2.3 To recommend that the lessons learned from this incident be noted.

3. Background

- 3.1 In September 2021 Council resolved to enter a 10-year loan of one million dollars to Pūkaha Mount Bruce Board.
- 3.2 The loan agreement was signed on 30 October 2021 and expires on 30 October 2031.

- 3.3 The loan agreement provides that the loan is interest bearing with the ability to charge interest from the second year. The loan is unsecured, with the option to request security.
- 3.4 A financial risk incident was identified in March 2025 when Council was made aware that Pūkaha Mount Bruce Board was facing financial difficulties and potentially could not service the loan agreement for the remaining term.
- 3.5 Upon identifying this risk, Council invoiced Pūkaha Mount Bruce Board for interest costs incurred in accordance with the loan agreement totalling \$41,440 for the 1 July 2024 – 30 June 2025 financial year and requested security from Pūkaha Mount Bruce Board.
- 3.6 Council has been advised that the interest invoiced for the 2024/2025 year will be paid by 30 October 2025. Security is not able to be provided, nor would it assist in the circumstances due to the financial position of Pūkaha Mount Bruce Board, and the lack of realisable assets.
- 3.7 Council's previous treatment of interest for the first three years of the loan was as follows:
- 3.7.1 In year 1, no interest was charged, as the loan agreement provides that for the first 12 calendar months of the term, Council is to make a grant to the Board equal to its interest obligations by way of set off.
- 3.7.2 In years 2 and 3 (2023 and 2024 financial years) Council made grants to the Board for interest through its Annual Planning process, having considered the financial position of Pūkaha Mount Bruce Board when determining whether to charge interest and at what interest rate.
- 3.7.3 As part of the Long Term Plan 2024-2034, Council consulted with the community on reducing external grants and introducing a contestable grants fund of \$100,000. As a result of this, in year 4, Council decided not to make a grant to Pūkaha Mount Bruce Board and invoiced for the interest.
- 3.7.4 To date there has been no failure to pay any sums demanded or payable under the loan agreement.
- 3.7.5 The identified financial risk of default under the loan may not eventuate as Council has entered discussions to transfer the loan from Pūkaha Mount Bruce Board to Rangitāne Tū Mai Rā Trust.

4. Assessment of due diligence, risk assessment and financial risk controls

- 4.1 In a comprehensive report to Council on 30 June 2021, management set out the request for funding from Pūkaha Mount Bruce Board, assessed the proposal against Council's Treasury Risk Management Policy, debt profile and debt headroom, assessed the relevant risks and considered options open to Council

including providing a grant, loan or debenture, mixture of grant and loan or an indemnity or guarantee.

- 4.2 The assessment of the request considered that Council did not have a grant policy or framework at the time to assess a request for funds, and noted that in the past requests had been assessed on a case by case basis with reports referencing previous decisions to ensure consistency of approach. The lack of a policy and framework was raised as a gap and management noted that it was working on developing this.
- 4.3 The report also noted that in assessing the request, management had framed a high level process which could be used to develop the policy and framework in the future. It assessed the request against the following:
 - 4.3.1 Strategic alignment;
 - 4.3.2 Council mission;
 - 4.3.3 Strategic objectives;
 - 4.3.4 Council activities benefitting from the proposal (community development and economic development);
 - 4.3.5 Benefits to the Council and the Tararua district;
 - 4.3.6 Risks;
 - 4.3.7 Council's Significance and Engagement Policy.
- 4.4 Management also noted that the request for funding of the organisation's project was a one-off request to support the development of Te Waananga Taio, an education and accommodation centre at the Pūkaha National Wildlife Centre.
- 4.5 The report included a detailed assessment of each reasonably practicable option for advancing the funding and covered off the risks of each option, ensuring that Council had sufficient information to enable it to make an informed decision.
- 4.6 The report's risk assessment section specifically considered the risk of default on loan repayment if the project was unsuccessful and the potential impact this would have, being that Council may have to write off the loan or a portion of the loan.
- 4.7 The mitigation proposed for default included the following information:
 - 4.7.1 Sensitivity analysis;
 - 4.7.2 Quarterly progress report to Council;
 - 4.7.3 Board and project governance;

- 4.7.4 Fundraising strategy.
- 4.8 It is important to note that while a financial risk incident has occurred, Pūkaha Mount Bruce Board has at this stage not defaulted on the loan and Council has resolved to negotiate an agreement with another entity to take on the Board's obligations under the loan.
- 4.9 The proposal from Pūkaha Mount Bruce Board (attached to the June 2021 report to Council) requested a loan from Council of one million dollars with no interest payable, for a term of 10 years. Management was directed to renegotiate with Pūkaha Mount Bruce Board to include an interest component, which was later included in the loan agreement. Both the proposal and report noted that security for the loan was not able to be provided over Pūkaha Mount Bruce Board's assets as they were situated on Crown Land and were not realisable.
- 4.10 The Chief Executive was authorised to complete negotiations for the loan agreement, and the draft loan agreement was subsequently brought back to Council in October 2021 and approved by resolution.
- 4.11 The Chief Executive and Pūkaha Mount Bruce Board were each provided with independent legal advice and supported in negotiations and preparing the loan agreement.

5. Lessons learned

- 5.1 Having reviewed management's reporting to Council and risk assessment, there are several lessons learned that should be recorded and implemented in future decision making reports. These are set out below.
- 5.2 The first is that having complete information and documentation about decision making is essential. A preliminary review undertaken of the reports and supporting information provided to Council at the time of decision making allowed management to understand the context in which the decision was made.
- 5.3 At the time of decision making, Council did not have a grants policy or framework under which to assess the request and a recommendation was made to develop this. Management has subsequently developed the contestable grants policy and framework which has been approved by Council.
- 5.4 In its reporting, management recorded that it was critical that any decision regarding granting or loaning funding to organisations needed to be assessed against Council's Strategic Objectives, its Treasury Risk Management Policy and other criteria to ensure that precedent was not set and each request was considered on its merits.
- 5.5 While management's risk assessment recorded the risk of default on the loan agreement, it did not specifically consider the risk of financial support for the Pūkaha Mount Bruce Board being removed from other funders (such as Central Government) once the project was completed, and during the term of the loan, as

a possible cause for default. In the changing political environment, this was a real risk that did in fact eventuate.

- 5.6 While security was not available in the circumstances, there could have been additional mitigations and controls explored and exercised to ensure that Council was aware of financial risk sooner, however in practical terms, there may have been little benefit to this and this was covered off under the partnership principles outlined in the report as well as the loan.
- 5.7 The partnership approach taken in the loan agreement, due to the significant benefits the project provided for the district, have enabled a solution to be negotiated with Rangitāne Tū Mai Rā Trust, rather than leaving Council to seek to recover funds behind other creditors.

6. Conclusion

- 6.1 Management's assessment after its preliminary review is that Council was provided with sufficient information to make an informed decision on the funding request.
- 6.2 All reasonably practicable options were presented to Council and assessed, in line with the Local Government Act 2002 decision making requirements.
- 6.3 Council has subsequently approved a contestable grants policy and process which has strengthened future decision making further.
- 6.4 The documentation demonstrated a clear understanding and acknowledgement by management as the advisors and Council as the decision maker of the timeframe needed to finance and complete the project prior to establishing a successful cashflow. This was incorporated into management's recommended approach, acknowledging that revenue from the project would not accrue during construction and supporting the early years of the project, recognising the risk in revenue projections in the post-Covid-19 environment. As a result, recommendations were made about the interest in years 1 to 3 of the loan agreement.

Attachments

- 1. [Report to Council - Pūkaha National Wildlife Centre Funding Request - June 2021](#)
- 2. [Report to Council - Loan Agreement between Council and Pūkaha Mount Bruce Board - September 2021](#)
- 3. [Report to Council - Pūkaha Mount Bruce Board - proposal to transfer loan - June 2025](#)

Report

Date : 23 June 2021

To : Mayor and Councillors
Tararua District Council

From : Raj Suppiah
Group Manager - Corporate

Subject : **Pūkaha National Wildlife Centre Funding Request for the Te Waananga Taiao (Education and Accommodation Centre) Project**

Item No : **11.4**

1. Recommendation

- 1.1 *That the report from the Group Manager - Corporate dated 23 June 2021 concerning the Pūkaha National Wildlife Centre Funding Request for the Te Waananga Taiao (Education and Accommodation Centre) Project (as circulated) be received, and*
- 1.2 *That Council agree to the request from Pūkaha National Wildlife Centre for support toward the cost of developing the Te Waananga Taiao (Education and Accommodation Centre) project, and*
 - 1.2.1 *That a one-million-dollar loan be provided for a term of ten years with principal payments commencing in year five, and*
 - 1.2.2 *That Council provide a grant in year one equivalent to the interest cost funded from Council's Biodiversity Reserve, if required for any shortfall in interest funding, and*
 - 1.2.3 *That management be requested to consider making funding provisions for a grant in the Annual Plans for years two and three of the loan periods to assist with the interest cost, and*
- 1.3 *That the Chief Executive be authorised to complete negotiations for the loan for ratification by the Council.*

Executive Summary

Grants are a means of financially supporting community-led initiatives. The initiatives Council supports through grants are conceived and delivered by the community, for the community. This distinction will be reflected in the grants programme – in the language that we use, the processes we design, and the relationships we enter with grant recipients.

Grants also serves to support community groups in delivering projects that aligns to Council's strategic outcomes and most importantly, who are best placed to deliver these projects.

A critical principle that will guide our decision making and be included in any grant policy should be the alignment to Council's strategic outcomes in the Long-Term Plan. If the grant outcomes do not align any grant request that requires a rates contribution should not proceed further.

The request for funding from Pūkaha National Wildlife Centre Incorporated Society, trading as Pūkaha Mount Bruce, is consistent with Council's Vision, Mission, Strategic Objectives, and outcomes for several Council activities.

Funding cannot be solely from grant due to its resultant significant operational cost, but a loan is permitted with appropriate accountabilities, in accordance with the Council's Treasury Risk Management Policy. A loan recognising the timeframe needed to finance and complete the project prior to establishing a successful cash inflow is a generous approach.

The Te Waananga Taiao, (Education and Accommodation Centre) project is a great opportunity for Council to advance its objectives in the Long Term Plan and partner with a community organisation in delivering a prominent project for the region.

2. Reason for the Report

- 2.1 For Council to consider the request of a \$1million loan to Pūkaha National Wildlife Centre Incorporated Society for the construction of an Environment and Ecology Programme Centre (Te Wananga Taiao) under the terms detailed in paragraph 4 of this report.
- 2.2 Refer to the attached letter from Pūkaha – "Funding Request for Te Waananga Taiao, (Education and Accommodation Centre)".

3. Background

- 3.1 The Pūkaha Environment and Ecology Programme (Te Wananga Taiao) is designed to extend public access to, and use of, the native forest reserve and the knowledge developed at Pūkaha during the past 50 years by over 50%. This is a significant leverage of the investment made in the reserve by the community, Iwi and Crown.
- 3.2 The total cost of the environment and ecology education programme including constructing the new centre is estimated to be \$5.2m. The design and construction costs are estimated to be \$4.6m.

- 3.3 The Government has committed \$2.5m to the project through the Provincial Growth Fund. This is paid to Pūkaha throughout the project on the achievement of agreed milestones.

4. Summary of Request

| Pūkaha's Request | Management's Proposal |
|--|---|
| Loan amount: \$1m | Yes |
| Term: Up to 10 years | Yes. |
| Capital re-payments: Year 1-5: \$0 Years 6-10 \$200k pa | Yes. Loan will be drawn down by the treasury function as a pool (across Council's other capital projects) which will allow for flexibility of repayment |
| Interest: nil | Has options and the preferred options are: Year 1 – Interest cost of \$27,800 treated as an additional grant and funded from the Biodiversity Reserve. Year 2-3 – make commitment to consider granting the interest cost as part of the Annual Plans. Year 4-10 – use the weighted average interest rate to determine the yearly interest cost. What the above approach achieves: 1. Acknowledges that revenue from the project does not accrue during construction. 2. Supports the early years of the project and recognises the risk in revenue projections in the current Covid-19 environment. |
| Reporting/accountability: quarterly update reports to Council will be provided in a format that is acceptable to Council | Yes |

5. Climate Change

- 5.1 It is particularly important for the protection of biodiversity and this is a major theme of climate change risk. Increasing environmental and climate pressures, including shifting habitat, invasive species and disease risk mean supporting the work is critical. Pūkaha Mount Bruce is New Zealand's national wildlife centre and it has both a mandate and a responsibility to undertake this work.

6. Iwi Engagement

- 6.1 Pūkaha was gifted on 1 May 2021 to The People of Aotearoa by Rangitāne o Tamaki Nui a Rua and Rangitāne o Wairarapa.
- 6.2 The project is strongly supported by Rangitāne who recognise the benefits for their people, especially rangatahi, and the regions, and appreciate the recognition that their cultural heritage will be given in the programme and new facilities.
- 6.3 Ngāti Kahungunu Ki Tāmaki nui-a-Rua notes in its 2020 – 2027 strategic objectives of Te Mātauranga is to improve, grow and advance educational aspirations, achievements, and successes for ākongā, whānau, hapū and iwi.

7. Treasury Risk Management Policy

- 7.1 Council's Treasury and Risk Management policy allows Council to advance loans to charitable trusts and community organisations for strategic purposes. See extract below.

5.5 Loan Advances

Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic purposes only. New loan advances are by Council resolution only.

Council does not lend money, or provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable to the CCO or CCTO than those that would apply if Council were borrowing the money or obtaining the financial accommodation. Further Council will not transact with a CCTO on terms more favourable than that of Council if Council, was not providing rates as security.

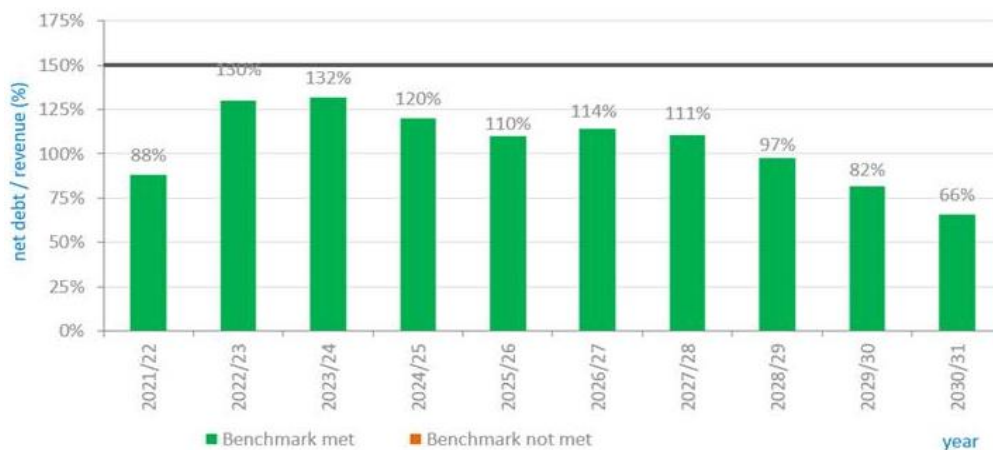
Council will assess risk, and reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

- 7.2 It is also important for loan repayments to commence at an early stage to ensure the cost is spread over time and to recognise the commitment to repayment of the full amount.
- 7.3 Hence the advancement of this loan to Pūkaha is compliant with Council's policy.

8. Debt Profile and Effect on Council Debt Headroom

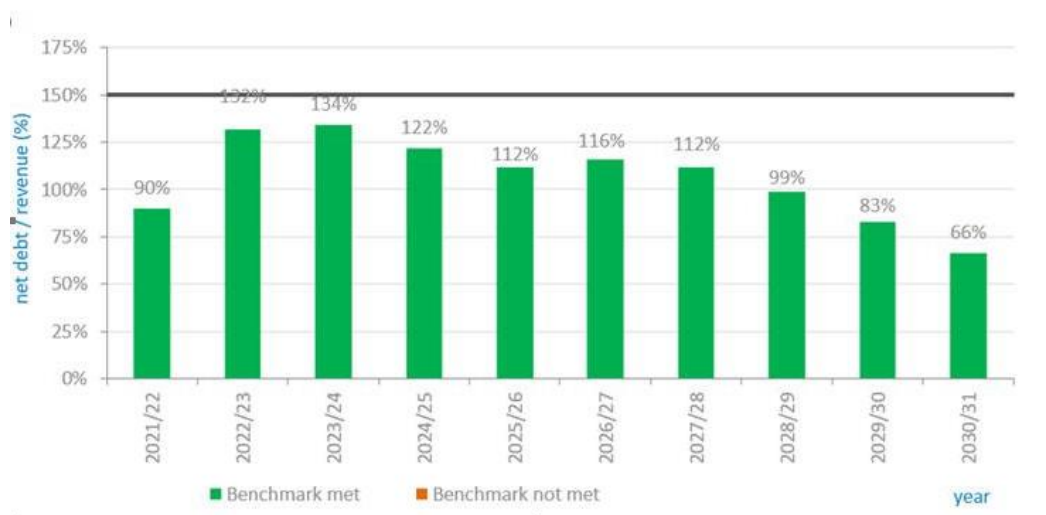
- 8.1 Council Debt will increase by \$1million, above the level set in the Long Term Plan if the loan is approved.
- 8.2 The Long Term Plan has introduced a new debt principal repayment programme into 2021/22 enabling Council to fund its capital programme. This now provides sufficient headroom to allow a loan to Pukaha Mount Bruce to proceed.
- 8.3 On-lending debt to Pukaha will raise Council debt, if drawn in 2021/22, from 88% of revenue to 90% of revenue, and reaching the highest level in 2023/24 at 134% (up from 132%). In dollar terms, the headroom for additional borrowing in 2023/24 is expected to be \$7.2m (down by \$1m).

Debt Affordability Graph *Before* Loan to Pukaha



Debt Affordability Graph After/ Including Loan to Pukaha

(Revised Loan after Lending and Repayment Commencing in Year 6, 2026/27.)



9. Considerations

Securing funding for construction

- 9.1 The Pūkaha Board has developed a Fundraising Strategy, established a fundraising committee and is to launch a public fundraising campaign. Refer to attached *Te Waananga Taiao o Pukaha Fundraising Strategy June 2021*.
- 9.2 As the fundraising programme progresses, Pūkaha requires loan finance to ensure that contractual commitments can be met, and the build programme progresses on time.
- 9.3 The Board is not able to offer a mortgage over Pūkaha assets as they are situated on Crown land. This has made loan negotiations with banks difficult. While they been very supportive and had initially not thought that this would be a major obstacle, the Board has not yet been able to secure any commitment from the banks due to the lack of mortgage security.

Construction Timelines

- 9.4 The Education and Accommodation Centre is being constructed in two stages.
 - Stage 1, which includes civil works, foundation, and floors, is currently under way and on track to be completed by 23 July 2021.

- Stage 2 involves the completion of the building ready for use. The building consent for stage 2 is currently being processed.
 - Construction of stage 2 will start 1 August, subject to the issuing of building consent for stage 1 and 2 and code compliance for stage 1.
 - Stage 2 is expected to be completed and ready for use by August 2022
- 9.5 Delaying the start of stage 2 until funds are raised will have a consequence for the project, and these are summarised as follows:
- add costs to the overall project
 - undermine the momentum the project has already gained
 - delay the completion date and importantly the date when the Centre can be used by the community
 - creates doubt and undermines the case for grants
 - appear as if the Centre is not going to be built and reduces the confidence of the community and schools who are expecting to be able to use the Centre as part of the new and expanded education programmes that are being developed at Pūkaha.
- 9.6 Public fundraising will be easier if the fundraising programme runs parallel with the construction as it will provide sponsors and donors with something tangible and visible for them to directly contribute to.

10. Options considered

- 10.1 There are four approaches to consider for this request. The first is as a grant or suspensory loan, where no payment is expected in return for the project proceeding and objectives being achieved. The second is as a loan or debenture, repayable on crystallisation of a series of events or requirements. The third is a mixture of the two, e.g. a low cost or no interest loan. Finally, Council may provide an indemnity or a guarantee to allow for external banking institution funding to be sought.

Grant

- 10.2 Council reviews applications for grants based on their merits and risk, consistent with Council's strategic goals. Historical precedent and funding within Council budgetary constraints including the purpose of reserves are key determinants of officer reports for decision-making reports to Council.
- 10.3 Existing grants follow different processes due to their diverse nature. Council needs to have discretion for making grants e.g. Mayoral Relief Funds. Each request is assessed following the decision-making framework which gives structure for assessment for significant transactions.
- 10.4 Council grant policy was adopted in 1992 and does not provide a framework to assess requests for funds of this nature. It approves for contingent liabilities for guaranteed of up to \$1,000,000. Accountability Policy for grants of this nature requires a minimum of:

- Provision of a Business Plan
- Provide a set of financial reports
- Report on projects funded by Council
- Half-year and Annual Reports
- Report on specific contract requirements

- 10.5 The Treasury Risk Management Policy provides guidance for the lending. Request for grants in the past have been assessed on a case by case basis and reports reference previous decisions to ensure consistency or approach.

Loan or Debenture

- 10.6 The request is for Council to invest in the project by way of loan. This affords Council with the ability to borrow to match the terms of lending and pass-through its costs in a low-cost transparent manner. It would not trigger materiality in view of its value against that of Council, nor the neutral effect on rates. This would mean it is not a significant transaction.
- 10.7 Council can lend money or make any other financial accommodation to a charitable trust (but not to a Council Controlled Organisation or Council Controlled Trading Organisation) on more favourable terms and conditions than through its own borrowing, using rates as security. (A debenture is an unsecured loan.)

Mix of Grant and Loan

- 10.8 Whilst the request for funding as a loan is an investment, if the terms are more favourable than Council incurs as a cost to provide the funding, then the difference in cost is effectively a grant.
- 10.9 Suspensory loans are a different matter as it commits a future Council to a write-off of the investment as a grant. This is required to be assessed and valued annually on a discounted basis.

Indemnity or Guarantee

- 10.10 This option is where Council provides indemnity if there is a shortfall in project funding up to a certain value, assuming alternative funding sources can be found, or a guarantee where another lender looks to Council should the borrower default. Neither has not been requested by Pūkaha Mount Bruce, and both carry risk of default.

11. Assessing the Request

- 11.1 Council currently does not have a grant policy nor a defined framework to assess a request for funds. Requests for grants in the past have been assessed on a case by case basis and reports reference previous decisions to ensure consistency of approach.

- 11.2 The lack of a policy and framework has been raised as a gap by Council and management is working on developing one.
- 11.3 However, in helping Council decide on this request, management has framed a high-level process which would be used to develop the detailed policy and framework.
- 11.4 Grants are a means of financially supporting community-led initiatives, and in this respect they are fundamentally different from procurement arrangements. When the Council procures from a third party, it is purchasing a service to meet a specific need or requirement, and that service is delivered to the Council's specifications.
- 11.5 In contrast, the initiatives Council support through grants are conceived and delivered by the community, for the community. This distinction will be reflected in the grants programme – in the language used, the processes designed, and the relationships entered into with grant recipients.
- 11.6 A critical principle that will guide decision-making and be included in any grant policy should be the alignment to Council's strategic outcomes in the Long Term Plan. If the grant outcomes do not align any grant request that requires a rates contribution should not proceed further.
- 11.7 This is the critical stage of the process and any request should not proceed further if the rates contribution (payment of grant) is not aligned to the Council's Long Term Plan.
- 11.8 The following staged approach has been considered:

Strategic Alignment

- 11.9 Many funding sources are being sought for this complex project and will only be achieved with support from a collective of organisations, of which Council is a key player. This project is consistent with previous funding requests, including the Tararua Aquatic Community Trust and Bush Multisport Trust. It is a major development for Tararua District and will generate more business opportunity.

Council Mission

- 11.10 Council Mission in the Long Term Plan states "In partnership with tangata whenua and our communities, we will innovate and collaborate to enable a range of opportunities for the Tararua District". This project aligns to the mission statement in that it is in partnership and collaborative with on an innovative project and will provide a range of opportunities for people in Tararua.

Strategic Objectives

- 11.11 The funding request attached in this report details how Pūkaha's goals and Te Waananga Taiao align with the Cultural and Economic wellbeing's and Council's Strategic Objectives in the Long Term Plan. Management has evaluated the strategic alignment and it is summarised below:

| Wellbeing | Strategic Objectives | Limb |
|--|-----------------------------------|--|
| Cultural Our people respect the beliefs, values, histories, and languages of our communities. | Growing Strong Communities | To promote and support our cultural histories. To provide community and recreation facilities to our communities. |
| Economic A vibrant economy that enables a range of opportunities for our people. Environmental Our natural environment is healthy, resilient and cared for. | Building a Vibrant Economy | To promote our district identity. To promote our district as a visitor destination. To support and promote business growth and diversity. To support and facilitate education and training opportunities. |

11.12 Council Activities

The following activities benefit from the proposal include:

- Community development; and
- Economic development

Benefits to Council and the Tararua District

- 11.13 Management reviewed the Provincial Growth Fund application and noted the following as benefits for the Tararua District:
- 11.14 The investment of \$4.6m has been estimated in the business case to have a net economic impact of \$7m in GDP for the wider region over the following five years. It would enable sustainable growth and ongoing re-investment at Pūkaha and provide an additional 10 jobs within the first five years.
- 11.15 The return on the investment into Pūkaha will enable Pūkaha to enhance and extend its contribution to national breeding programmes for endangered wildlife, extend access to on-site interactive environmental and ecology studies for school students and provide vocational training for 200 young people for the regions over 5 years.

- 11.16 Supporting the project will allow Council to further leverage the partnership for economic development initiatives. Council could seek some visitation benefits for Council guests and staff training as part of the support provided.
- 11.17 The training courses will result in increased training and employment opportunities in conservation, forest management, eco-tourism, and culturally based guiding at Pukaha, and increased skills acquisition for local people. This will help address a current skill shortage, provide local employment opportunities, and increase the rate of pest eradication, all of which has direct economic, social, and environmental benefits for the Wairarapa and Tararua regions.
- 11.18 The development and education programme will increase the utilisation of the reserve by over 50%. This will be achieved through the extended opening hours (early morning and night), expanded and applied education training and research programmes, and related employment, skill, and knowledge transfer.
- 11.19 Productivity at Pūkaha will lift by 50% because of increased asset utilisation and increased visitor numbers, achieved through high value guided night forest exploration programmes made possible through the construction and provision of on-site overnight accommodation, and a nocturnal forest boardwalk.
- 11.20 Provides overnight accommodation for schools, community groups, iwi and motorhome users and private groups.
- 11.21 Schools from a radius of over 2 hours travelling time have indicated their commitment to participating in the day visit education programmes and on-site accommodation, especially if complemented by interactive activities.

Risk assessment

11.22 The following are the key risks to Council:

| Risk | Likelihood | Impact | Mitigation |
|---|------------|--|--|
| Project delayed significantly | Medium | Inability to service the interest payment for the loan | <ul style="list-style-type: none"> Project governance Quarterly progress report to Council |
| Project cost estimate significantly higher | Medium | Require more funding to complete the project | <ul style="list-style-type: none"> Fund raising strategy Track record Quarterly progress report to Council |
| Revenue and visitor forecast incorrect | Medium | Inability to service interest and loan repayment | <ul style="list-style-type: none"> Fund raising strategy Track record Quarterly progress report to Council |
| Impact on balance sheet | Low | Reduces ability to make other large grants and reduces debt headroom and increases risk of default | <ul style="list-style-type: none"> Quarterly progress report to Council Debt repayment programme in place (as per Financial Strategy in the Long Term Plan). |
| Project abandoned | Low | Interest and administrative cost already incurred. | <ul style="list-style-type: none"> PGF funding of \$2.5 secured with business case supporting the application Stage 1 completed and demonstrable evidence of commitment to complete project is evident. Quarterly progress report to Council |
| Default on loan repayment as project not successful | Medium | Council may have to write off full or portion of the loan. | <ul style="list-style-type: none"> Sensitivity analysis – shows the variability of net profit range from a loss of \$161K (70% of baseline budget to a profit of \$745K (110% of baseline budget). The forecast includes straight-line depreciation funding over 70 years. Quarterly progress report to Council Board and project governance Fund raising strategy |

12. **Assessment of Options**

12.1 Assessment of the options detailed in paragraph 7 and the possible options that Council may consider to be appropriate to support this project include:

- Do Nothing
- Grant
- Loan (reduced amount)
- Loan (amount requested)
- Debenture

Do Nothing

12.2 Having a community grants programme is an acknowledgement that there are many independent groups and organisations that share Council's objectives, and in many cases are better placed to deliver on them.

12.3 This is always an option, but Council will lose the opportunity to support a community group in delivering a project that aligns to its strategic outcomes who are best placed to deliver this project.

Grant or Suspensory Loan

12.4 The amount requested is significant and a grant or suspensory loan of such a magnitude would require further considerations and could be unaffordable to Council. The Long Term Plan does not include funding for a grant of this size.

Loan (reduced amount)

12.5 The request is for a \$1m loan with nil interest. This option is for a loan of lesser amount with Pūkaha exploring other options for funds. The financial benefit for Council is the increase in debt headroom and lower financial exposure in the event of a default.

Loan (amount requested)

- 12.6 This is the recommended option. The reasons detailed above in paragraph 8 above.

Debenture – Amount Requested (\$1 million)

- 12.7 A debenture is unsecured and may be made interest-free. If interest is not applied, then this option will have a financial impact on Council. Assuming a weighted average interest rate on 2.87% (based on year one interest rate in the Long Term Plan), the interest cost will be \$28,700 and assuming a ten-year term the total cost would be \$287,000.
- 12.8 Is not considered to be a material cost but Council however holds all risks if interest rates or inflation increase. It is not the preferred option.

Repayment Terms

- 12.9 Council can lock in low cost borrowing for a term and this helps mitigate some of Council's interest rate risk.
- 12.10 The date of uplift should be upon issuance of a building consent, upon the signed agreement and commencement of construction. This can be agreed with Pūkaha and detailed in the agreement.

13. Significance Assessment

- 13.1 This matter is not considered significant regarding the Council's policy on significance and engagement and its discretion applies in terms of the recommendation presented for consideration.

14. Conclusion

- 14.1 Te Waananga Taiao is a worthy project for Pūkaha Mount Bruce. It will create multi-generational capacity for our country to respond to changing climate and threats to our native species. It is an investment in our tamariki / children, our future, and one in which Council can choose to partner and have an active role.

Attachments

1. [TDC Formal request for support 21 June final EC](#)
2. [Fundraising Strategy 21 June 2021](#)

15 June 2021

To: Tararua District Council
From Pūkaha Board

Subject: Funding Request for Te Waananga Taiao, (Education & Accommodation Centre)

Background

Pūkaha Mt Bruce, the National Wildlife Centre, has a long and proud history as a wildlife reserve and centre for captive breeding. From a very modest beginning over 50 years ago it now:

- Breeds a number of rare and endangered birds for release in Reserves throughout New Zealand.
- Has a national and international reputation for rare species management.
- Is one of Tararua and the Wairarapa's foremost visitor attractions.
- Hosts over 42,000 visitors annually. (pre-covid numbers)
- Conducts unique guided cultural hiko through the reserve.
- Has a very close working relationship with Rangitāne.
- Has an annual turnover of \$2m.
- Employs 38 staff.

Two years ago, the Pūkaha Board identified Environment and Ecology Education and Edu-Tourism as very high priorities, leveraging the learning and natural assets for the benefit of the community and especially schools. Following the completion of a feasibility study and business case the Board commissioned the planning of an Education and Accommodation centre to be built on the Reserve.

The Centre, now known as Te Waananga Taiao, was designed with significant input from educationalists and Rangitāne. It will provide accommodation for 40 people and includes a whare nui that will seat 150 and sleep 50, catering facilities and whare kai seating 100. Since its inception its uses have grown from hosting school groups to hui, waananga, weddings, community meetings and celebrations. The design has been modified to ensure it will meet all of these purposes and that it will be well utilised. In total Te Waananga Taiao will be 916m².

Te Waananga Taiao is more than just a building. It incorporates the development and delivery of environmental education programmes and is a place of special significance to Rangitāne. The wharenui that is included in the building has been jointly designed by Rangitāne o Wairarapa and Rangitāne o Tamaki nui a Rua and will be adorned with carvings currently being completed by a team of Rangitāne carvers onsite and will be a central place where the two runanga can come together. Te Waananga Taiao is a place to formally recognise and acknowledge Rangitāne as Mana Whenua and a place where opportunities will develop and grow for iwi over the years ahead.

The engagement and participation of Rangitāne has grown exponentially as the design process has progressed and many of the planned uses of Te Waananga Taiao will be facilitated and run by Rangitāne.

As the design process has been progressing Pūkaha has made a major investment in developing the expansion of its education programmes to increase the reach to greater number of schools, develop interactive learning programmes for students at Pūkaha and in the classroom and provide support for teachers. This has been accelerated by the appointment of an Education Director, who is partially funded by local businesses. The new and expanded programmes will be hosted at the centre as an integral part Te Waananga Taiao. An important element of this has already commenced this year with tertiary level vocational training programmes being run at Pūkaha in partnership with UCOL.

The total cost of the Environment and ecology education programme including construction of the new Centre is \$5.2m. The design and construction cost is \$4.6m.

Approximately half (\$2.5m) of the total cost of the programme is being met by the Provincial Growth Fund. The other half is to be met by Pūkaha. This contribution is planned to come from a number of sources; corporate sponsorship, grants, community fundraising and borrowing.

The new facility will provide Pūkaha with greater robustness through the creation of multiple revenue streams such as Education, Corporate hireage (including catering and activities) community groups and events. The new environment and ecology education programme as a whole, including the new Centre, is forecast to increase regional GDP by \$7m within the first 5 years, in addition to the educational, social recreational and cultural benefits.

In February the took the bold step of agreeing to the construction of stage one of the Centre and work began in April. Largely due to COVID the current environment is more challenging than originally anticipated however the rationale for continuing is even stronger.

Governance and Management

The Pūkaha Mount Bruce Board is made up of a number of experienced business people, professionals and representatives from key partners Rangitāne o Wairarapa, Rangitāne of Tamaki Nui a Rua and the Department of Conservation.

The appointment of a new General Manager, Emily Court, in October 2017 was the beginning of a new phase of development and growth for Pūkaha. A new strategic plan was developed and agreed, and the organisation went through a comprehensive rebranding exercise.

As a result of this renewed strategic clarity the Environmental Education Centre concept was tabled by the Pūkaha board in 2019 and a feasibility study undertaken to test market demand, consult with stakeholders, explore opportunities and financial implications for the organisation. The outcome of this feasibility study was a board decision to progress with concept plans and to make an application to the Provincial Growth Fund for support to make the project a reality. This application for \$2.5million was approved in February 2020.

The board has established a sub-committee/steering group that meets regularly to discuss and prepare recommendations for full board decisions based on detailed information to hand from relevant professionals.

Experienced management consultant and project manager Lester Wolfreys, who carried out the feasibility study and PGF application, is leading the programme on behalf of the Pūkaha board.

Waananga Governance and decision making in summary;

- Pūkaha Board oversees the project governance.
- The Board makes all final design and contract decisions and receives recommendations from combined Board / Management Steering Group
- Steering Group and Board receive monthly progress, financial and risk reports from the independent Project Manager.
- Project Manager receives technical advice from the Board appointed: architect, engineer, QS.
- Rangitāne are consulted on all design related issues.

All decisions are directed by a set of core values and factors;

- Alignment with Pūkaha values and those of our key stakeholders
- Cultural appropriateness
- Sustainability, especially materials
- Job creation, especially for Maori
- Contribution to the local economies of Taranaki and Wairarapa
- Build cost.
- Lifetime building /maintenance costs
- Impact on the natural environment – flora and fauna

Key Challenge

One key challenge is raising funds in a timely way to meet construction contract commitments.

The government has committed \$2.5m to the project through the Provincial Growth Fund. This is paid to Pūkaha throughout the project on the achievement of agreed milestones.

A flexible overdraft arrangement in place with Westpac Bank to cover shortfalls between PGF payment dates. This overdraft will enable payments to be made through to August/September however after this time we will require additional outside funding.

Unfortunately, the Board is not able to offer a mortgage over Pūkaha assets as they are situated on crown land. This has made loan negotiations with banks difficult, and we have not yet been able to secure any commitment from them due to the lack of mortgage security.

Fundraising

Before committing to the construction contracts the Pūkaha Board developed and agreed a strategy to raise \$2m to supplement the funds raised to date and complete the building. The strategy (attached) sets specific targets and approaches to raise the required funds from a range of sources in Taranaki, Wairarapa and nationally. It also recognises the need for financial support in the form of borrowing until funds are raised to cover the full capital development costs of the Waananga. This is being sought from local authorities, banks, partners and through debentures.

A fundraising programme to cover the build and fit-out costs has been developed and will be launched in August. The operating costs of the Waananga will be covered by fees charged to those using the facilities.

Pūkaha has a long history and successful history of fundraising and is therefore confident that the targets set are achievable. The last large public fundraising for a capital project was the build of the Free Flight Aviary in 2017 at a cost of \$1.3m. This was achieved through grants and community fundraising. Annual public fundraisers include the annual Pūkaha Wairarapa Garden Tour (raising \$65,000 in 2020), annual supporters dinner (circa \$25,000) and community open day (circa \$10,000).

We also have track record of success with grant funding. Recent successes include: Trust House (\$70k Nocturnal Boardwalk), Pub Charity (Restoration project \$300k 100% funded for last 5 years), DOC Wildlife Institutions Relief Fund (\$200k), MBIE Strategic Tourism Assets Protection Programme (\$450k 2021/22), MBIE PGF (\$2.5m Waananga grant), Jobs for Nature landscape scale rabbit eradication programme (to be announced - pending finalisation of funding agreement).

The fundraising target of \$2million for Te Waananga Taiao is planned to be raised as follows, which is in accordance with the fundraising strategy.

| Type | Target | Details |
|---------------------------------------|--------------------|--|
| Grants (30%) | \$600,000 | ECCT, Lotteries, Central Energy Trust, NZCT, Tindall Foundation, Lion Foundation and others |
| Community incl community groups (20%) | \$400,000 | Minimum of two public fundraising events – including a ‘bush relay’ and fundraising dinner. ‘Sponsor a totara tile’ type offer ‘Give a little’ crowd funding Small bonds/debentures Partnering with community boards, Lions, Rotary and other service clubs to raise funds on our behalf |
| Business / Corporate (20%) | \$400,000 | Sponsorship/naming rights to rooms and specific areas of the building and facilities Discounted or gifted services and materials. |
| High net worth individuals (30%) | \$600,000 | Community bonds / debentures (larger bonds) Gifts/donations |
| | | Direct approach to local philanthropic individuals and families. |
| Total | \$2,000,000 | |

Alignment and contribution to regional strategic goals

The Pūkaha board is seeking the support of local government in both Tararua and Wairarapa regions to assist with funding the current shortfall.

The board acknowledges and appreciates the consistent support and encouragement of the Tararua District Council over many years.

We are proud of the economic, social and cultural contribution that Pūkaha makes to the region and in particular note the increasing engagement of Tararua residents since the introduction of a locals hapori rate in 2018 and the deeper engagement with Rangitāne o Tamaki Nui a Rua throughout the feasibility study process, consultation and design of the new facility now under construction. With the input of Kaumatua Manahi Paewai, a whare nui (and supporting toilet and larger kitchen facilities) and the appointment of three full time carvers to produce Taonga Whakairo for the wharenui was made. Despite the additional cost of these additions, the board believes that they are essential to the project and to the region and have committed to this development.

Pūkaha believes that this new project aligns perfectly with the strategic goals of the Tararua District Council and will make a direct contribution to achieving these.

We believe Pūkaha's goals and Te Waananga Taiao align perfectly with the following Council goals:

To promote and support our cultural histories.

Pūkaha is the last significant remnant of Te Tapere nui o Whatonga and the rights of mana whenua have been acknowledged through the 2017 Treaty of Waitangi Settlement outcomes. Through waananga, te Hikoi o Pūkaha, carved taonga recently installed in the Reserve and carvings that will adorn the whare nui, the story of Rangitāne will take centre stage at Pūkaha over coming years and our local people and visitors from around the nation will come to learn and respect this history.

Of particular importance is the inclusion of a whare nui as a central part of the Waananga. This came about through the direct input of Rangitāne kaumatua who have long seen Pūkaha as a common and central meeting place for Rangitāne rūnanga. A place where their ancestors once lived and where it is fitting that their knowledge is shared and passed to the next generations.

To promote our district identity & to promote our district as a visitor destination.

In the 2018-2019 financial year Pūkaha visitor numbers grew to almost 43,000 people – the largest number since the visitor centre was opened. This growth was continuing through 2019 when the pandemic hit. The full year numbers for 2019-2020 finished at 40,000 – which is an extraordinary figure given the lock down and the tour cancellations that started coming through prior to lockdown.

The Pūkaha team continues to market the region heavily to locals and to the domestic tourism market. Visitor numbers for this year to end of June 2021 is expected to reach 32,000. With no international visitors this is an excellent result. Visitor satisfaction is high, with over 95% 4 star or greater results on google reviews and tripadvisor. Pūkaha's Qulamark Gold status has been reconfirmed in 2021 and national brand exposure through television, magazine, newspaper and social media have been consistently high. Pūkaha has almost 30,000 followers on social media and uses this channel extensively to reach our target audience.

To support and promote business growth and diversity.

An important driver of the Waananga project is the need to grow and improve the commercial side of Pūkaha which supports the environmental, educational and animal related activities. The waananga will help to diversify income streams and reduce reliance on international visitors while also increasing educational and recreational experiences for the community, schools and other visitors.

Using the centre to provide accommodation and environment and educational tourism will increase visitors to Pūkaha all of whom will travel through and spend time and money in the Tararua District. This will benefit businesses and the community and help to strengthen the economic and social diversity of the region.

For example, the Waananga is expected to create up to 10 additional full-time jobs within the first five years of operating.

To support and facilitate education and training opportunities.

Education is an important component of the Pūkaha Strategic plan - one of the eight strategic goals is; 'To be a nationally and internationally recognised place of ecological knowledge and learning.'

Progress towards this goal includes the establishment of a partnership with UCOL to deliver level 3 and level 4 Conservation training programmes on site from February 2021. Both levels have 10 students each and the results so far are very positive.

A full time Pou Matauranga (Education Director) started in January 2021, and she is working to review update current educational resources, establish collaborative partnerships with teachers and educationalists across the regions. An education working group has been established and Tararua is represented by Nicki Harding, HOD Science at Tararua College. Our Education Director is also working closely with colleagues in Hawkes Bay and Wellington to learn from and adopt successful programmes from these regions. Future education programmes will include teacher professional development with delivery both onsite at Pūkaha and outreach delivery in schools.

Request for financial support

The Pūkaha Mount Bruce Board requests financial support from the Tararua District Council in the form of a loan.

We wish to propose the following terms:

- i. Loan amount: \$1m
- ii. Term: Up to 10 years
- iii. Capital re-payments: Year 1-5: \$0; Years 6-10 \$200k pa
- iv. Interest: nil
- v. Reporting/accountability: Quarterly reports will be provided to Council during the term of the loan. The reports will cover matters requested by Council and will include progress on construction and fundraising.

The Board has also explored grants and equity options.

A grant is very attractive, but the Board acknowledges that the amount needed is relatively large and is therefore unlikely to be possible for the Council. It has therefore opted for a loan of the amount needed to ensure the project can continue to proceed as planned. A nil interest loan would help ensure the financial viability of the Centre and support the repayment of the capital.

Annual capital repayments commencing after 5 years will enable the centre to become established and funds to be raised before repayments are due. This will be a significant help to ensure the new Centre and related activities are a success and Pūkaha's energies and focus are not wholly diverted away from the core business and directed into fundraising.

Unfortunately, equity arrangements are very complex and not practically possible due to the mixed ownership structure (Crown and Incorporated Society) of Pūkaha the crown ownership of Pūkaha and the Reserve.

4. Timelines

4.1 Construction

The Education and Accommodation Centre is being constructed in two stages.

- Stage 1, which includes civil works, foundation and floors, is currently underway and on track to be completed by 23 July 2021.
- Stage 2 involves the completion of the building ready for use. The building consent for stage 2 is currently being processed.
- Construction of stage 2 will start 1 August, subject to the issuing of building consent for stage 2 and code compliance for Stage 1.
- Stage 2 is expected to be completed and ready for use by August 2022.

4.2 Financing

- Stage 1 has been financed through by PGF funding and philanthropic grant funding.

- Stage 2 is planned to be funded by PGF funding and fundraising.
- A high-profile public fundraising programme is planned to start 1 August 2021. The Board has set a fundraising target of \$2m. When this is achieved the Centre will be debt free.
- Interim financing of \$1m is required by 1 August to enable the construction of stage 2 to proceed as planned while funds are raised.

4.3 Rationale

- Delaying the start of stage 2 until funds are raised will:
 - add costs to the project.
 - exacerbate the already constrained supply of building materials.
 - undermine the momentum the project has already gained.
 - delay the completion date and importantly the date when the Centre can be used by the community.
 - appear as if the Centre is not going to be built and reduce the confidence of the community and schools who are expecting to be able to use the Centre as part of the new and expanded education programmes that are being developed at Pūkaha.
- Public fundraising will be easier if the fundraising programme and runs parallel with the construction as it will provide sponsors and donors with something tangible and visible for them to directly contribute to



Emily Court
General Manager
Pūkaha Mount Bruce

Te Waananga Taiao o Pukaha

Fundraising Strategy June 2021

Goal

To fund the development of Pūkaha's Environment & Ecology Education Waananga.

Background

The Board has approved a programme budget of \$5.2m for the development of the Environment & Ecology Education Waananga.

This consists of: Education Programme development and staffing \$600k and new facilities \$4.6m including the Education Accommodation Centre.

Crown funding (PGF) of \$2.5m has been committed with the condition that Pūkaha is responsible co-funding in cash or kind the remaining \$2.7m.

Commitments and Pūkaha contributions of \$700k have been confirmed to date, leaving a fundraising target of \$2.0m remaining to complete the build.

Strategy

Engaging public, private and community funding sources to leverage Pūkaha's reputation and the unique ongoing contribution and reciprocal education, environmental, social and economic benefits of the waananga to the community, immediate regions and nationally.

Through:

- Articulating a clear goal and donor benefits
- Time limited intensive highly publicised programme of no more than 12 months
- Targeted plans for each sector: Public Private, Community
- A limited number of highly focused initiatives
- Enlisting support and advice of key individuals
- Co-ordinated planning, management and professional marketing

Objectives

- Raise all funds required within 12 months
- Increase Pūkaha's financial viability and ongoing sustainability
- Achieve the Environment & Ecology Education Waananga programme objectives

Planning & Management

- Fundraising Steering Advisory Group:

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- 3 Board members - Callum Skeet, Moira Paewai, Claire Matthews
- Rangitāne Representative - Mavis Mullens
- Legal support as required
- Campaign front person - Rudd Kleinpaste has agreed to support
- Actions:
 - finalise Strategy and programme roll out details
 - agree budget and commit resources circa \$50k
 - appoint Project manager
 - appoint Marketing Manager

Marketing

- Major Launch function in conjunction with finalisation of stage one (floor and piles)
- Segmented approach
- Integrated programme to maximise leverage and avoid double ups and cannibalisation of existing Pukaha fundraising channels
- Professionally designed and presented proposal and value proposition
- Real time publication of results
- Enlist key individual personalities with local / national profile e.g. Ruud Kleinpaste

Fundraising Market Segments

1. Public

- Targeted grant funding
 - ECCT
 - Lotteries
 - Central Energy Trust
 - Gaming funds e.g. Lion Foundation, NZCT

2. Private

- Businesses (segmented by size)
 - Greater Wellington Region
 - Horizons Region
- Individuals
 - Pūkaha Members & supporters

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- Residents
 - Wairarapa
 - Tararua
- Visitors
 - Wellington
 - National

3. Wider Community

- Geographic: Local, Regional
- Communities of interest: Environment, Education
- Maori communities

Potential Fundraising Instruments

1. **Grants** from government, community, public or philanthropic bodies (Lotteries, Community Trusts etc)

Donor Benefits:

- Achieve funds goals
- Profile: Politicians, Board members etc
- High likelihood of success
- Multiple benefits: Community experience, environment, education,
- Bricks & mortar

2. **Sponsorship**

e.g. Sponsor a bunk room / serviced room / kitchen / roof, decking,

Donor Benefits

- Profile and association with Pukaha
- Naming rights e.g. for a bunk room 'The Breadcraft Room', or Weta Bunk Room
- Choose bird / animal name to go with it
- X nights use for X years
- X Meetings per year for x years
- Tax deduction

3. **Gift**

Money, or products similar as for building sponsorship but for materials, or specific items probably lower value e.g. equipment, indoor / outdoor furniture, IT

Donor Benefits:

- similar to sponsorship but less profile / recognition and fewer return benefits
- flexibility of contribution
- tax deduction

4. **Community Debentures**

Private debentures for a set period e.g. 10 years of a minimum value of \$500 with interest repayable at the end of the term.

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Total amount borrowed by way of debentures to be repaid from net revenue generated by the Education & Accommodation Centre over a 10 year period, with options for the debenture holder to:

- gift some or all of the debenture value at the end of term
- gift the interest
- include the interest as part of the loan

Donor Benefits

- Gift certificates for personal use or use by community/ school groups
- Pukaha Membership
- Free tours or other products for debentures over \$x
- Tax deductions

6. Underwrite

1-5 yr. underwrite of costs until funds are raised.

Donor Benefits

- Similar for sponsorship because of high strategic value
- No cash required

7. Community Events, community sponsorship/donations & Contributory Fundraising

e.g. annual dinner, promotional fundraisers, 'sponsor a tile', Give a Little crowdfunding, Contributory subscriber donation e.g. electricity accounts

Donor benefits:

- Fun social events
- Connection with the project at low cost
- Relatively small pain-free contributions

Fundraising Mix by Instrument

| Instrument | Target | Type | Percentage |
|------------------|--------------------|-------------------|------------|
| Grant | \$600,000 | Cash / Loan(debt) | 30% |
| Sponsorship | \$300,000 | Cash / Kind | 15% |
| Gift/donations | \$410,000 | Cash / Kind | 20.5% |
| Community events | \$40,000 | Cash | 2% |
| Debenture | \$650,000 | Debt | 32.5% |
| Underwrite | as required | Debt underwrite | |
| | \$2,000,000 | | |

Fundraising Segment Mix

| Segment | Target | Percentage |
|--------------------------|-----------|------------|
| Public / Govt | \$600,000 | 30% |
| Private | | |
| • Business | \$400,000 | 20% |
| • High Value Individuals | \$600,000 | 30% |
| Community | \$400,000 | 20% |
| • Individuals | | |
| • Groups | | |

Fundraising Programme

Target: \$2m

Timeframe: August 2021 - August 2022

| Segment | Initiative | Target | Timing |
|---------------------------------|---|------------------|-------------------|
| Public / Govt | | \$600,000 | |
| • ECCT | Grant | • \$250,000 | Due November 2021 |
| • Lotteries | Grant: (Community Facilities, Environment & Heritage) | • \$200,000 | October 2021 |
| • Other | | • \$150,000 | Feb - March 2022 |
| Private (targeted) | | \$400,000 | Aug 2021-Aug 2022 |
| • Businesses | Sponsorship | • \$300,000 | Aug 2021-Aug 2022 |
| | Gifts | • \$100,000 | Aug 2021-Aug 2022 |
| | Underwrite | • \$x | Aug 21-Aug 2022 |
| • High Value Individuals | | \$600,000 | Dec 2020-Aug 2021 |
| | Gifts | • \$100,000 | Dec 2020-Oct 2021 |
| | Sponsorship | • \$200,000 | |
| | High Value Debentures (e.g. | • \$300,000 | Dec 2020-Aug 2021 |

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| | | | |
|------------------------|--------------------------|------------------|---|
| | 60x\$5k debentures) | | |
| | Underwrite | • \$x | Aug 21-Aug 2022 |
| Community | | \$400,000 | |
| • Individuals & Groups | Gifts/donations | • \$100,000 | August 2021 onwards |
| | Debentures (500 x \$500) | • \$250,000 | August 2021 onwards |
| | Contributory fundraising | • \$10,000 | August 2021 onwards |
| | Events | • \$40,000 | August 2021 & Nov 2021, January/February 2022 |

11.8 Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao
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Attachment 1 Draft Loan Agreement for Pukaha National Wildlife Centre

Report

Date : 18 August 2021
To : Mayor and Councillors
Tararua District Council
From : Raj Suppiah
Group Manager - Corporate
Subject : **Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao (Education and Accommodation Centre) Project**
Item No : **11.8**

1. Recommendation

- 1.1 *That the report from the Group Manager - Corporate dated 18 August 2021 concerning a loan agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao (Education and Accommodation Centre) Project (as circulated) be received, and*
- 1.2 *That the loan agreement be approved, and delegation is given to the Chief Executive to finalise the agreement, and*
- 1.3 *That the Mayor and Chief Executive are authorised to sign the agreement on behalf of Council.*

Executive Summary

Council on 30 June resolved to extend a one-million-dollar loan to Pūkaha National Wildlife Centre for support toward the cost of developing the Te Waananga Taio (Education and Accommodation Centre) project.

Staff have worked with Pūkaha, obtained legal advice and drafted the loan agreement. In the 30 June report staff indicated the desire to partner with Pūkaha will be reflected in the grants programme – in the language that we use, the processes we design, and the relationships we enter with grant recipients.

Hence, staff attempted to use language in the loan agreement that reflects the Council's intent to partner with Pūkaha to support through this loan a community led project.

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2. Reason for the Report

- 2.1 To review and approve the Loan Agreement to Pūkaha National Wildlife Centre for support toward the cost of developing the Te Waananga Taio (Education and Accommodation Centre) project.

3. Significance Assessment

- 3.1 This matter is not considered significant regarding the Council's policy on significance and engagement, and its discretion applies in terms of the recommendation presented for consideration.

4. Options

- 4.1 The Key conditions in the Loan Agreement are:

| Key conditions/Council's Resolution | Para in loan report |
|---|---|
| Purpose/Use of loan | Para 2.2 |
| Partnership principles | Para 2.3 to 2.5 |
| Pre- conditions | Para 3.1 |
| Borrowing and Repayment Terms | Para 6 |
| Interest payments | Para 5 |
| Risk Management and accountability (reporting) | Para 7 – Representations and Warranties Para 8 – Financial Information |
| Council provides a grant in year one equivalent to the interest cost | Para 5.2 |
| Management be requested to consider making funding provisions for a grant in the Annual Plans for years two and three of the loan periods to assist with the interest cost. | Para 5.1 (a) |

5. Conclusion

- 5.1 The Loan Agreement to Pūkaha National Wildlife Centre for support toward the cost of developing the Te Waananga Taio (Education and Accommodation Centre) project be approved, and the Chief executive be given the delegation to finalise the document for signing.

Attachments

11.8 Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao
(Education and Accommodation Centre) Project

Attachment 1 Draft Loan Agreement for Pukaha National Wildlife Centre

1. Draft Loan Agreement for Pukaha National Wildlife Centre

Loan Agreement

between
Tararua District Council
and
Pūkaha Mount Bruce Board

FitzherbertRowe
— LAWYERS —

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Loan Agreement

Date: "Date" "Month" 2021

Parties

Tararua District Council (Lender)

Pūkaha Mount Bruce Board (Borrower)

Background

The Lender has agreed at the request of the Borrower to provide the Borrower with a term loan facility in the maximum aggregate amount of one million dollars (\$1,000,000) on the terms set out in this agreement.

Agreement

1. Interpretation

Definitions

1.1 In this agreement unless the context otherwise requires:

Drawing means the one million dollars (\$1,000,000) drawing made, to be made or deemed to be made by the Borrower under the Facility;

Event of Default means any of the events set out in clause 90;

Expiry Date means [date];

Facility means the term loan facility whereby, on the terms set out in this agreement, the Lender agrees to make the Drawing available to the Borrower;

Drawdown Date means the date this agreement is executed.

Interest Payment Date means the last day of the Interest Period;

Interest Period means, in relation to the Outstanding Amount, the 3-month period beginning on the day after the immediately preceding Interest Period provided that:

- (a) an Interest Period which commences on a day for which there is no numerically corresponding day in the month when that Interest Period expires is to end on the last Working Day of that month; and
- (b) if an Interest Period would extend beyond the Expiry Date it will be shortened so that it ends on the Expiry Date;

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Interest Rate means a variable interest rate based on a weighted average of the Lender's borrowing rates with the NZ Local Government Funding Agency as notified by the Lender to the Borrower from time to time.

Outstanding Amount means, at any time, the aggregate principal amount of the outstanding Drawing;

Outstanding Moneys means, at any time, the sum of the Outstanding Amount and all interest (including default interest), fees, other costs and expenses and all other moneys owing by the Borrower to the Lender under the Transaction Documents;

Potential Event of Default means any event or circumstance which, with the giving of notice or lapse of time, the making of a determination or the fulfilment of any other requirement (or any combination of any of those things), in the Lender's opinion may become an Event of Default;

Repayments in respect of a period of time, means all repayments made against the Outstanding Amount in that period of time;

Repayment Date means each date listed in the repayment schedule set out in clause 0;

Term means the term of the Facility beginning on the Drawdown Date and ending on the Expiry Date; and

Working Day means any day other than a Saturday, Sunday, or statutory public holiday on which trading banks in New Zealand are open for business. A Working Day is deemed to commence at 9.00 am and terminate at 5.00 pm.

Reference to terms

- 1.2 Unless the context otherwise requires, a reference in this agreement to:
- (a) a **law** includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, bylaw, statute, treaty, permit, authorisation or other legislative measure, in each case of any jurisdiction whatever and includes any future law, and **lawful** and **unlawful** will be construed accordingly; and
 - (b) a **security interest** includes a "security interest" (as defined in section 17 of the Personal Property Securities Act 1999), a mortgage, encumbrance, lien, pledge, charge, lien, finance lease, deferred purchase, sale and repurchase, flawed asset, sale and leaseback, title retention, assignment by way of security, trust, hypothecation, and any other security agreement or arrangement of whatsoever nature (however described) that in effect is, or has the commercial effect of, a security.

Interpretation

- 1.3 In this agreement unless the context otherwise requires:
- (a) A reference to a person includes any other entity or association recognised by law and vice versa.
 - (b) Words referring to the singular include the plural and vice versa.

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- (c) Any reference to a party includes:
- (i) that party's executors, administrators, or permitted assigns; or
 - (ii) if a company, limited partnership, or any other body corporate, its successors or permitted assigns or both.
- (d) Where a party is made up of more than one person, the liability of each of those persons is joint and several.
- (e) Words importing any gender will include all other genders.
- (f) Clause headings are for reference only.
- (g) References to clauses are references to clauses of this agreement.
- (h) Reference to any document includes reference to that document as amended, novated, supplemented, or replaced from time to time.
- (i) References to money will be New Zealand currency, unless specified otherwise.
- (j) Expressions referring to **writing** will be construed as including references to words printed, typewritten or otherwise visibly represented, copied or reproduced (including by fax or email).
- (k) References to statutory provisions will be construed as references to those provisions as amended or re-enacted or as their application is modified by other provisions from time to time.

2. Facility and Purpose

Grant of Facility

- 2.1 The Lender agrees to make the Facility available to the Borrower, on the terms set out in this agreement.

Purpose

- 2.2 The Facility must be used for the development of the Borrower's Te Waananga Taiao (Education & Accommodation Centre) project in accordance with any plans and specifications supplied by the Borrower to the Lender.

Partnership Principles

- 2.3 The Partnering Principles means:
- (a) a business relationship between the parties based on mutual trust;
 - (b) openness, promptness, consistency and fairness in all dealings and communications between the parties, their agents, and Representatives;
 - (c) an early warning system in respect of any issue or concern that is developing, including the timely supply of information as and when due, raising such issue or concern at the earliest possible opportunity;

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- (d) non-adversarial dealings between the parties and constructive mutual steps to avoid differences and to identify solutions; and
 - (e) open, prompt and fair notification and resolution between the parties of any differences or disputes which may arise or be apprehended.
- 2.4 The parties agree to conduct themselves in a manner which is consistent with the Partnering Principles in their day-to-day interaction and in performing their obligations under this agreement.
- 2.5 The Partnering Principles is a non-binding statement of intent.

3. Condition

Pre-conditions

- 3.1 The Facility is not available until the Lender has received each of the following, in form and substance reasonably satisfactory to it:
- (a) an executed copy of this agreement;
 - (b) such other documents and evidence (including legal opinions) as the Lender or its solicitors may require
- and there being no material adverse changes in relation to the Borrower before drawdown is made.

4. Drawings

- 4.1 Subject to clause 0, the Borrower will drawdown One Million dollars for the purpose set out in clause 0 provided that:
- (a) **Representations:** all the representations and warranties set out in clause 0 are true and correct in all material respects on the proposed Drawdown Date by reference to the circumstances then existing;
 - (b) **No Default:** no Event of Default or Potential Event of Default is continuing or is likely to occur as a result of the making of drawing down the Facility;
 - (c) **Material Adverse Change:** there has been no material adverse change in relation to the Borrower; and
 - (d) **No Illegality:** it is not unlawful or contrary to any directive to make the Facility available.

5. Interest

Interest Payment

- 5.1 Interest payments are to be made as follows:
- (a) For the first 36 calendar months from the Drawdown Date, the Lender may charge interest at a rate not to exceed the Interest Rate.

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The Lender will consider the financial position of the Borrower when considering whether to charge Interest and if so at what Interest Rate. However, the Borrower acknowledges that the matter is entirely at the discretion of the Lender.

- (b) After 36 calendar months Interest will be payable at the applicable Interest Rate.

- 5.2 During the first 12 calendar months from the Drawdown Date, the Lender will make a grant to the Borrower equal to the Borrower's interest obligations under clause 5.1 subject to the Borrower complying with its obligations under this agreement. The grant will be effected by way of a set-off so that the Lender will not be required to make any cash payment to the Borrower.
- 5.3 Any Interest payable under this agreement will be payable on each Interest Date for the Interest Period immediately preceding that Interest Date.

Calculation

- 5.4 Interest will:
 - (a) accrue on the Outstanding Amount daily from the first day of the relevant Interest Period to the last day of that period; and
 - (b) be calculated on the basis of a year of 365 days and the actual number of days elapsed.

6. Repayment

Repayment of Drawings

- 6.1 The Borrower will make scheduled amortisation repayments in permanent reduction of the Outstanding Amount in accordance with the schedule of payments set out below:
 - (a) Provided it meets all its other obligations under this agreement, the Borrower will not be obliged to make any repayment until the fifth anniversary of the Drawdown Date. This is subject to clause 6.6 below.
 - (b) After the fifth anniversary of the Drawdown Date, the Borrower must make principal repayments of at least two hundred thousand dollars (\$200,000) before each subsequent anniversary of the Drawdown Date.

Final Repayment

- 6.2 The Borrower will repay any Outstanding Moneys on the Expiry Date.
- 6.3 In the event that the Borrower wishes to extend the Expiry Date (or defer or reduce any part of the Outstanding Amount then the Borrower may request that the Lender enter into discussions on the matter). The Lender will consider the request in good faith but will not be obliged to agree to any proposal or request and the Borrower acknowledges that as a public body the Lender will be required to protect its interest in the Amount Outstanding.

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Re-borrowing

- 6.4 Any amounts repaid or prepaid may not be re-borrowed.

Voluntary repayment

- 6.5 The Borrower may prepay the Outstanding Amount (in whole or in part and if in part) before the Expiry Date. Any prepayment in full under this agreement will be made together with accrued interest on the amount prepaid.
- 6.6 Despite the provisions of clause 6.1, the Borrower agrees that it will use all reasonable endeavours to prepay all or some of the Outstanding Amount in advance of the required payment dates where this is reasonably practicable. The Borrower must take positive steps to obtain alternative sources of financing that will enable it to repay the Outstanding Amount as soon as it is able to do so.

7. Representations and warranties

Representations and warranties

- 7.1 The Borrower represents and warrants to the Lender that:
- (a) **Duly formed:** It is duly incorporated and validly existing under the laws of New Zealand capable of suing and being sued and has the power and authority to own its assets and to carry on its business;
 - (b) **Properly authorised:** it has the power and has taken all necessary action to execute and deliver and to exercise its rights and perform its obligations under the Transaction Documents to which it is a party;
 - (c) **Valid and binding:** its obligations under the Transaction Documents to which it is a party are legal, valid and binding obligations enforceable against it and all acts, conditions and things required by any relevant law to be done, fulfilled and performed in order to:
 - (i) enable it lawfully to enter into, exercise its rights and perform its obligations under the Transaction Documents to which it is a party;
 - (ii) ensure that its obligations under the Transaction Documents to which it is a party are legal, valid, binding and enforceable against it; and
 - (iii) make the Transaction Documents admissible in evidence, have been done, fulfilled and performed;
 - (d) **No Event of Default:** no Event of Default or Potential Event of Default has occurred and is continuing;
 - (e) **No contravention:** its entry into, and exercise of its rights and performance of its obligations under, the Transaction Documents to which it is a party does not and will not conflict with, violate or contravene:
 - (i) any applicable law;
 - (ii) its constitutive documents; or

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- (iii) any document which is binding on it or any of its assets,
or cause any limit on its powers or the powers of its directors to be exceeded;
- (f) **Information:** all information provided to the Lender (including, to avoid doubt, information provided to satisfy a condition in clause 0) was true complete and accurate (or in the case of prospective financial information, based on reasonable assumptions arrived at after due and reasonable enquiry) in all material respects and not misleading in any material respect at the time it was provided, by reference to the circumstances then existing and no material adverse change has taken place in respect of it since the information was provided to the Lender;
- (g) **Full disclosure:** it is not aware of any material facts or circumstances that have not been disclosed and that would, if disclosed, materially adversely affect the decision of a person considering whether or not to provide finance to it;
- (h) **No default:** it is not in default of any agreement relating to indebtedness, or any other agreement with the Lender or any financial institution and no event has occurred or circumstance exists which with the giving of notice or the expiration of time, the making of a determination or the fulfilment of any other requirement (or any combination of any of these things) would constitute such a default;
- (i) **Solvency:** it is solvent and is able to pay its debts as they become due in the normal course of business;
- (j) **Compliance with law:** it has complied with all laws, breach of which could on its own or when taken with any other such breaches have a material adverse effect on it;
- (k) **No security interests:** no security interest exists over all or any of its present or future revenues, assets or other property (other than any security interests permitted by the Lender); and
- (l) **No immunity:** neither it, nor any of its assets, has any immunity from suit or from distress, execution or attachment.

Reliance

- 7.2 The Borrower acknowledges that the Lender has relied on the representations and warranties set out in clause 0 in agreeing to provide the Facility to the Borrower.

8. Financial Information

Deliver Information

- 8.1 The Borrower will deliver to the Lender (in each case in form and substance satisfactory to the Lender):
- (a) on each Interest Payment Date copies of its quarterly unaudited management accounts (which must be accompanied by a project report(s) on such matters as the Lender directs); and

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- (b) promptly on request from time to time such other information related to the business, affairs, financial condition or operations of the Borrower as the Lender may reasonably request from time to time.

9. Events of default

Events

- 9.1 If at any time and for any reason (whether or not in the control of the Borrower) any of the following events occur then the Lender may declare that an Event of Default has occurred:

- (a) **Failure to Pay:** the Borrower fails to pay any amount payable by it under this agreement on the due date;
- (b) **Other Obligations:** the Borrower fails to observe or perform any of its other undertakings, obligations or agreements under any Transaction Document and such failure, if capable of remedy, is not remedied to the satisfaction of the Lender within 5 Working Days of its occurrence;
- (c) **Misrepresentations:** any representation, warranty or statement made or deemed to have been made by or on behalf of the Borrower at any time (including, without limitation, in any Transaction Document or any certificate or notice) is or becomes untrue, inaccurate or incorrect in any material respect when made or deemed to have been made or repeated;
- (d) **Material Adverse Change:** there is a material adverse change in relation to the Borrower or circumstances exist or events occur that can reasonably be expected to result in a material adverse effect on it;
- (e) **Insolvency:** The Borrower becomes insolvent;
- (f) **Litigation:** any litigation arbitration or administrative proceeding or claim is pending or threatened against the Borrower which, if adversely determined, is likely to have a material adverse effect on it; or
- (g) **Change in Control:** there is a change of control of the Borrower without the Lender's prior written consent;
- (h) **Unlawfulness:** it is or will become unlawful for the Borrower to perform any of its obligations under a Transaction Document;
- (i) **Invalidity:** any Transaction Document becomes or is claimed to be void, illegal, invalid, unenforceable or of limited force and effect (in whole or in part).

Remedies

- 9.2 At any time after making a declaration under clause 0, and while the Event of Default is continuing, the Lender may exercise all or any of its rights, powers and remedies under this agreement and at law.

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10. **Default Interest and Indemnities**

Default Interest

- 10.1 The Borrower will pay to the Lender default interest on each amount (including interest) which is not paid when it is due if demanded by the Lender. The period beginning on the due date for payment of any sum due and payable under this agreement and ending on the date on which the relevant obligation to pay such sum is discharged will be divided into successive periods, each of which (other than the first) will start on the last day of the preceding such period and the duration of each of which (being not less than one month) will be selected by the Lender. During each such period (after as well as before judgment) the outstanding balance of the unpaid sum will incur default interest at the rate per annum which is the sum of the Interest Rate plus a margin not to exceed 10 per cent per annum as notified by the Lender.

Payment of Default Interest

- 10.2 Interest accruing under clause 0 will be due and payable, without the need for demand, at the end of each period by reference to which it is calculated and if not paid will compound as from the last day of each such period.

11. **Payments**

Payment to Lender

- 11.1 Any payment to the Lender is to be made:
- (a) in New Zealand dollars in immediately available funds at the time specified in the relevant Transaction Document (or, if no time is specified, during normal banking hours on the due date to the account previously notified by the Lender);
 - (b) free and clear of any restriction or condition;
 - (c) free and clear of and (except to the extent required by law) without any deduction or withholding on account of any tax or directive; and
 - (d) without any deduction or withholding (except to the extent required by law) on account of any other amount, whether by way of set-off or otherwise.

Working Day Payments

- 11.2 If any sum falls due for payment on a day which is not a Working Day, that payment must (unless otherwise provided in this agreement) be made on the next Working Day, unless the result of such extension would be to carry the payment over into another calendar month, in which event such payment must be made on the immediately preceding Working Day and interest will be adjusted accordingly.

12. **Severance**

- 12.1 If any provision of this agreement is held to be unenforceable, illegal, or invalid by any court or tribunal:
- (a) the rest of this agreement will remain in full force and effect;

11.8 Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao
(Education and Accommodation Centre) Project
Attachment 1 Draft Loan Agreement for Pukaha National Wildlife Centre

- (b) the parties will co-operate to ensure that the spirit and intention of this agreement is carried out as far as is reasonably possible; and
- (c) the parties will, if necessary, amend this agreement accordingly.

13. Notices

13.1 Any notice or other communication (**Notice**) given under this agreement must be in writing.

13.2 A Notice may be served personally or sent to the relevant party's following communication points:

Lender: [confirm]

Address: [confirm]

Email: [confirm]

Attention: [confirm]

Borrower: Pūkaha Mount Bruce Board

Address: Mount Bruce, 85379 State Highway 2, Masterton / Tararua

Email: [confirm]

Attention: [confirm]

13.3 Each party will notify the other in writing of any changes to the communication points.

13.4 Notices are deemed served at these times when:

- (a) given personally, on delivery; and
- (b) sent by email, when acknowledged by the party, orally, by return email or otherwise in writing, but return emails generated automatically will not constitute an acknowledgement.

13.5 Any Notice served on a Saturday, Sunday, or public holiday is deemed served on the first working day after that day.

13.6 If the party is a:

- (a) natural person the Notice may be given to that person or the Representative named above, if any;
- (b) partnership the Notice may be given to any partner or the Representative named above, if any; or
- (c) company or limited partnership the Notice may be given to a director of that party or a director of the general partner of that party or the Representative named above, if any.

If a person refuses to accept the Notice, it may be brought to their attention and left in a place accessible to them.

11.8 Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao
(Education and Accommodation Centre) Project
Attachment 1 Draft Loan Agreement for Pukaha National Wildlife Centre

13.7 Each party receiving a notice (or any documents relating to it):

- (a) will be entitled to rely on, without the need to carry out any investigation or make further enquiry, such notice (or such other documents) which purports to have been given by any other party under this agreement (or such other documents);

and, provided they have acted in good faith,

- (b) will not be liable to that other party in any way should any such notice subsequently be proven not to have been authorised by that other party or to have been made, given, or signed by someone other than that other party or an authorised officer of that other party.

14. **Assignment**

No assignment

- 14.1 The Borrower may not assign or transfer any of its rights, benefits or obligations under or in relation to this agreement without the Lender's prior written consent.

15. **General**

No implied waiver

- 15.1 Time will be of the essence but no failure or delay by the Lender to exercise (in whole or in part) any right, power or remedy under this agreement will operate as a waiver of that right, power or remedy. The single or partial exercise of any right, power or remedy under this agreement does not preclude the exercise of any other right, power or remedy, or its further exercise.

Amendment, Waivers and Consents

- 15.2 Any provision of this agreement may not be amended unless it is in writing signed by all of the parties and any Event of Default may be waived before or after it occurs only if the Lender so agrees in writing. Any such waiver and any consent under any provision of this agreement may be given subject to any conditions thought fit by the person giving that waiver or consent. Any waiver or consent given by a party in accordance with this clause will be effective only in the specific instance and for the specific purpose for which it is given.

Governing law and jurisdiction

- 15.3 This agreement is governed by and construed according to the laws of New Zealand and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand in respect of any dispute or proceeding arising out of this agreement.

Further assurance

- 15.4 The Borrower will execute all documents and do all other acts and things required by the Lender to enable the Lender to fully protect its interests under this agreement and any Security.

11.8 Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao
(Education and Accommodation Centre) Project
Attachment 1 Draft Loan Agreement for Pukaha National Wildlife Centre

Counterpart copies

- 15.5 This agreement may be executed by each signatory in separate counterpart copies, whether originals, photocopies, fax, or electronic copies. When each signatory has executed at least one copy, the separately signed documents when brought together will form a binding legal document.

11.8 Loan Agreement between Council and Pukaha National Wildlife Centre for the Te Waananga Taiao
(Education and Accommodation Centre) Project
Attachment 1 Draft Loan Agreement for Pukaha National Wildlife Centre

Signed by Tararua District Council

1

2

Mayor signature

3

Tracey Colis

Mayor's full name

Chief Executive signature

4

Bryan Nicholson

Chief Executive's full name

5 Signed by **Pūkaha Mount Bruce Board** :

6

7

Director's signature

8

Director's full name

Director's signature

9

Director's full name



Report

Date : 25 June 2025
To : Mayor and Councillors
Tararua District Council
From : Bryan Nicholson
Chief Executive
Subject : **Pūkaha Mount Bruce Board - proposal to transfer loan to Rangitāne Tū Mai Rā Trust**
Item No : **L.2**

1. Recommendation

- 1.1 *That the report from the Chief Executive dated 24 June 2025 concerning the Pūkaha Mount Bruce Board - proposal to transfer loan to Rangitāne Tū Mai Rā Trust be received.*
- 1.2 *That Council agrees in principle to the proposal to transfer the loan of \$1,000,000 to Rangitāne Tū Mai Rā Trust.*
- 1.3 *That the Chief Executive be delegated authority to negotiate the terms and conditions of the transfer of the loan from Pūkaha Mount Bruce Board to Rangitāne Tū Mai Rā Trust, subject to confirmation of the agreement by Council in a public excluded report.*

Executive Summary

In 2021, Council advanced a 10-year term loan of one million dollars to Pūkaha Mount Bruce Board (the Board) to support the development of an educational facility at the Pūkaha National Wildlife Centre, just south of Eketāhuna. The loan was interest bearing with the ability to charge interest from the second year. The loan was unsecured, with the option to request security.

Regrettably, the Board is facing financial difficulties and there is a risk that it will not be able to service the loan agreement for the remaining term.

Council has received a proposal from Rangitāne Tū Mai Rā Trust to take over the Board's obligations under the loan agreement for the remainder of the term. This proposal is made on the basis that no further interest will be charged over the term.

Approval in principle is sought from Council to explore the proposal to transfer the loan to Rangitāne Tū Mai Rā Trust, and for delegation to the Chief Executive to negotiate terms and conditions of this transfer, with the final agreement to be approved by Council.

It is acknowledged there will be a high public interest in this decision, so it is brought to Council in public forum, with the terms and conditions (once negotiated) to be considered and approved by Council in a later public excluded meeting.

2. Reason for the Report

- 2.1 The purpose of this report is to seek Council's approval in principle for the Chief Executive to enter negotiations to transfer the Loan Agreement from the Board to Rangitāne Tū Mai Rā Trust.

3. Background

- 3.1 On 30 October 2021 Council entered a Loan Agreement with the Board to provide a term loan facility of one million dollars (\$1,000,000). The term of this loan was 10 years, expiring on 30 October 2031.
- 3.2 The decision to grant the loan to the Board to support the development of educational and conservation premises for the Pūkaha National Wildlife Centre acknowledged the importance of the centre to the Tararua district.
- 3.3 The loan was drawn down and advanced to the Board in October 2021.
- 3.4 The loan provided that for the first 12 calendar months of the term, Council was to make a grant to the Board equal to its interest obligations, by way of set off. Thereafter, for the next two years, Council was able to charge interest after first considering the Board's financial position. After 36 calendar months, interest was to be payable at the applicable interest rate.
- 3.5 The Board was not required to make any repayments of the principal until the fifth anniversary of the loan, from October 2026.
- 3.6 Council has through its Annual Planning process made grants to the Board for interest in 2023 and 2024 financial years.
- 3.7 As part of the 2024-2034 Long Term Plan, Council consulted with the community on reducing its external grant funding and creating a contestable fund of \$100,000 that would ensure fairness and transparency in allocation of funds from Council moving forward. As a result of this, the annual grant Council had been providing

the Board of \$14,000 (excluding GST) was no longer budgeted, and the Board was directed to apply to the contestable fund once it opened for applications.

- 3.8 Council budgeted to receive interest revenue for the loan from 1 July 2024 onwards.
- 3.9 Council has invoiced the Board for \$41,440.00 in interest costs incurred in accordance with the loan agreement for the 1 July 2024 – 30 June 2025 financial year.
- 3.10 Council was made aware that the Board was facing some financial difficulties in March 2025.
- 3.11 At present, Council is an unsecured creditor, but the loan agreement gives Council the ability to request security, and security has been requested.
- 3.12 Discussions with the Board and Rangitāne Tū Mai Rā Trust have been ongoing.
- 3.13 As a result of these discussions, a proposal has been received from Rangitāne Tū Mai Rā Trust to take over the Board's obligations under the loan, on the basis that the loan agreement is varied to not include interest costs for the remaining term.

4. Financial considerations

- 4.1 To date this loan has incurred interest costs totalling \$160,081.80 (October 2021 – June 2025).
- 4.2 Council has budgeted to receive interest revenue for this loan and loan repayments in accordance with the loan agreement. Total interest revenue budgeted in the 2024-2034 Long Term Plan for the loan term was \$139,000, however updated figures based on current interest rates estimate Council should receive approximately \$187,000 over the term of the loan.
- 4.3 As part of the 2024-2034 Long Term Plan, the Board made a submission to Council to consider:
 - 4.3.1 *Reduce annual operating grant previously provided – this will be an annual \$10,000 operational expenditure increase.*
 - 4.3.2 *Staggered introduction of interest costs – this will be an operational expenditure increase based on Council's forecasted interest rates in the LTP as follows:*
 - Year 1 - \$23,550*
 - Year 2 - \$12,960*
 - Year 3 - \$4,560*
- 4.4 In the deliberations report to the Finance and Performance Committee (Deliberations on Matters Raised During Long Term Plan Consultation, 19 June

2024), officers provided elected members with the following operational impact for this proposal:

If both options proposed were approved the total operational impact would be as follows:

Year 1 - \$33,550 (0.10% rates increase)

Year 2 - \$22,960 (0.059% rates increase)

Year 3 - \$14,560 (0.035% rates increase) Years 4 to 10 - \$10,000 annually (0.022% rates increase each year)

- 4.5 The request from the Board was declined and no grants were approved for the Board, which was encouraged to make an application through the contestable process. The Board was successful in securing \$12,000 from this fund in February 2025.
- 4.6 Council has invoiced for interest costs incurred in accordance with the loan agreement totalling \$41,440 for the 1 July 2024 – 30 June 2025 financial year.
- 4.7 Estimated interest revenue remaining over the life of this loan is \$146,000 (noting this will change as a result of actual interest rates differing from those rates budgeted).
- 4.8 Not receiving interest over this period means there will be a cost incurred by Council for the remaining term equal to interest costs. Over the next six financial years, this is projected to be an average of \$25,000 per annum.

5. Significance Assessment

- 5.1 The decision is not considered significant when assessed against Council's Significance and Engagement Policy:
- 5.1.1 It does not have a substantial tangible impact on the district, in terms of service levels and the manner in which revenue is obtained;
- 5.1.2 The decision does not impact the level of service of a significant activity;
- 5.1.3 Future Councils are not committed to long term interest costs of greater than 5% of Council operational costs;
- 5.1.4 The decision does not have a new impact on Council or the rating levels of its communities (it is within Financial Strategy limit);
- 5.1.5 The decision does not represent a new strategic direction for Council.
- 5.2 It is acknowledged there is a level of community interest in this decision.

6. Options

- 6.1 Council has two options available to it. They are:
- 6.1.1 Accept the proposal in principle and negotiate terms and conditions with Rangitāne Tū Mai Rā Trust (noting that interest costs will be incurred by Council, and Council will seek security for the loan).
- 6.1.2 Not accept the proposal from Rangitāne Tū Mai Rā Trust and continue to seek security and recover interest under the loan agreement from the Board.

7. Assessment of options

- 7.1 Due to the financial difficulties faced by the Board, and the position of Council as an unsecured creditor, a real risk exists that the principal amount and interest under the loan agreement may not be recovered by Council if it does not transfer the loan to Rangitāne Tū Mai Rā Trust.
- 7.2 The proposal from Rangitāne Tū Mai Rā Trust presents an opportunity to secure the principal sum Council has advanced under the loan agreement. However, accepting this proposal means Council will not be able to recover any further interest under the loan agreement. This cost will have to be incurred by Council for the remaining term.
- 7.3 Council has an obligation under the Local Government Act 2002 to make financially prudent decisions to ensure long term sustainability and responsible stewardship of public resources.
- 7.4 Council must also ensure compliance with its own funding and financial policies.
- 7.5 Accepting the proposal from Rangitāne Tū Mai Rā Trust supports prudent financial management and is compliant with Council policy by promoting the long-term interests of the community. While this may mean forgoing the interest, this option increases the likelihood of full principal repayment, which otherwise might be at risk.

8. Consultation

- 8.1 As this matter is not considered significant under Council's Significance and Engagement Policy, consultation or engagement with the community is not required and Council may decide, taking into consideration those who are affected by, interested in or likely to have a view on the decision.

9. Conclusion

- 9.1 Approving the proposal from Rangitāne Tū Mai Rā Trust in principle is financially prudent, consistent with the Local Government Act 2002, and in the long-term interests of the community.

- 9.2 By exploring the proposal to transfer the loan agreement, Council has an opportunity to negotiate security for the loan, to further safeguard its principal investment.

Attachments

Nil.



Report

Date : 17 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Dan Erard
Tararua Alliance Manager

Subject : **Tararua Alliance Audit Risk Committee Report**

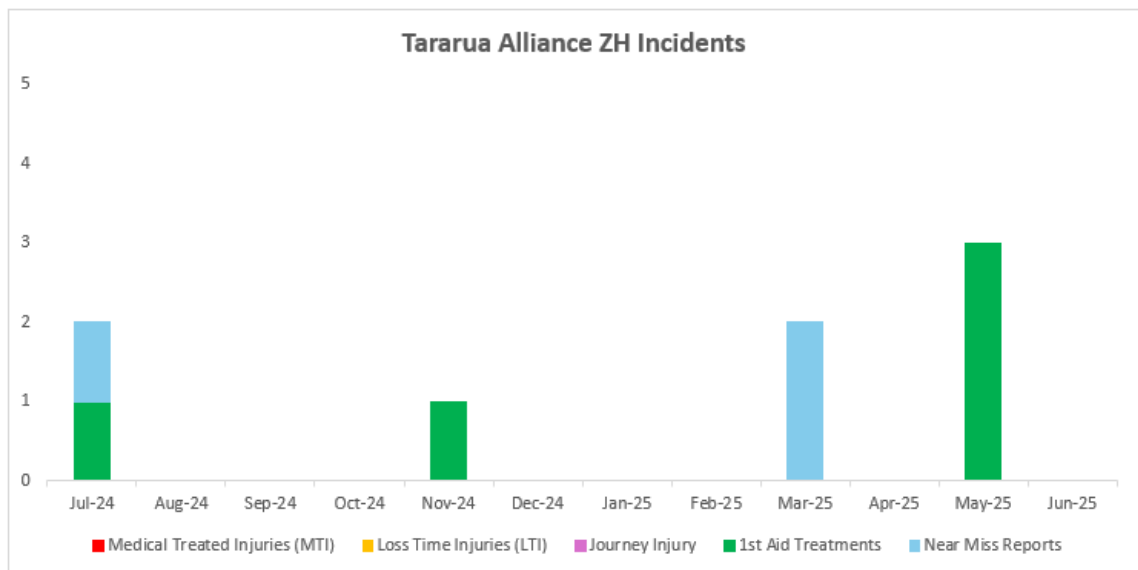
Item No : **7.2**

1. Recommendation

- 1.1 *That the report from the Tararua Alliance Manager dated 10 July 2025 concerning the Tararua Alliance Audit Risk Committee Report be received.*

1. ZERO HARM STATISTICS

2.



3.

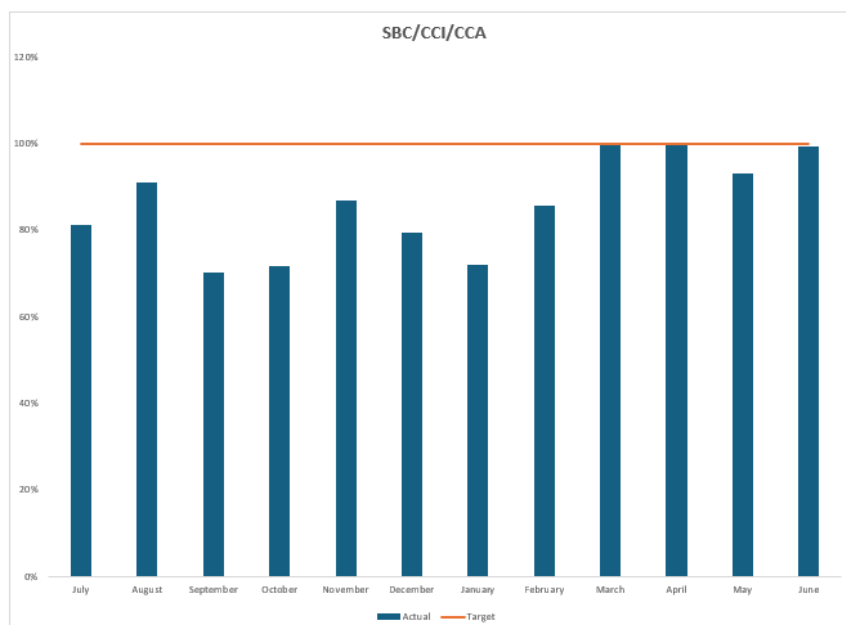
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5. **SAFETY CONVERSATIONS/INSPECTIONS**

6.

7. We are continuing to focus on ensuring safety is top of mind. Since January there has been a noticeable uphill trend in our Safety Conversation and Inspections, with consistently high completion rates.

8.



9.

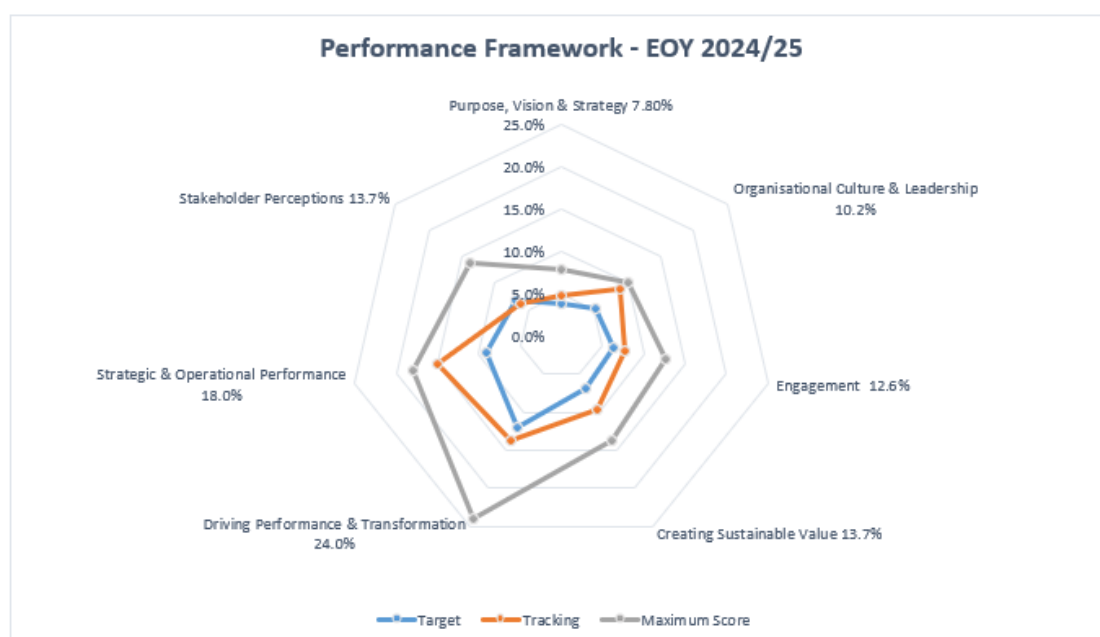
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11. **PERFORMANCE FRAMEWORK**

12.

13. Internal Performance Framework scoring for the 2024/25 Financial Year shows continued improvement in most areas throughout the year. Our preliminary overall score for the financial year is 3.3/5 with 2.5 being business as usual (BAU).

14.



15.

16.

17. Key Areas to note:

18.

19. **Purpose, Vision & Strategy:** With the implementation of our 24-27 Strategy, there has been further understanding by staff of the Alliance's direction. Another key area is the focus on clear governance, leadership and vision.

20.

21. **Stakeholder Perceptions:** This is an area we have worked hard to improve. This takes into account improvement of performance by way of an Improvement Action Plan which documents points from previous audits and assessments. It also focuses on our target cost estimates (TCE's) being signed off in a timely manner. The 25/26 financial year TCE's have been submitted for approval as at Friday 4th July. This is a considerable improvement from last financial year.

22.

23. **Organisation Culture Leadership** continues to be a strong area for the Alliance with continued effort in celebrating the successes of our people and identifying ongoing value-added initiatives.

24.

25. PG MEETING

26.

27. Below are the key topics discussed at the previous Alliance Principals Group meetings:

28.

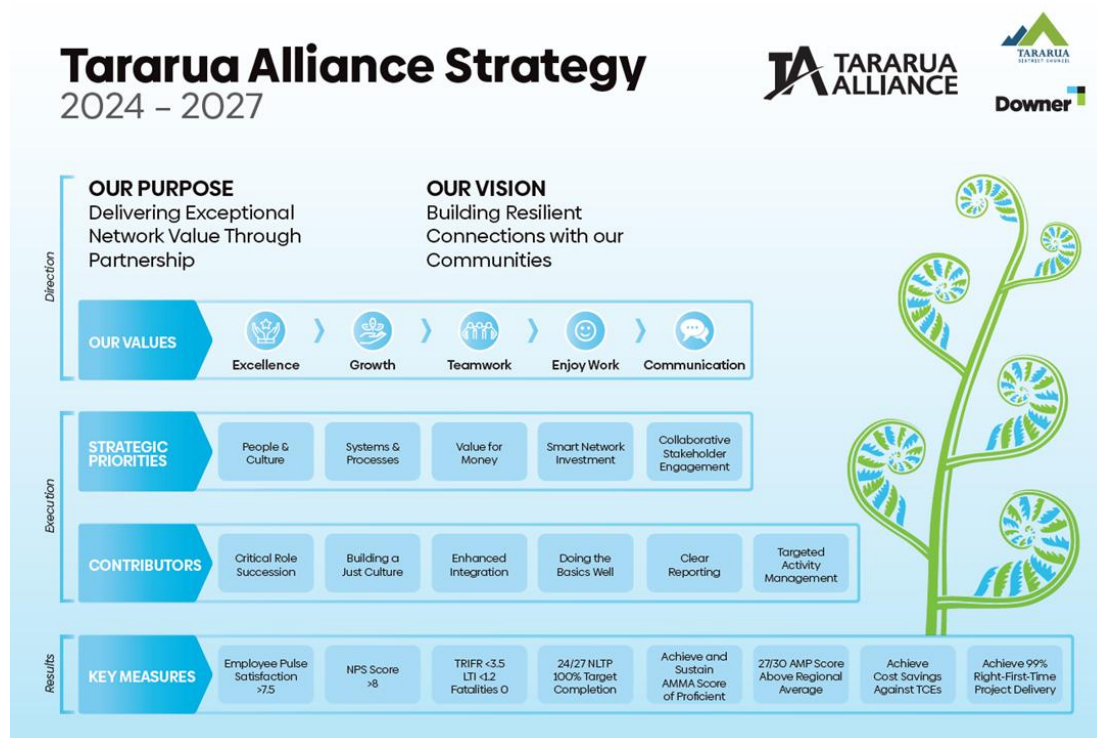
- **Succession Planning.** With the growth of the Alliance's operation and management teams over recent years, as well as natural staff movement, the Alliance has done an excellent job with staff development and giving internal employees promotion opportunities. However, this has reduced the Alliance's 'bench strength'. The Principals Group have requested the Alliance Leadership Team (ALT) develop a more robust succession plan for the critical roles in the Alliance.
- 29.

- **Zero Harm.** Over the years, there has been a high volume of high potential risk accidents that have occurred on the Alliance contract specifically relating to driving. There have been significant improvements over the last 12 months with the implementation of the Zero Harm Leadership Committee to solely focus on zero harm initiatives to reduce the number of accidents. This was acknowledged by the Principals Group, and they would like this to be a continued focus. It was identified that near miss reporting was poor, so it was requested that the ZH Leadership Committee focus on improving this reporting to identify trends that could lead to an accident.

30.

- **Alliance Strategy.** The Alliance's 24-27 strategy has been developed and approved by the Principals Group with input by the Council's Executive Leadership team (ELT) and the Alliance Leadership team. Although this is a three-year strategy, the Principals Group and ELT agreed there will be annual workshops to review the strategy and provide an update on how the Alliance is tracking with the Contributors and Key Measures. The next workshop is being arranged for the end of August.

31.



32.

- **ISO Accreditation.** As asset/network management is a core function of the Alliance a key measure included in the strategy is to ‘Achieve and Sustain an Asset Management Maturity Assessment’ of proficient. As this is an internal assessment that is carried out by Downer, the PG are reviewing whether this measure could be replaced with an external assessment/audit. One option is to replace the measure with achieving an ISO accreditation. ISO55001 is an international standard that requires an organisation to have effective asset management processes to manage assets throughout their lifecycle and achieve their strategic objectives to become accredited. Although becoming ISO55001 accredited would be a great achievement for the Tararua District Council and the Tararua Alliance, it does cost to have the initial audit and ongoing audits completed. The ALT are investigating what it will cost and how it will benefit the Tararua District Council which will be reported to the PG at the next meeting in May before a decision is made.

33.

- **Team Structure and Overheads.** One of the strategic priorities is ‘value for money’. Since the Alliance restructure in May 2024, the ALT have been constantly reviewing vacant roles by using opportunities to repurpose existing positions. Through this, the ALT have avoided filling six positions that were planned in the original structure in May 2024, which has saved a significant amount of management costs. Principals Group commended the work done in this space and tasked the ALT to review the Alliance’s onsite overhead costs to identify potential further cost saving opportunities.

34.

- **TCE and Overhead sign off.** The FY24/25 target cost estimate (TCE) rates and overheads were approved in February 2025. As raised in the financial audit, the PG discussed the timeliness of setting the TCEs and overheads. For FY25/26, these need to be in place and approved by September 2025. The 25/26 TCEs have been submitted to the Principals Group for approval so the Alliance is on track to have them approved and in place by September.

35.

- **PG member changes.** There have been changes to the PG members. Darrin Davy who was the Downer East Coast Regional Manager has transferred to the Downer Lower South Regional Manager and therefore has been replaced on the PG by Shaun Donovan. With Raj Suppiah's departure from the Tararua District Council, Bryan Nicholson will temporarily replace Raj until further notice. Current PG members below:
 - Hamish Featonby, TDC Group Manager – Infrastructure
 - Bryan Nicholson, TDC Chief Executive (temporary)
 - Lyall Hedges, Downer General Manager – South
 - Shaun Donovan, Downer Regional Manager Wellington/Upper South

36.

37. LIFECYCLE COST

38.

39. For our rehabilitations we utilize a multi criteria analysis and modelling to prioritize potential sites. Examples of the criteria's the site needs to meet include, surface faults, pavement faults, road hierarchy, pavement history etc.

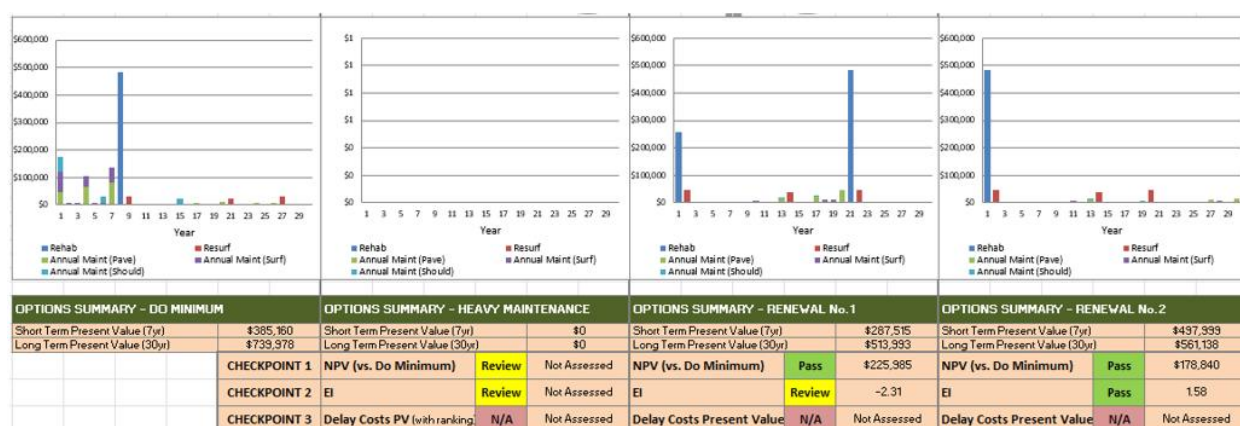
40.

41. Once the sites are selected and prioritised, they are then subjected to NPVs. This is the final gateway to refine the candidate list for proposed treatments/ strategies. Net present Value (NPV) analysis is used to determine the difference between the present values of the various pavement treatment options available, over a 30-year analysis period. In essence it assesses which strategy provides the best return on investment for the organization and its stakeholders. The pavement strategy with the highest NPV is generally regarded as the most economically beneficial option.

42.

43. Furthermore, whole life cost is only one factor when selecting a preferred renewal option. Other factors such as engineering judgement, network operations, affordability and risk management also require consideration

44.



45.

46.

47. For our reseals we also use a multi criteria analysis and modelling to prioritise sites. Examples of the criteria's the site needs to meet include predominantly surface faults, road hierarchy and existing seal layers. Reseal is considered a preventative treatment therefore if a section of road has too many current faults, then it will be considered for a rehab.

48.

Full strategy envelopes (SE) for investigating a strategic change in roads

| | ONRC | Arterial | Primary | Secondary | Access | LV | Notes |
|--------|--|----------|---------|-----------|--------|-----|---|
| | Do Minimum Upper Limit (Strategy boundary) | 7% | 9% | 11% | 13% | 15% | Where a TL is identified as having existing faults greater than the upper boundaries identified above, then a review of the maintenance strategy may be necessary. Strategies Heavy Maint or Renewal Strategy may be more appropriate |
| | Heavy Maintenance (Renewal Lower) | 11% | 13% | 15% | 17% | 19% | Where a Treatment Length (TL) is identified as having existing faults greater than the lower boundaries for renewal, then a review of the maintenance strategy may be necessary. A renewal strategy may be more appropriate. |
| Reseal | Lower | 7% | 9% | 11% | 13% | 15% | A TL may exceed the upper boundary for reseal where the area of fault coverage is predominantly surface faults. A reseal renewal may be appropriate with no faults present where the philosophy of "keep good roads" is accepted. The decision to renew becomes on of risk or rapid deterioration due to "brittle" failure. |
| | Upper | 11% | 13% | 15% | 17% | 19% | This becomes an asset Preservation seal and is considered Preventative maintenance. |
| | Rehab Lower | 11% | 13% | 15% | 17% | 19% | To trigger Pavement Renewal strategy the area of fault coverage is expected to be predominantly pavement faults |

49.

50. TARARUA ALLIANCE ZH LEADERSHIP COMMITTEE

51.

52. We have established a ZH Leadership Committee to address, and action, any concerns from the field staff with the overall intention of improved ZH statistics.

53.

54. The Leadership Committee is to identify and implement ZH initiatives arising from our field staff's concerns or ideas. It is a means to communicate back to the field staff any proposals the leadership team are looking to implement. It creates an opportunity to enforce Downer initiatives and holding people to account by documented action plans.

55.

56. This committee is also focusing on ensuring our Subcontractor's H&S methods are compliant with our standards, ensuring all our safe work method statements and permits are up to date, identifying and implementing safety initiatives using trends from audits, incident reporting and near miss reporting and reviewing our staff training requirements per role.

57.

58. Since the implementation of this committee, we have seen great success in a reduction of ZH incidents.

59.

60. NZTA Investment Audit Report

61.

AUDIT RATING ASSESSMENT

| Subject Areas | | Rating Assessment* |
|----------------|----------------------------------|-------------------------|
| 1 | Previous Audit Issues | Effective |
| 2 | Network Condition and Management | Effective |
| 3 | Activity Management Planning | Effective |
| 4 | Data quality | Effective |
| 5 | Road Safety | Some Improvement Needed |
| Overall Rating | | Effective |

62. SUMMARY

63.

Tararua District Council's Road network is generally in good condition and is being well managed, through the Tararua Alliance, despite a very challenging time dealing with the extensive impacts of Cyclone Gabrielle. Council and the Alliance have also made good progress in implementing the recommendations from the previous audit, which was great to see.

Network condition indicators for Pavement Integrity Index (PII), Surface Condition Index (SCI) and Smooth Travel Exposure (STE) show that Council's network is performing well compared against its peer group. However the current average sealing and rehabilitation rates as a proportion of the network are very low, and it is appropriate that the Alliance plans to increase these rates over the next three years during this NLTP, in order to meet the demands of the network. It is also timely to convey that while we acknowledge that the focus for the Alliance has been on the extensive emergency work response to Cyclone Gabrielle impacts over the past two years, it is important that Council ensures the Alliance pivots its focus back to delivering all of its routine maintenance activities out on the network, so that it does not deteriorate in condition.

There has been a noticeable downward trend in deaths and serious injuries, and crashes involving death or serious injury, on the network over the last five years, including no fatalities on the network for the 2021 calendar year, which is a positive result for Council. However, a focus on improving road safety by Council and the Alliance needs to continue. The Communities at Risk Register 2023 listed Tararua District in the top 10 worst performing with respect to Urban Intersections, based on personal risk across the area, and vulnerable road users (particularly motorcyclists) are over-represented in crash statistics for the network, a significant number of crashes are occurring on bends and 'Road Factors' are being recorded as a causal factor in many reported crashes. There are many opportunities to address these safety issues on the network, including reviews of the Safe System Audit processes to ensure these are completed and a project is well aligned with Safe System outcomes, and investment in improving road delineation.

Attachments

Nil.



Report

Date : 11 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Beth Fowler
Senior Financial Accountant

Subject : **Update on the Internal Review Process for the Annual Report**

Item No : **7.3**

1. Recommendation

- 1.1 *That the report from the Senior Financial Accountant dated 10 July 2025 concerning the Update on the Internal Review Process for the Annual Report be received.*

2. Reason for the Report

- 2.1 This report provides an update on the internal review process for the Annual Report. The process is designed to ensure the accuracy, completeness, and quality of the report before its final audit.

3. Background

- 3.1 Each year the Council is required to report against its key performance indicators, financial projections and projects set in the Annual Plan and Long-term Plan.
- 3.2 The Annual Report for the year ending 30 June 2025 is prepared under section 98 of the Local Government Act 2002, including the provisions of schedule 10, part 3. It compares Council's actual performance against the planned performance in the Annual Plan 2024/25.
- 3.3 This year's Annual Report is being produced for the first time using the same software as the Annual Plan, IBIS Breeze. This is a new product that we have been closely working with the developer on, so that it is fit for our purposes.

- 3.4 The Annual Report, including the audit opinion, must be completed and adopted by 31 October 2025, within four months after the end of the financial year.

4. Lessons Learned

- 4.1 Several lessons have been learned from the previous year's Annual Report internal review process:
- 4.1.1 Engaging stakeholders early helps gather comprehensive information and feedback, reducing the risk of delays.
 - 4.1.2 Maintaining clear and consistent communication channels ensures all parties are informed and aligned on expectations and timelines.
 - 4.1.3 Providing structured information and feedback requests helps reviewers focus on key areas, making the feedback more actionable.
 - 4.1.4 Being flexible and adaptable in handling conflicting information, feedback, and unforeseen changes is crucial for maintaining progress.
 - 4.1.5 Adequate resource planning and allocation can mitigate the impact of tight deadlines and ensure a smoother review process.
- 4.2 These lessons can significantly improve the efficiency and effectiveness of the review process.

5. The Process

- 5.1 The planning for the Annual Report began in April 2025, following initial discussions with Audit New Zealand regarding the audit plan.
- 5.2 The Microsoft Planner tool has been utilised to develop the work plan for the Annual Report, improving visibility, accessibility, collaboration, and confidence in the process.
- 5.2.1 All tasks, deadlines, and progress updates are centralised in one location, making it easy for everyone to access and review.
 - 5.2.2 The tool enables Council's Executive Leadership Team, senior managers, and the Finance Team to oversee the internal review process.
- 5.3 An initial draft of the Annual Report is prepared so that cross-checking of comparatives to the previous year's published document can be done ahead of year end.
- 5.4 Any information and feedback requests that can be distributed to key stakeholders prior to the end of the financial year are sent out in June. The remaining information and feedback requests are sent out in July. The information and feedback requests are required to be reviewed by the respective Group Managers before being provided to the Finance Team.

- 5.5 Based on the consolidated information and feedback provided from key stakeholders, the revised draft report will be prepared. This step ensures that all necessary changes are incorporated, and the report is accurate and comprehensive.
- 5.5.1 As part of the internal review process, each section of the revised draft Annual Report will be reviewed by either the Senior Financial Accountant or Finance Manager.
- 5.6 After any required adjustments have been done, the updated draft will be reviewed again by the Chief Advisor. This review ensures that the report meets all organisational standards and regulatory requirements.
- 5.7 The draft Annual Report will be presented at the Finance and Performance Committee meeting on Wednesday 20 August for approval prior to being released to Audit New Zealand.
- 5.8 The final audit will begin on Monday 22 September 2025.

6. The Progress

- 6.1 The initial draft of the Annual Report has been completed and the information and feedback requests such as for key performance measures, year-end commitments, capitalisation etc. have distributed to key internal stakeholders.
- 6.2 The feedback collection process is currently underway. The steps involved are:
 - 6.2.1 Information and feedback requests have been provided to guide reviewers on specific areas needing input, such as data accuracy and content clarity.
 - 6.2.2 Review meetings are being held to discuss the work in detail and to resolve any questions raised, allowing for real-time discussion and clarification.
- 6.3 The internal review process for the annual report is progressing as planned. We are on track to complete the draft Annual Report for the final audit in September.

7. The Challenges

- 7.1 So far during the internal review process, a few challenges have been encountered:
 - 7.1.1 The inclusion of a pre-final audit (which is currently underway) has put pressure on the team to ensure the information required to be provided for the work that has been brought forward was available for Audit New Zealand.
 - 7.1.2 Ensuring timely information and feedback from all departments has been challenging due to varying schedules and priorities. These include such things as the roll-over to the new financial year that requires extra actions and checking. Also, the final transactions from the month of June will take several weeks into

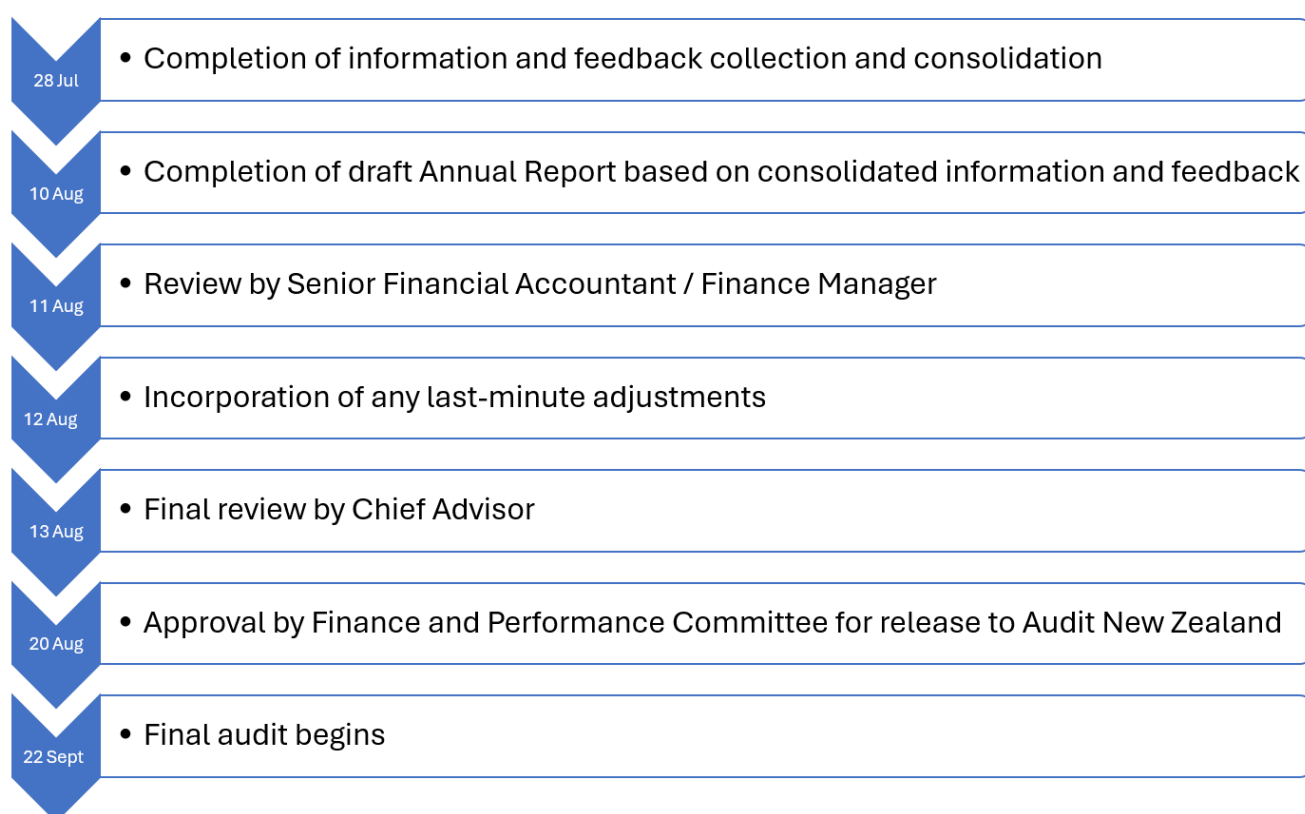
July to be received from suppliers and confirmed into the system for final reporting purposes.

7.1.3 The finance team has been working extensively on the capitalisation of assets for year-end valuation and final reconciliations, whilst the revenue team have been preparing the rates database for setting the first rates instalment. Confirmation of accounting treatment for some transactions does require careful thought and discussion with the teams within Council to confirm their correct disclosure in the Annual Report and this quality assurance is well underway.

7.1.4 Limited resources and tight deadlines do put pressure on the review team, impacting the pace of information and feedback being received. However, we are in a significantly better position than in recent years and the disruption that followed COVID.

8. Timeline for Next Steps

8.1 To ensure the timely completion of the draft annual report ahead of the final audit, the following timeline has been established:



9. Potential Risks

9.1 Several risks could impact the timeline for completing the annual report:

9.1.1 If departments do not provide feedback on time, it could delay the revision process.

- 9.1.2 Any discrepancies or issues with data verification could require additional time to resolve.
- 9.1.3 Limited availability of key personnel or resources could slow down the review and revision process.
- 9.1.4 Finally, we are working very positively with our new audit team and they have indicated that their current audit focus is on the following areas:
- Asset Capitalisation
 - Revaluation of investment property
 - Pro-forma (draft) Annual Report
 - Fair value assessment of operational assets

10. Conclusion

- 10.1 The internal review process for the annual report is progressing as planned, despite the challenges faced. We are on track to complete the review and have the draft annual report on schedule.

Attachments

Nil.



Report

Date : 11 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Beth Fowler
Senior Financial Accountant

Subject : **Revaluation Update**

Item No : **7.4**

1. Recommendation

- 1.1 *That the report from the Senior Financial Accountant dated 09 July 2025 concerning the Revaluation Update be received.*

2. Reason for the Report

- 2.1 To provide an update on the current status of the infrastructure revaluation process, highlight progress made, and outline risk mitigation strategies implemented to ensure the integrity and reliability of the valuations.

3. Background

- 3.1 Infrastructure revaluation involves reassessing the value of Council's infrastructure assets to reflect their current market value or replacement cost. This process is crucial for accurate financial reporting, budgeting, and strategic planning.
- 3.2 Council's infrastructure assets are revalued annually for accounting and reporting purposes. As part of the valuation process the valuer provides a total replacement cost for each asset. This is calculated using the most current unit rate information held and multiplied by the assets length, as an example.
- 3.3 Council has engaged an independent registered valuer Stantec to undertake the valuation of its infrastructure assets as of 30 June 2025 in accordance with Apōpō New Zealand Infrastructure Asset Valuation and Depreciation Guidelines 2025,

International Accounting Standards 16 and 36, and the Local Government Act. This includes and is limited to roading and 3 waters assets.

4. Revaluation Process

4.1 The revaluation process involves reassessing the value of assets to reflect their current market value. This is essential for financial reporting, and strategic decision-making. The process typically involves:

4.1.1 Providing relevant asset data, including unit rate information, to Stantec by the agreed timeframe to enable the valuation work to be completed.

4.1.2 This information is then used to complete Council's infrastructure revaluation. The valuer will also access the unit rates against their database, assess the data for reasonableness/accuracy and will query with staff any anomalies found. This process is iterative until its completion.

4.1.3 Final valuation report is provided to Council officers by the agreed delivery date. The expected delivery date for the 2025 valuation report is 25 July 2025.

4.1.4 The final valuation report will be reviewed by the Group Manager – Operations before it is received by the Finance Team.

4.1.5 The final valuation report will be used to determine the revaluation adjustments required to the book value of infrastructure assets to reflect its current fair value.

5. Progress

5.1 Significant progress has been made in the revaluation process since the last Committee meeting on 29 April 2025:

5.1.1 All necessary data has been collected and was supplied to Stantec in June. This includes all capitalisation of network assets within the road assessment and maintenance management (RAMM) database to 31 May 2025.

5.1.2 Regular updates and consultations with Council officers, Audit New Zealand, and Stantec, have been ongoing since April and have ensured transparency and alignment with expectations for this year's annual report audit.

6. Risk Mitigation

6.1 To address potential risks associated with the revaluation process, several mitigation strategies have been put in place:

6.1.1 Ensuring the accuracy and completeness of collected data through rigorous validation checks.

6.1.2 Data that has appropriate supporting documentation behind it.

- 6.1.3 Maintaining open lines of communication with stakeholders to manage expectations and address concerns promptly.
- 6.1.4 Adhering to regulatory requirements and industry standards to ensure the legitimacy of the revaluation process.

7. Next Steps

- 7.1 The revaluation process has seen substantial progress, with enhanced data collection, improved analytical models, and effective stakeholder engagement.
- 7.2 Risk mitigation strategies have been successfully implemented to safeguard the integrity of the valuations. Continued focus on these areas will ensure the ongoing reliability and accuracy of asset valuations.
- 7.3 Stantec plan to deliver the final valuation report to Council officers by 25 July 2025. It will be reviewed by the Group Manager before being provided to the Finance Team.
- 7.4 A revaluation of infrastructure assets will be done based on the valuation assessment.

Attachments

Nil.



Report

Date : 11 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Stephen Dunn
Risk & Assurance Advisor

Subject : **Sensitive Expenditure Policy**

Item No : **7.5**

1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 09 July 2025 concerning the Sensitive Expenditure Policy (as circulated) be received and adopted.*
- 1.2 *That the Committee endorses the Sensitive Expenditure Policy.*

2. Reason for the Report

- 2.1 To present the updated Sensitive Expenditure Policy to the Audit and Risk Committee for endorsement following its scheduled review.

3. Background

- 3.1 The Sensitive Expenditure Policy was due for review as part of Council's policy review schedule.
- 3.2 Sensitive expenditure presents heightened risks for public organisations, including the potential for actual or perceived private benefit, misuse of public funds, reputational damage, and non-compliance with financial controls.
- 3.3 The Office of the Auditor-General (OAG) identifies sensitive expenditure as an area requiring clear, robust, and transparent management to maintain public trust. In updating the policy, we have closely aligned it with the OAG's [Controlling Sensitive Expenditure: Guide for Public Organisations](#), ensuring the policy meets current good practice standards while remaining practical for operational use across Council.

- 3.4 The updated policy is expected to address outstanding Audit New Zealand recommendations that the Policy reflects best practice and OAG guidance, and follows a 'one up' approval process that will withstand public scrutiny.

4. Key Changes

- 4.1 The existing Sensitive Expenditure Policy and Sensitive Expenditure Guidelines have been merged into one document – Sensitive Expenditure Policy and Procedures. This has dealt with inconsistencies in the previous two documents, will assist with audits, and provide one reference point for staff.
- 4.2 There is now clear alignment with OAG requirements and model standards.
- 4.3 Strengthened principles covering probity, financial prudence, accountability, and transparency.
- 4.4 Clarified approval processes, including detailed tables for delegation and pre-approval.
- 4.5 Expanded guidance for staff and elected members on travel, koha, gifts, hospitality, and credit card use.
- 4.6 Provided monitoring, reporting, and non-compliance processes to support accountability. The scope and details are reporting are still being worked through to balance managing the risk and transparency with resource requirements.
- 4.7 Integration with related policies (e.g., Fraud, Conflicts of Interest, Procurement) for a consistent control environment.

5. Risks Managed

- 5.1 This policy manages the following key risks:
- Misuse of public funds (intentional or unintentional).
 - Perceived or actual private benefit to staff, elected members, or their associates.
 - Conflicts of interest and related integrity risks.
 - Reputational damage to Council through perceived extravagance or inappropriate spending.
 - Non-compliance with legislation, OAG expectations, and Council's financial policies.
- 5.2 By managing these risks, the policy supports prudent financial management, public trust, and Council's organisational values.

6. Engagement and Review

- 6.1 The Policy have been reviewed by subject matter experts (SMEs) within Finance, Risk, and People and Capability teams.
- 6.2 Reviewed by the Executive Leadership Team (ELT) to ensure alignment with Council's operational needs, values, and expectations.
- 6.3 Benchmarked against the OAG's guidance and aligned with Council's related policies.

7. Next Steps

- 7.1 Audit and Risk Committee endorsement.
- 7.2 Communication and targeted training to managers and staff on the updated policy requirements.
- 7.3 Publication in Content Manager and on the staff intranet.
- 7.4 Ongoing monitoring and reporting to the Audit and Risk Committee on sensitive expenditure trends and compliance.

Attachments

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Sensitive Expenditure Policy and Procedures

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Photograph: Steve Bowler



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1. Purpose

This policy sets out expectations for the appropriate management of sensitive expenditure at Tararua District Council.

Sensitive expenditure refers to spending that could be perceived to give private benefit to staff, elected members, or their family and friends, in addition to any business benefit to Council.

This policy:

- Defines sensitive expenditure and outlines types of acceptable and unacceptable spending.
- Provides clear approval processes and spending limits.
- Emphasises the importance of sound judgement by all staff and elected members.

To assist in meeting policy requirements, sensitive expenditure procedures are also included in the policy.

2. Alignment

This policy requires all sensitive expenditure to meet the highest standards of probity, financial prudence, and public accountability, and reflect our organisational values Pono, Whanaungatanga and Whanake.

This policy is based on the document: Controlling Sensitive Expenditure: Guide for Public Organisations published by the Office of the Auditor General.

3. Background

Sensitive expenditure presents greater risks to public trust because of the potential for private benefit. Even low-value transactions can undermine public confidence if perceived as improper.

Public organisations, including Council, must demonstrate the highest integrity standards and transparency in all sensitive expenditure. Strong leadership is essential to setting the right tone and building community trust.

4. Scope

This policy applies to anyone who incurs expenditure on behalf of Council, including:

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- Employees
- Elected members
- Temporary employees
- Contractors and consultants
- Any third party acting under Council's authority

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Elected members are also subject to the Elected Members Allowances and Recovery of Expenses Policy.

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5. Definitions

Definitions summarised from the Office of the Auditor General:

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Accountability: Council demonstrates its competence, reliability, and honesty in a way that allows the public to judge its trustworthiness in using public money and resources.

Moved down [1]: Financial prudence: A public organisation using its resources carefully and not committing to a course of action beyond its means. An promotes the current and future interests of the community.¶

Donation: A donation is a voluntary payment made by Council — either financial or in the form of goods or services — without expecting anything in return.

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Financial prudence: A public organisation using its resources carefully and not committing to a course of action beyond its means, and promotes the current and future interests of the community.

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Integrity: Demonstrating honesty and uncompromising adherence to strong ethical principles. Importantly, it is not just about complying with the law — that is a given. It is about doing the right thing.

Koha: Koha is a voluntary gift—given in money, goods, or services—with no expectation of receiving anything in return. It expresses aroha, kindness, goodwill, support, and appreciation on culturally appropriate occasions.

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Probity: Behaving with integrity, transparency, and honesty in the use of public resources.

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Sensitive Expenditure: Sensitive expenditure is any spending by Council that could be seen to be giving private benefit to staff additional to the business benefit of Council.

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Staff: In this Policy staff refers to all employees, temporary employees, contractors and consultants, and any third party acting under Council's authority (as set out in the Scope section above)

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6. Principles

The following principles must underpin all decision-making about sensitive expenditure.

- Have a justifiable **business purpose** that is consistent with Council's objectives. A justifiable business purpose means a reason that would make clear sense, supported by evidence of the need for the spending and evidence that a range of options have been considered.
- Preserve **impartiality**. Impartiality means decisions based on objective criteria, rather than based on any sort of bias, preference, or improper reason.
- **Be made with integrity**. Integrity is about exercising power in a way that is true to the values, purposes, and duties for which that power is entrusted to, or held by, someone. It is about consistently behaving in keeping with agreed or accepted moral and ethical principles.
- **Be moderate and conservative** when viewed from the standpoint of the public and given the circumstances of the spending. It includes considering whether the justifiable business purpose could be achieved at a lower cost.
- **Be made transparently**. Transparency in this context means being open about the spending, and willing to explain any spending decisions or have them reviewed.
- **Be made with proper authority**. This means that the person approving the spending has the appropriate financial delegation to do so, for the type and amount of spending and follows correct procedures.

The principles should be applied together. None should be applied alone, and no principle should be treated as more important than any other.

N.B These principles are taken directly from guidance provided by the Office of the Auditor General.

7. Roles and Responsibilities

7.1. Mayor and Councillors

- **Set the tone** for ethical behaviour, integrity, and transparency regarding sensitive expenditure.
- Lead by example in their own expenditure and decision-making.

7.2. Audit and Risk Committee

- **Provides oversight** and **gains** assurance that sensitive expenditure is properly managed and monitored.
- **Reviews** quarterly sensitive expenditure reports from the Finance Manager.

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Sensitive expenditure presents greater risks to public trust because of the potential for **private benefit**. Even low-value transactions can undermine public confidence if perceived as improper.¶

Public organisations, including Council, must demonstrate the **highest integrity standards and transparency** in all sensitive expenditure. Strong leadership is essential to setting the right tone and building community trust.¶

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- Approves this policy and oversees its regular review.

7.3. Chief Executive and Executive Leadership Team

- **Set the tone** from the top by modelling prudent, transparent expenditure practices.
- Ensure all staff understand and comply with this policy including that induction and regular training is provided.
- Ensure sensitive expenditure decisions made within their teams meet policy requirements and principles.
- Review and approve sensitive expenditure for their Group or direct reports in line with delegations and Sensitive Expenditure Approval Principles.
- Maintain oversight of reporting and monitoring.

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7.4. Finance Manager

- **Maintains oversight** of sensitive expenditure processes.
- Conducts regular reviews and audits of sensitive expenditure.
- Maintains an Exemptions Register and Non-Compliance Register.
- Reports quarterly to the Audit and Risk Committee on sensitive expenditure.
- Supports staff and managers by providing training and advice on sensitive expenditure requirements.

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7.5. All staff

- **Understand and comply with this policy** when incurring or approving sensitive expenditure.
- Seek pre-approval for sensitive expenditure and provide full documentation to support claims.
- Ensure spending is moderate, justifiable, and appropriate to the business purpose.
- Report any concerns or non-compliance to their manager or the Finance team.

8. Types of Sensitive Expenditure

Sensitive expenditure includes (but is not limited to):

- **Credit and Purchase Card Use:** All spending via Council-issued cards, including where cards are used for small-value purchases, subscriptions, or online transactions.

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- **Travel and Accommodation:** Costs for travel to conferences, meetings and training, including flights, accommodation, meals, taxis, rideshares and vehicle hire.
- **Entertainment and Hospitality:** Expenditure incurred when hosting external parties, attending networking events, or providing refreshments during business meetings.
- **Gifts, Donations, and Koha:** Any items or payments given to individuals or organisations, including farewell gifts, gifts for long service, sponsorship donations, and koha for attending or hosting events, koha for attending marae events or engaging with iwi, donations made to community groups or charities from Council funds.
- **Staff Social Events and Welfare Expenditure:** Costs associated with team-building activities, staff functions (e.g., Christmas parties), and welfare-related gifts such as flowers for bereavements.
- **Sponsorship of Staff Activities:** Council's contribution towards staff participation in external events, such as community fundraisers or sports events.
- **Private Use of Council Assets:** Occasional use of Council vehicles, equipment, or technology for private purposes, where explicitly approved.
- **Council Use of Private Assets:** When staff use their personal vehicles, phones, or other equipment for Council business and seek reimbursement.
- **Loyalty Rewards from Council Spending:** Points, Airpoints, or other benefits accumulated through Council purchasing activity.
- Sensitive expenditure is not limited to high-value spending — even low-value transactions may be sensitive if they involve hospitality, gifts, or private benefit. Expenditure is more likely to be considered sensitive if it involves:
 - Discretionary spending rather than operational necessities.
 - Personal benefit to the individual spending or approving the expense.
 - Perceptions of luxury or extravagance.

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Commented [AR13R12]: I've contacted IANZ to ask their Management Guide to Discretionary Expenditure. couldn't find it on their website.

Commented [SD14R12]: Yes from OAG

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Commented [AR15]: OAG guidance - For people in positions, the good practice of approval by a more senior person should be applied to the maximum extent possible. However, where there is no more senior person to approve the expenditure, an alternative approach will be needed. See 3.6 to 3.11 for approval processes/rules

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9. Implementation and Administration

9.1. Approval Principles

All Staff

- Obtain approval before incurring any expenditure, unless an approved exemption for the Chief Executive or Mayor applies (refer to the Policy Exemptions section).
- When a group of colleagues travel together, the most senior person pays and submits the sensitive expenditure claim following the Sensitive Expenditure Approval Table. This reinforces transparency and ensures appropriate oversight.

Approvers

Sensitive Expenditure Policy
Policy Sponsor: GM-People and Capability

Effective From: Month 2025
Review frequency: 2 Yearly

Page 8 of 29



- Ensure that all principles in Section 6 are met and that the expenditure serves a justifiable business purpose aligned with Council's objectives before approving any sensitive expenditure.
- Meet Delegations Policy requirements by confirming they hold the appropriate budget delegation and by applying the Sensitive Expenditure Approval Table.
- Review all sensitive expenditure transactions for completeness and accuracy, ensure they are fully supported by appropriate documentation, and apply correct ledger coding before processing.
- Do not approve expenditure that personally benefits them. For example, when both a staff member and their manager attend the same event, a group manager, the Chief Executive, Mayor, or Chair of the Audit and Risk Committee (who is not attending) must approve the expenditure, following the Sensitive Expenditure Approval Table.

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Approvers must ensure that all sensitive expenditure transactions are reviewed for completeness and accuracy that they are fully supported by appropriate documentation, and that correct ledger coding is applied before processing.¶

When a group of colleagues travel together, the most senior person should pay and submit the sensitive expenditure claim. This reinforces transparency and ensures appropriate oversight.¶

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Commented [SD21R20]: Group manager at this stage

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9.2. Sensitive Expenditure Approval Table

| Sensitive Expenditure by: | Approver | Notes |
|--|---------------------------------------|--|
| Staff | Group Manager or Chief Executive | <ul style="list-style-type: none"> • International or premium economy travel requires Chief Executive approval. • Koha over \$300 must be approved by the Chief Executive. • All credit card transactions require pre-approval. |
| Group Managers and other direct reports of the Chief Executive | Chief Executive | |
| Chief Executive | Mayor | <ul style="list-style-type: none"> • May be approved retrospectively due to the nature of the role. • If both the Mayor and Chief Executive attend the same event, expenditure must be approved by the Chair of the Audit and Risk Committee. • International travel must be approved in advance by Council resolution. |
| Mayor and Councillors | Chair of the Audit and Risk Committee | <ul style="list-style-type: none"> • May be approved retrospectively due to the nature of the role. • International travel must be approved in advance by Council resolution. • Donations must be approved in advance by Council resolution. |



9.3. Forms and Processes

Training, Conference, and Seminar Related Sensitive Expenditure

For training and conference related sensitive expenditure use the *Application for Training, Conference or Seminar Form* on Loki.

Other Sensitive Expenditure Incurred by Staff

For all other sensitive expenditure incurred by staff use the *Staff Expense Claim Form* on Loki.

All Other Sensitive Expenditure not included above

Keep a record of the decision and file in Content Manager in a container relevant to the transaction.

Mileage Claims

Mileage claims for use of a personal vehicle are submitted through payroll using the MyPay app.

Record Keeping

Retain all receipts, invoices and other relevant original documentation and clearly note the business purpose for the expenditure.

9.4. Policy Exemptions

Requesters

- Make the exemption request **before the expenditure is incurred** (except in the case of the Chief Executive or Mayor, where retrospective approval may apply due to the nature of their roles).
- Clearly **document** the business purpose, why compliance with the policy was not possible, and identify any alternative options considered.

Approvers

- Exemptions must only be granted in **exceptional circumstances**.
- Follow the **Sensitive Expenditure Approval Table** requirements.
- Report to the Finance Manager within two working days of approval being granted.

Finance Manager

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To ensure there is a transparent and documented process for approving rare exemptions to this policy, ensuring such decisions remain aligned with Council's principles of public accountability standards.¶

Principles¶

Exemptions must only be granted in exceptional circumstances.¶

Exemptions must be fully documented to explain why policy compliance was not possible.¶

Exemptions must be reported and recorded to ensure transparency and ongoing monitoring.¶

Requirements¶

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- Maintain a central Exemptions Register, recording the reason for the exemption, the expenditure details, who approved the exemption, date of approval, any conditions applied to the approval.
- Report a quarterly summary of exemptions to the Audit and Risk Committee.

10. Credit Cards, Debit Cards, and Purchase Cards

Purpose: To provide staff with a practical and controlled method to incur expenditure necessary for Council business.

10.1. Requirements

Cardholders

- Cards are issued for business purposes only.

Prohibited Uses

- Personal expenditure.
- Cash withdrawals, cash advances, or the purchase of gift cards.
- Purchase of fuel or oil (Use a Fuel Card for this purpose.)
- Progressive payment plans (e.g., hire purchases or layby).
- Purchasing from unverified or unsecured websites.
- Obtaining cash refunds from vendors.
- Purchasing assets, goods, and services which can be purchased through the Council's normal purchase order system.

Internet Purchases:

- Use good security practice and only purchase from known reputable companies when using cards for online purchases (see Security Policy, Procurement Policy and ICT Acceptable Use Policy). Follow Council's normal procurement procedures when making internet purchases.

Receipts and Documentation:

- Provide original receipts and clearly document the business purpose for every purchase.

Issue and Management of Credit Cards

- The Chief Executive or Chief Financial Officer approve the issue of credit cards and credit limits based on a business case.

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- The credit limit must be set as part of the approval. The credit limit will be set at the minimum level necessary to carry out applicant's duties.

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- The Finance Manager is responsible for issuing, management, monitoring, and reporting of credit cards.

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Review and Audit

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- The Finance team will conduct an annual audit of all cardholders and transactions. Cards will be cancelled when no longer required.

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Card No Longer Required or Cardholders Leaving Employment

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- When credit cards are no longer required, or the staff member is leaving employment, all cards will be returned to the Finance Manager who will physically destroy the card and cancel the card with the bank.

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Commented [AR38]: I think we need to add in some about credit limits as per 4.3, 4th bullet point in OAG guidance.

Commented [SD39R38]: Done

11. Expenses When Travelling

Purpose: Council may pay for reasonable travel for staff undertaking Council business activities including attendance at work-related conferences, functions, events, training, professional development, and business meetings.

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Commented [AR41]: I think we need to add something

Commented [SD42R41]: We do not allow cash adva

Commented [AR43]: OAG guidance 5.1 - 5.13

11.1. General Travel Principles

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- Consider **technology-enabled solutions** instead of in person travel where available and where it would not negatively impact business outcomes.

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- Travel and accommodation expenditure **must** be **economical and efficient** having regard to purpose, time, urgency, personal health, security, and safety considerations.

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- **Liaise with other departments** where multiple staff may be travelling to the same event.

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11.2. Domestic Air Travel

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- Book using the All-of-Government (AoG) Air Travel 2nd Gen contract, unless a demonstrably better value option exists.

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- Book through the Executive Assistant to the Chief Executive, Chief Advisor, or IT Projects.

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- Book as far in advance as possible to secure lower fares.

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- Book economy class, unless an exemption is pre-approved in accordance with this Policy.

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- In some cases, flying the day before an event may be approved if it helps manage fatigue, reduces the risk of delays, or ensures attendance at early-morning commitments.

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11.3. International Air Travel

- Book using the **All-of-Government (AoG) Air Travel 2nd Gen contract**, unless a demonstrably better value option exists.
- Book through the Executive Assistant to the Chief Executive, Chief Advisor, or IT Projects.
- Book as far in advance as possible to secure lower fares.
- Book economy class, unless there is a clear documented business reason for premium economy in exceptional circumstances. This could include:
 - Flights longer than nine hours where a 24-hour recovery period is not available, or
 - Where no economy flights are available.
- In some cases, flying the day before an event or a stopover may be approved if it helps manage fatigue, reduces the risk of delays, or ensures attendance at early-morning commitments.
- Arrange travel insurance for all international travel through the Finance Team.

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11.4. Accommodation

- Accommodation must be appropriate to the location of the event and safety and security issues, with preference for mid-range or business hotels.
- Book through the Personal Assistant to the Chief Executive.
- Maximum Rates (Including GST):
 - Major cities (Auckland, Wellington, Christchurch): \$300 per night
 - Smaller centres: \$250 per night
- Staying with Family/Friends: Koha or a small gift (up to \$50 per night) may be reimbursed when staying with family or friends.
- Exclusions: Mini-bar, premium room upgrades, and in-room entertainment will not be reimbursed.
- Long Stay Laundry: Laundry expenses will be reimbursed if the stay exceeds three nights.

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11.5. Meals while travelling

- The actual and reasonable cost of meals will be reimbursed.
- Meals cannot be claimed if the meal is already provided, such as meals included in conference registrations or training packages.

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- Alcoholic drinks will not be reimbursed.

- Standard meal allowances (including GST) are:

- Breakfast: \$34.50
- Lunch: \$34.50
- Dinner: \$69.00

- Approvers may consider reimbursing meals above the maximum allowance where this is deemed necessary and reasonable, considering the nature of the business activity, location, or circumstances.

11.6. Taxis, Rental Vehicles, and Shuttles

- Consider all options to ensure transport is moderate and cost-effective, including:

- Council fleet vehicles (preferred option)
- Public transport
- Rideshare apps (e.g., Uber)
- Hire vehicles
- Taxis
- Shuttles
- Private vehicles

- Rental vehicles: only consider when a suitable Council fleet vehicle is not available, and only if it is more practical or cost-effective than alternatives.

- Rent the most economical type and size suitable for the requirements (e.g., distance, terrain, weather, number of passengers).
- Comply with all traffic and parking laws. Any fines incurred (e.g., speeding, parking) are the driver's personal responsibility, unless the fine directly relates to a vehicle fault outside the driver's control.
- The Vehicle Users Policy and Agreement provides further guidance on driver responsibilities.
- Must not be used for private purposes at Council's expense.
- Taxi: use must be conservative and cost-effective, particularly when compared to other transport options. Council does not utilise taxi cards and no taxi card accounts are to be set up.

- Private vehicles: See Council Use of Private Assets section before using private vehicle.

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Commented [AR49]: Do we want to cover taxi cards or in credit cards section? 5.17 of OAG guidance.

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11.7. Telecommunications Equipment

- Use a Council mobile device wherever possible to conduct Council business while travelling. If this is not feasible reasonable business calls and wi-fi usage will be reimbursed.

11.8. Koru Membership

- Is not used and is not available through Council.

11.9. Loyalty Rewards

- Staff are not permitted to personally benefit from “air dollars” or other travel reward schemes that result from Council travel.

11.10. Tipping

- Tipping may be reimbursed while travelling in countries where tipping is customary, provided the amounts are reasonable, appropriate, and necessary and receipts are provided.

11.11. Combining Personal Travel and Travelling with a Spouse, Partner, or other Family Members

- Staff may go on private travel before, during, or at the end of travel paid by Council if:
 - Personal costs are covered entirely by the staff member.
 - There is no additional cost to Council e.g. travel insurance.
 - It is organised by the staff member themselves.
 - Leave is taken for any portions of the travel not on Council business.
- Staff may travel with a spouse, partner, or family members provided it is approved first.

12. Private Use of Council Assets

12.1. Private Use of Council Fleet Vehicles

- Council fleet vehicles must not be used for private purposes except for “reasonable use” while “on call”.
- “On call” means rostered as on call and available to work as set out in an on-call agreement.
- “Reasonable use” means used for short trips where the employee would be able to respond directly to a call out e.g. does not have passengers or other reasons that would require a return home first.
- The driver must pay any fines (parking or traffic offences) incurred while using a fleet vehicle unless the fines relate to an aspect of the condition of the vehicle outside the driver’s control.
- Notify the Finance Manager of the private use of Council fleet vehicle to enable Fringe Benefit Tax payment.



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- This section does not apply to Council vehicles supplied as part of an employment contract or remuneration arrangement.

- A member of the Executive Leadership Team has discretion to allow one off private use e.g. personal emergencies, late finish time. Ensure recording and FBT requirements are followed.

12.2. Private Use of Council ICT Resources

- A reasonable level of personal use of Council ICT resources is allowed, provided that use:

- Is consistent with Council's values and policies.
- Does not involve any activities that are unlawful, offensive, or improper.
- Does not interfere with or degrade Council's business use of ICT resources.
- Does not affect staff performance of their duties.
- Is not commercial in nature (e.g., running a side business).
- Does not involve unreasonable use of Council resources (e.g., excessive bandwidth use).

- Use must comply with the ICT Acceptable Use Policy, which provides further guidance on acceptable and prohibited activities.

12.3. Private Use of Other Council Assets

- Council assets: for the purpose of this policy, Council assets include any physical item that Council owns, leases, or borrows. This may include (but is not limited to):

- Trailers
- Furniture and office equipment
- Stationery and consumables

- Requirements for Private Use: Staff may use Council assets for private purposes if they meet all the following conditions:

- Do not use the asset for, or on behalf of, a private business.
- Obtain prior approval from their Group Manager or the Chief Executive.
- Complete any required training to ensure they can use the asset safely.
- Accept full liability for any damage that occurs during private use.
- Ensure the private use does not result in any direct costs to Council.
- Notify the Finance Manager to enable Fringe Benefit Tax payment.

13. Council Use of Private Assets

Purpose: Council may choose to reimburse staff for using their private assets when it offers greater cost-efficiency, convenience, or availability—for example, reimbursing private vehicle use when no Council vehicle is available.

Using a Private Vehicle – Requirements for all staff

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- Confirm that **no practical or cost-effective alternative** exists before using a private vehicle—such as when no Council fleet vehicle is available at the required time.
- Obtain approval** for private vehicle use in accordance with the *Sensitive Expenditure Approval Table* section of this policy.
- Drivers must personally pay any fines incurred while using a private vehicle for Council business (e.g., speeding, parking), unless the fine results from circumstances beyond their control.
- Submit mileage claims through the **MyPay app**, and include:
 - Distance travelled.
 - The business purpose of the trip.
 - Start and end locations.
- Council will reimburse mileage at the current Inland Revenue Department rates.

14. Entertainment and Hospitality Expenditure

14.1. Principles

Staff may incur reasonable and necessary entertainment or hospitality expenses when hosting external business stakeholders, if the spending supports one or more of the following purposes:

- Building relationships** that help achieve Council's objectives (e.g., meeting with another agency to discuss a joint project).
- Representing Council** at key functions or events (e.g., attending a business breakfast or civic ceremony).
- Reciprocating business-related hospitality** received from stakeholders (e.g., hosting a working lunch after being hosted by a partner organisation).
- Acknowledging significant business collaboration or achievements** (e.g., celebrating the successful completion of a significant project with key contributors).

Staff must ensure all entertainment and hospitality expenditure is:

- Modest and appropriate**, considering the relationship and context (e.g., offering tea and biscuits at a meeting vs. taking a partner agency to a café for a working lunch).
- Guided by probity, integrity, and prudence**, ensuring any spend would withstand public or audit scrutiny.
- Free from conflicts of interest**—real or perceived. No expenditure should influence or appear to influence personal gain for staff, elected members, or Council.

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14.2. Requirements

Approval and Documentation

- The most senior staff member present must submit the documentation for approval as per the Principles section of this policy.
- All expenditure must demonstrate a clear and genuine business purpose and be documented with:
 - Original GST receipts.
 - A clear description of the business purpose.
 - Names, positions, and organisations of all attendees.

Alcohol Purchases

- Staff must obtain pre-approval following the Sensitive Expenditure Approval Table section of this policy.

15. Receiving Hospitality

15.1. Principles

- Receiving hospitality is not strictly sensitive expenditure as it does not involve expenditure by Council.
- Receiving hospitality is a sensitive issue that requires careful management to ensure that it does not affect a staff member's or Council's decision-making because this could be perceived as acting without impartiality or integrity.
- For further guidance refer to the Fraud and Corruption Policy, Conflicts of Interest Policy, Code of Conduct, and Procurement Policy.

15.2. Requirements

- Decline hospitality not directly related to Council business e.g. tickets to a rugby match.
- Disclose and record hospitality over \$100 in the Gifts Register in Content Manager. The \$100 is a total amount e.g. if a supplier provided gifts to multiple staff that totalled over \$100 or provided a meal to multiple staff that totalled over \$100 – this would require an entry into the Gifts Register.

16. Staff Support and Wellbeing Expenditure

Purpose: Council recognises the importance of supporting staff wellbeing and acknowledging their contributions. This expenditure supports staff morale, recognition, and organisational culture, with benefits for both Council and staff.

Deleted: Entertainment and hospitality can range from providing tea and coffee at meetings to hosting external stakeholders at events. Council may reimburse staff for reasonable and necessary expenditure incurred when hosting external business stakeholders, provided the expenditure aligns with:

Building relationships that contribute to Council's objectives.

Representing the organisation at key functions or events.

Reciprocating business-related hospitality received from stakeholders.

Recognising significant business collaboration or achievements.

All entertainment and hospitality expenditure must be modest and appropriate, considering the nature of the relationship, the type of stakeholder, and the business purpose.

Bound by the principles of probity, integrity, and prudence.

Free from conflicts of interest, meaning no expenditure should create or appear to create undue influence or personal gain for staff, elected members, or Council.

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Commented [AR93]: Should we add EAP, flu jabs, the medicare thing?

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16.1. Sponsorship of staff activities

- Council may sponsor staff who participate in activities not directly related to their job, such as sporting events – if there is a clear and justifiable business purpose such as:
 - Promoting Council or its objectives (e.g. staff wearing Council-branded shirts in a community fun run).
 - Supporting organisational development and building team cohesion (e.g. sponsoring a staff team in a touch rugby tournament).
- Sponsorship may include goods or services such as entry fees, team uniforms, or equipment.
- Sponsorship must remain moderate and conservative in value.
- Before providing sponsorship, staff must:
 - Obtain pre-approval as set out in the *Sensitive Expenditure Approval Table* section of this policy.
 - Document the business purpose and provide details about the sponsored event or item.

16.2. Staff social events

- Council may spend funds on staff social events, including farewells, long service functions, retirements, and other appropriate occasions.
- Follow these requirements:
 - Keep all events modest and appropriate
 - Match the event's size to the staff member's role and length of service.
 - Do not hold formal farewell functions for staff with less than one year's service or for casual or temporary staff – unless specifically approved.
- See the Gifts section below for information on the giving of gifts to staff for farewells, or retirements.

16.3. Christmas Function

- Council provides an allowance of \$40 (including GST) per person for the annual Christmas function. This allowance covers:
 - Food.
 - Beverages (including alcohol).
 - Entertainment.
- This annual event provides an opportunity to thank staff and celebrate the year's achievements.
- In addition to the Council-wide event, the Mayor, Chief Executive, and Group Managers may approve separate departmental Christmas lunches or dinners, with a limit of \$40 per person.

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Requirements¶

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Publicity for Council and its objectives.¶
Supporting organisational development and team cohesion.¶
All sponsorship expenditure must be

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Pre-approved by the Chief Executive or the relevant Group Manager.¶
Fully documented, including the business purpose and details of the sponsored event or item.¶

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Formal farewell functions are not expected for:¶
Staff with less than one year of service.¶
Staff on casual or temporary contracts, unless specifically approved.¶

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17. Staff Farewell, Long Service, and Support Gifts

Purpose: Council may spend money on gifts to acknowledge significant milestones such as farewells, retirements, or significant life events.

17.1. Farewell and Retirement Gifts

- Council provides a modest farewell gift for departing staff.
- The gift value is up to \$150, plus \$100 for every completed 5 years of service, up to a maximum of \$550 for over 20 years of service.
- The gift value must not exceed \$550, unless prior approval is obtained from the Chief Executive or a Group Manager.

| Length of Service | Maximum Gift Value (including GST) |
|-------------------|------------------------------------|
| Less than 5 years | \$150 |
| 5-9 years | \$250 |
| 10-14 years | \$350 |
| 15-19 years | \$450 |
| 20 years+ | \$550 |

17.2. Gifts for Significant Life Events

- To show care and support, Council may provide a modest gift for staff in the following situations:
 - New-born baby.
 - Bereavement.
 - Significant medical event, illness, or accident.
- The maximum spend is \$100, and the gift will typically be:
 - Flowers.
 - Food hamper.
 - Gift basket.

17.3. Long Service Gifts

- Council recognises long-serving staff with a one-off gift, as a formal acknowledgement of their commitment and contribution.



- Staff who complete **20 years of continuous service** (including service with a predecessor of Tararua District Council) receive a **one-off gift up to a maximum of \$400 (GST inclusive)**.
- Staff receive additional **gifts of up to \$400 (GST inclusive)** when they reach **30 and 40 years of service**.
- Council presents these gifts at a staff function to formally acknowledge the milestone.
- **For Chief Executives:** Council must approve any long service gift, including the intended value, before presentation.

18. Donations

18.1. Definition

- A **donation** is a voluntary payment made by Council — either financial or in the form of goods or services — **without expecting anything** in return.
- Donations differ from **grants**, which involve a formal funding process tied to specific outcomes, applications, and accountability measures.

18.2. Principles

- In addition to the principles in Section 6 of the Policy:
- Council generally discourages donations and only makes them through a formal Council resolution.
- When considering submitting a donation request to Council, staff must ensure that the donation **serves a clear, genuine business-related purpose and aligns** with Council's strategic objectives.
- Donations must be **modest and appropriate**, taking into account:
 - The circumstances.
 - The relationship with the recipient.
 - **The connection to Council's work or goals.**
- Donations must not be made where there is a **real or perceived conflict of interest** for the staff member recommending the donation, or for Council **itself**.

18.3. Requirements

Council only approves donations that meet all the following criteria:

- The donation is **lawful** in all respects.
- Staff make the donation to a **recognised organisation**, not an individual, and never in cash.

Commented [AR98]: I think we need more about a process, eg OAG guidance talks about "made to a recognised organisation by normal commercial means - not to an individual and not in cash", and "non-political."

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Deleted: <#>Purpose¶

To ensure that any donations made by Council are appropriate, justified, and consistent with Council strategic objectives, while maintaining full transparency and accountability.¶

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Commented [AR100]: I think we should be clear about example circumstances where this would be applied. Given the current economic environment and severe budget cuts, why would we be donating? Potential to be highly contentious with the public.

Commented [SD101R100]: I think that is covered in opening statement maybe??

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- Staff use **normal commercial means** (e.g., electronic transfer to an organisation's account).
- The donation is **non-political**.
- Staff **fully document** the donation, including the business purpose and recipient details, and store all records in Content Manager.
- Staff **disclose donations in aggregate** where required (e.g., financial reporting or public accountability documents).

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19. Giving or Receiving Gifts

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Commented [AR104]: OAG guidance, 9.6, mentions gifts usually take the form of a tangible object.

19.1. Giving Gifts

- Council may give gifts to external parties in situations such as:
 - **Thanking a speaker or presenter.**
 - **Cultural or customary occasions** (Note: Koha is covered in its own section of this policy).
- When giving gifts, staff must ensure:
 - The **value and nature** of the gift is **appropriate and moderate**, relative to the occasion or reason.
 - There is **no explicit or implicit expectation of favour in return**.
 - The gift is not being used as a **substitute for legitimate payment or remuneration**.

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To ensure that the giving and receiving of gifts by Council staff is **appropriate, moderate, and transparent**, and does not compromise Council's integrity, impartiality, or reputation.¶
Principles¶

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19.2. Receiving Gifts

Requirements

- Gifts with a value of **\$50 or less**, staff may share it among the team that received it.
- Gifts with a value of **more than \$50** remain the property of Council and must be used for **Council or public benefit**.
- **Receiving a gift must not influence, or appear to influence, any decision made by Council or its staff.**
- Staff may accept gifts only if they are:
 - **Infrequent** – not part of a pattern or routine.
 - **Inexpensive** – modest in value and unlikely to be seen as an attempt to gain favour.

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- Staff must not accept gifts of cash (refer the Koha section of this policy for requirements for accepting koha).

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- For further guidance, refer to the Fraud, Dishonesty, and Corruption Policy.

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Documentation and Recording of Gifts

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- Staff must disclose and record all gifts in the Gifts Register in Content Manager.

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- Exemption: promotional items like pens, calendars, or hats that suppliers or clients distribute openly.

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- Staff must record any gifts offered but not accepted in the Gifts Register

Moved up [10]: For further guidance, staff must refer the Fraud, Dishonesty, and Corruption Policy.¶

20. Koha

Deleted: All gifts received by staff — except for inexpensive promotional items (such as pens, calendars, or hats that are openly distributed by suppliers or clients) — must be disclosed and recorded in the Council's Gifts Register. Gifts valued at \$50.00 or less may be shared shared among the team that received the gift.¶

20.1. Purpose

Gifts valued at more than \$50.00 remain the property of the Council and should be used for Council or public benefit. Any gifts that are offered to staff but are refused not accepted should also be recorded in the Gifts Register.¶ Receiving a gift must not affect Council's or an individual's decision-making.¶

- Council recognises koha as a taonga (treasure) and an essential part of Tikanga Māori, upheld under Te Tiriti o Waitangi (the Treaty of Waitangi). This section ensures all koha practices are culturally appropriate, financially prudent, and transparent.

Infrequent gifts are
Inexpensive gifts are
Cash Gifts

20.2. Definition

Cash gifts are unacceptable to either give or receive, under any circumstances outside of koha (refer to Section 9.9 guidance on koha).¶

- Koha is a voluntary gift—given in money, goods, or services—with no expectation of receiving anything in return. It expresses aroha, kindness, goodwill, support, and appreciation on culturally appropriate occasions.

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- Do not confuse koha with payments for services, contracted work, or commercial transactions.

Deleted: <#>Council acknowledges the important cultural practice of koha as a taonga and an integral part of Tikanga Māori, which is recognised under Te Tiriti o Waitangi (the Treaty of Waitangi). This section ensures that all koha payments are culturally appropriate, financially prudent, and transparent.¶

20.3. Principles

Definition¶

- Only give koha when it is culturally appropriate and aligns with established tikanga.
- The amount and form of koha must reflect both the significance of the occasion and the mana of the Council representatives present.
- All koha payments demonstrate a balance of:

Koha is a voluntary payment — either in money, goods or services — given without expectation of receiving goods or services in return. It reflects aroha, kindness, goodwill, support, and appreciation on culturally appropriate occasions.¶ Koha is distinct from a payment for service and should not be confused with contracted services or commercial payments.¶

- Financial prudence – avoiding excess or waste.
- Probity and integrity – acting ethically and transparently.
- Cultural respect – upholding the intent and meaning of koha.

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- Do not use koha in place of salary or payments for services. Refer to the Iwi and Tararua District Council Fee Structure (Content Manager reference D23/32850) to distinguish between koha and a payment for service.

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- Do not give koha to Council employees under any circumstances.

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20.4. Requirements

Approval Process

- Obtain **approval prior to giving koha** using the Sensitive Expenditure Approval Table in this Policy
- When requesting koha provide:
 - A brief explanation of the reason for the koha.
 - The event date.
 - Recipients details (who will receive the koha).
 - The proposed amount.
 - The budget code to be charged.

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- A **Group Manager may approve koha payments of up to \$300**. However, if unsure of the cultural appropriateness or eligibility of the koha, the Group Manager must consult the Chief Executive.
- The **Chief Executive approves koha payments over \$300**.

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Processing Requirements

- Arrange cash payments for koha through an Accounts Payable (AP) Voucher.
- **Do not use Council credit cards** to obtain cash advances for koha.
- Submit the voucher to the Finance Team at least two working days before the payment is required, to allow time for approvals and processing.
- Koha, as defined in this policy, is not subject to GST, FBT, or PAYE.

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20.5. Examples

| Example | Description |
|-----------------|---|
| Noho Marae | Council staff stay overnight at a marae, with no fee charged. Koha should reflect meals, accommodation, and a 'top up' for hospitality provided. |
| Hui at Marae | Councillors and staff hold a hui at a marae, where lunch is provided. Koha reflects appreciation, plus any additional catering or facility hire costs. |
| Tangi | Council representatives attend the tangi of a respected kaumatua. Koha is presented on behalf of Council. |
| Treaty Training | A Treaty of Waitangi workshop is held at a marae. Koha acknowledges the hospitality shown, separate from formal venue hire, <u>training</u> , or catering fees. |

Deleted: <#>Koha must only be given where **cultu** appropriate, and in line with established tikanga.¶
The **amount and form** of koha should reflect the occasion and the **mana of Council representatives attending**.¶
All koha payments must balance:¶
Financial prudence.¶
Probity and integrity.¶
Respect for the cultural context.¶
Koha must not:¶
Be given **in place of salary or payment for services rendered**.¶
Be given **to Council employees**.¶
Examples of Appropriate Koha¶
The following are examples only and serve as a gui

Commented [AR109]: And training cost?



| | |
|----------------------|---|
| Citizenship Ceremony | A school group performs waiata at a Council citizenship ceremony. Koha is provided as a token of appreciation (e.g., a gift or card). |
| Site Blessing | Local iwi perform a site blessing for Council works. Koha reflects the service provided and may be increased for factors like travel. |

Commented [JS110]: Would we give koha at all pow we attend E.g. not just when attending a marae for a m with iwi, but also in any other circumstances i.e. attend but not hosting a hui at a marae (which may not be our and when powhiri are arranged with iwi for new staff to council.
How does this work when on our site, is it koha or paym

21. Loyalty reward scheme benefits

Purpose: Council recognises that some suppliers operate loyalty reward schemes that benefit repeat customers—for example, through discounts, vouchers, or points. Managing loyalty reward scheme benefits appropriately preserves impartiality and integrity, to ensure procurement decisions are free from real or perceived personal gain.

21.1. Requirements

- Staff involved in procurement **must not personally receive** loyalty rewards resulting from Council purchases.
- For further information refer to the **Conflicts of Interest Policy** and the **Procurement Policy**.
- Where loyalty rewards are offered staff must:
- Request the supplier not to apply loyalty rewards** to business purchases wherever possible, or
- Ensure that **any rewards accrued benefit the organisation**, not the individual staff member.
- File records in the appropriate Content Manager container.

Note: refer also to the Travel – Loyalty Rewards section of this policy.

22. Private Use of Council Suppliers

22.1. Definition

- Private use of Council suppliers** occurs when a staff member purchases goods or services from a Council supplier and receives a **discount not normally available to the public**.

22.2. Principles

- Council prohibits staff from **gaining personal benefit** through its procurement processes, supplier relationships, or purchasing power. This prevents **actual or perceived conflicts of interest** and upholds public trust (Refer Conflicts of Interest Policy and Procurement Policy).
- Staff must not use Council discounts for personal purchases.** Example: If Council receives a trade discount from a hardware store, staff cannot use that discount for their own purchases.

Deleted: <#>Requirements¶

All koha must have **prior approval** from the Chief Executive or a Group Manager.¶
Staff requesting koha must provide:¶
A brief explanation of the **reason for the koha.**¶
The **date** of the event.¶
Details of the recipient (who the koha will be paid to)¶
The **proposed amount.**¶
The **budget code/account** to be charged.¶
Cash payments for koha must be arranged through Accounts Payable (AP) voucher, submitted to the Finance Team at least **two working days** before the payment is required, to allow for approvals and processing.¶
Koha payments up to \$300 can be approved by a Group Manager.¶
Koha payments over \$300 must be approved by the Chief Executive.¶

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Deleted: Any staff making procurement decisions on behalf of council are not permitted to personally benefit from council purchases.

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- Staff must not book purchases onto a Council account. Example: If Council has an account with a hardware store, staff cannot use that account for their own purchases.
- From time to time All of Government suppliers may offer discounts to staff and accessing these discounts is permitted e.g. Noel Lemming, The Warehouse.

23. Sale of Surplus Assets to Staff

23.1. Principles

Council may sell surplus, obsolete, or worn-out assets to staff only where:

- Alternative options have been fully considered as outlined in the Asset Disposal Policy.
- The method of sale maximises value for Council. This includes both financial return and non-financial benefits (e.g. environmental sustainability, such as rehoming unusable items rather than sending them to landfill)
- The sale process is transparent, fair, and well-documented.
- The process avoids any perception of preferential treatment or undue staff benefit.
- Staff involved in the disposal process must not purchase the assets themselves (to prevent conflicts of interest).

23.2. Requirements

- Follow the Asset Disposal Policy for all asset sales including sales to staff.
- Document each sale in Content Manager, including how value was assessed and approved

24. Monitoring and Reporting

24.1. Purpose

- To ensure that sensitive expenditure is actively monitored, reported, and reviewed, so Council can demonstrate compliance, financial prudence, and alignment with this policy and guidelines.

24.2. Principles

- Monitoring must go beyond assessing individual transactions — it must also consider the overall scale and trends of expenditure within each sensitive expenditure category.
- Sensitive Expenditure Categories are the categories defined in each section of this Policy.

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Deleted: To ensure staff do not gain personal benefit from Council's procurement processes, supplier relationships, or purchasing power, and to prevent conflicts of interest.¶

Definition¶

Private use of Council suppliers occurs when staff purchase goods or services from a Council supplier at a discounted rate that would not otherwise be available to them personally.¶

Principles¶

Staff must not allow the availability of a supplier discount for private use to influence Council's choice of supplier. Staff who have personally used a supplier must not participate in Council's procurement decisions involving that supplier, as this may create a conflict of interest. All personal purchases must be paid in full directly by staff member — Council must not be involved in any (e.g., processing orders, invoicing, or payments).¶ Council resources, including staff time, must not be used to arrange or manage personal purchases for staff.¶

Requirements¶

Prohibited Practice¶
Staff may not extend purchasing privileges to third parties, such as family members, friends, or external contacts.¶

Commented [SD124]: Asset Disposal Policy

Commented [AR125R124]: Yes, I'll move it after everyone has looked over this policy. Ange refer to page 1

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Commented [AR129]: 3.10 and 3.13 of OAG guidance talks about process for significant expenditure.

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Commented [AR130]: Monitoring is about the checkpoints.

Commented [JS131]: Do we define or identify these categories anywhere? I have explained spend categories in

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- Regular and transparent reporting reinforces Council's **commitment to accountability** and ensures elected members, the public, and auditors have confidence in Council's expenditure decisions.

Commented [SD132]: To where?

Commented [AR133R132]: See 3.12, in OAG guidance

24.3. Monitoring Requirements

- Council **has regular and ongoing business reviews** of all sensitive expenditure.
- Sensitive expenditure **is monitored at both transaction level and category level**, to identify:
 - Individual transactions that do not meet policy requirements.
 - Patterns of spending that, when viewed collectively, may indicate risks or emerging issues.
- Sensitive expenditure **is only** incurred within **appropriate delegated financial authority** and must follow established **business controls**.

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24.4. Reporting Requirements

- The **Finance Team** is responsible for **centralised** reporting and monitoring of sensitive expenditure compliance.
- The Finance Team will prepare **quarterly reports** to the **Audit and Risk Committee**, which will cover:
 - Total and **category-level** sensitive expenditure.
 - Emerging trends, patterns, or risks.
 - Any **breaches, exemptions, or non-compliance events**, including actions taken.
- The Finance Team will also work with **managers and approvers** to address any compliance issues identified during **routine business reviews**.

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25. Non-compliance

The Finance Team monitors compliance with this policy.

- The Finance Team is responsible for monitoring compliance with this policy, including regular reviews of sensitive expenditure.
- Any identified breach, including the misuse of credit or purchase cards, will be formally investigated.

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25.1. Consequences of Non-compliance

- Breaches of this policy may result in **disciplinary action** under:

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- The Council's Disciplinary Policy for employees.
- The Elected Members' Code of Conduct for elected representatives.
- Where appropriate, breaches may also be referred for **further investigation** under Council's **Fraud, Dishonesty, and Corruption Policy**

26. Related Internal Policies, Processes and Documents

Related policies, processes, and documents:

- Protected Disclosures Policy
- Disciplinary Policy
- Conflicts of Interest Policy
- Procurement Policy
- Fraud, Dishonesty and Corruption Policy
- Elected Members' Code of Conduct
- Elected Members' Allowances and Recovery of Expenses Policy
- ICT Acceptable Use Policy
- Vehicle Users Policy and Agreement
- Gifts and Koha Register
- Iwi and Tararua District Council Fee Structure
- Grants and Funding Policy or Processes
- Code of Conduct

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related

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27. References

This policy aligns with the Office of the Auditor-General's 2020 Guide for Public Organisations on controlling sensitive expenditure and reflects the Public Service Commission's model standards for gifts, benefits, and expenses.

28. Policy Review

Two yearly or as amendments to legislation apply.

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Document Record

| Change | Made By | Date | Version |
|-------------|--------------|----------------------|---------|
| Version 1.0 | | March 2021 | V1.0 |
| Version 2.0 | Stephen Dunn | June 2025 | V2.0 |
| | | | |
| | | | |

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Report

Date : 17 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Stephen Dunn
Risk & Assurance Advisor

Subject : **Strategic Risk Register Review and Setting of the Internal Audit Programme**

Item No : **7.6**

1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 10 July 2025 concerning the Strategic Risk Register Review and Setting of the Internal Audit Programme (as circulated) be received.*
- 1.2 *That the Committee reviews the attached Strategic Risk Register summary and provides any feedback or recommendations to Council or management.*
- 1.3 *That the Committee adopts Options XXX for inclusion in the 2025-2028 Internal Audit Programme.*

2. Reason for the Report

- 2.1 To review the full Strategic Risk Register.
- 2.2 To set the internal audit programme for the 2025-2028 triennium.

3. Background

- 3.1 The Committee is due to complete its annual review of the full Strategic Risk Register (refer 2023-2025 Work Programme).
- 3.2 The Register was last reviewed as part of the workshop sessions run by Malcolm Thomas during the development of the 2024-2034 Long Term Plan.

- 3.3 Since the LTP review the Committee has reviewed and updated the risk for *Staff Resources are Inadequate to Successfully Deliver Council Strategic Objectives*, and *NZ Transport Agency Waka Kotahi Funding*.

4. The Committee's Risk Management Responsibilities

- 4.1 Reviewing the Strategic Risk Register assists the Committee to carry out its delegated risk management functions as below.
- 4.2 The 2024 [Risk Management Framework](#) sets out the Committee's responsibilities in relation to risk management:
- 4.3 Receive and consider staff reports in relation to risk management and make recommendations on risk management related matters.
- 4.4 The Audit and Risk Committee provides oversight of Council's approach to risk;
- Reviews the risk management policy, framework and associated procedures for effective identification and management of the Council's significant risks and matters of compliance.
 - Makes recommendations to Council on the robustness of the risk management systems, processes and practices.
 - Makes recommendations to Council on setting the risk appetite.
 - Monitors external factors that contribute to the Council's risk profile.
- 4.5 The review of the Strategic Risk Register allows the committee to make enquiry and gain confidence that Council is effectively identifying and managing significant risks so that it can make any recommendations on the robustness of risk management systems, processes, and practices.
- 4.6 The review allows the Committee to monitor external factors that contribute to Council's risk profile.

5. Strategic Risk Register

- 5.1 Attached to this report is a full summary of the Council Strategic Risk Register for review.
- 5.2 The summary includes strategic risks and organisational level operational risks.
- 5.3 **Strategic risk:** Risks that affect the achievement of Council's long-term goals, direction, or overall strategy.
- 5.4 **Operational risk:** Risks arising from day-to-day processes, systems, people, or external events that impact service delivery.

- 5.5 The full risk register is maintained in the Process Manager (Promapp) software app which provides functionality for regular risk and control reviews however does not export to a usable summary document hence the summary attached is provided for your review.
- 5.6 The summary provides the following information:
- Risk title
 - Risk statement
 - Risk ratings
 - The sources and consequences of the risk
 - Controls and mitigations
 - Commentary
- 5.7 The risk ratings are in the following format – inherent risk, residual risk, and target residual risk:
- 5.8 **Inherent risk:** The level of risk that exists before any controls or mitigation are applied.
- 5.9 **Residual risk:** The level of risk that remains after existing controls or mitigations have been applied.
- 5.10 **Target residual risk:** The desired level of residual risk Council aims to achieve, aligned with its risk appetite.
- 5.11 The **commentary** section consists of comments by the owning ELT member as well as a summary of information from the attached Environmental Scan.
- 5.12 Note that management is working towards adding risks into the strategic risk register relating to the following risk appetite areas: Revenue, Enforcement, Rates Setting, Records and data.
- 5.13 The Strategic Risk Register is attached to the report.

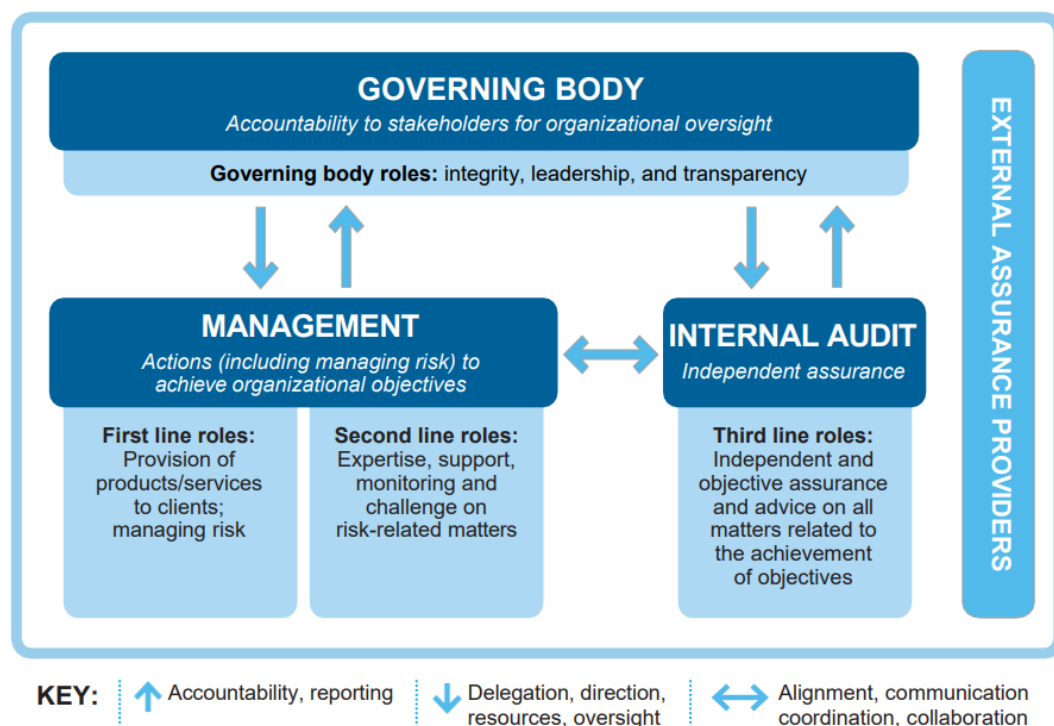
6. Internal Audit Programme

- 6.1 The Committee sets the internal audit programme as part of its work programme and to assist it to meet its responsibilities under the Risk Management Framework by testing management and compliance for the control of significant risks (see Section 4 above).
- 6.2 The intention of this report is to enable the Committee to set the internal audit programme for the next three years to provide for better planning, procurement, and resourcing over the period. This would not preclude the Committee adjusting priorities in the future if required.
- 6.3 The report recommends focus areas for the internal audit programme in the recommendations below.

7. The Three Lines Model

- 7.1 The International Internal Auditors Association provides helpful guidance on the internal audit function. The model is widely referenced including by the Office of the Auditor General.
- 7.2 The Three Lines Model is a governance framework that defines how an organisation manages risk and assurance.
- 7.3 The Institute of Internal Auditors provides more details on the principles and role based information the [Three Lines Model](#) on their website.

The IIA's Three Lines Model



7.4 Governing Body (i.e. The Audit and Risk Committee and Council)

- Sets strategic direction and oversees governance, risk management, and assurance activities.
- Ensures that all lines are resourced, coordinated, and functioning correctly.

7.5 First Line – Operational Management

- Owns and manages risk as part of delivering services.
- Implements controls and ensures compliance with policies and procedures.
- Accountable for achieving objectives while managing risk.

7.6 **Second Line – Risk, Compliance, and Oversight Functions:**

- Provides support, oversight, and challenge to the first line.
- Develops frameworks, monitors risk exposure, and support policy implementation.
- Includes functions like risk management, health & safety, legal, and finance.

7.7 **Third Line – Internal Audit**

- Provides independent and objective assurance to the governing body.
- Evaluates effectiveness of governance, risk management, and internal controls across the first and second lines.
- Reports directly to governance (e.g. to the Risk & Assurance Committee)

7.8 **External Assurance Providers – Audit New Zealand**

- Provides independent assurance to elected members and the public on the fairness of financial reporting and the integrity of key systems and controls.

8. **Prioritisation of Internal Audit Programme for the next Triennium**

8.1 The table below summaries the Strategic Risk Register in an order that ranks:

- Risk rating
- Risk appetite
- The importance of internal controls in managing the risk (red = high importance)
- An internal audit priority (red = high priority)

8.2 Using the table allows an objective method to prioritise an internal audit programme within resourcing constraints.

8.3 The table suggests the following focus areas:

- Three Waters Reform/Transition
- Statutory Compliance (Council as consent holder)
- Infrastructure Failure
- Health, Safety, and Wellbeing
- Conflicts of Interest
- Fraud
- Capital Programme
- NZTA Waka Kotahi Funding
- Information Technology Failure
- Sources of Funds (Depreciation)
- Infrastructure Capability

| Risk | Inherent Risk | Residual Risk | Target Residual Risk | Risk Appetite | Importance of Internal Controls | Internal Audit Priority |
|--------------------------------|---------------|---------------|----------------------|---------------|---------------------------------|-------------------------|
| 3Waters Reform | Severe | Severe | Moderate | Moderate | ● | ● |
| Statutory non-compliance | Severe | Severe | Low | Low | ● | ● |
| Infrastructure Failure | Severe | High | Low | Low | ● | ● |
| Health & Safety | Severe | High | Low | Low | ● | ● |
| Conflicts of Interest | Severe | High | Low | Low | ● | ● |
| Fraud | Severe | High | Low | Low | ● | ● |
| Capital Project Do-ability | Severe | High | Moderate | Moderate | ● | ● |
| Waka Kotahi Funding | Severe | High | Moderate | Moderate | ● | ● |
| Information Technology Failure | Severe | High | Moderate | Moderate | ● | ● |
| Sources of Funds (Deprec) | Severe | High | Moderate | Moderate | ● | ● |
| Infrastructure Capability | Severe | High | Moderate | Moderate | ● | ● |
| Climate Change | Severe | High | Moderate | Moderate | ● | ● |
| Natural Disaster | Severe | High | Moderate | Moderate | ● | ● |
| Resource Consent Renewals | Severe | Moderate | Low | Low | ● | ● |
| Iwi & Māori Partnerships | High | High | Low | Low | ● | ● |
| Interest Rates | High | High | Moderate | Moderate | ● | ● |
| Legislative Changes | High | High | Moderate | Moderate | ● | ● |
| Inadequate Staff Resources | High | Moderate | Moderate | Moderate | ● | ● |
| Contracts | High | Moderate | Moderate | Moderate | ● | ● |
| Forest Harvesting | High | Moderate | Moderate | Moderate | ● | ● |
| Access to External Funding | High | Moderate | Moderate | Moderate | ● | ● |
| Asset Lives | High | Moderate | Moderate | Moderate | ● | ● |
| Population Growth | High | Moderate | Moderate | Moderate | ● | ● |
| Asset Revaluation | High | Moderate | Moderate | Moderate | ● | ● |
| Wind and Solar Developments | High | Moderate | Moderate | Moderate | ● | ● |
| Inflation | Moderate | Moderate | Moderate | Moderate | ● | ● |
| Ageing Population | Moderate | Low | Low | Moderate | ● | ● |

9. Current Internal Audit Programme

9.1 **Procurement and Contract Management:** This internally resourced internal audit is in progress and will be reported to the November Committee meeting. The audit focuses on compliance with the Procurement Strategy and processes.

- 9.2 **Tararua Alliance:** Annual performance and financial audits are programmed. This year a new auditor is in place who will bring a fresh view to these audits. Council is also subject to audits by NZTA Waka Kotahi.
- 9.3 **SafePlus:** This Health, Safety, and Wellbeing audit is programme for this financial year.
- 9.4 **Building Consent Authority:** Assurance is provided through the re-certification process and reporting.

10. Options for the 2025-2026 Triennium

- 10.1 The following is a list of potential options for internal audits over 2025-2028 in a priority order. It is suggested a total of five-seven internal audits for the three year programme.
- 10.2 **Option 1: 3Waters Transition Readiness and Compliance**
- 10.3 Possible focus areas: Asset data integrity, financial transition planning, consent compliance readiness, operational readiness of the Waters CCO, stranded overhead risks.
- 10.4 Rationale: Severe current risk; high dependency on internal controls; critical for community trust and financial stability, ongoing business continuity post transition.
- 10.5 **Option 2: Non-Compliance (Consent Holder) – Water and Wastewater**
- 10.6 Possible focus areas: Resource consent compliance, monitoring processes, and incident escalation.
- 10.7 Rationale: Severe risk; low appetite; high reputational and compliance exposure.
- 10.8 **Option 3: Infrastructure Failure – Business Continuity**
- 10.9 Possible focus areas: asset condition and criticality assessments, maintenance and renewals planning, emergency preparedness, and the reliability of asset data.
- 10.10 Rationale: High risk; low appetite; high internal control dependency.
- 10.11 **Option 4: Health & Safety Critical Risk Controls**
- 10.12 Possible focus areas: Effectiveness of critical risk management, incident reporting culture, contractor management, and governance oversight.
- 10.13 Rationale: Severe current risk; low appetite; high dependency on robust internal controls.
- 10.14 This risk was last audited in 2021 and an internal audit, as part of the MWLASS programme, is programmed for this financial year.

- 10.15 **Option 5: Fraud Risk Management and Conflicts of Interest**
- 10.16 Possible focus areas: Fraud risk assessment, effectiveness of prevention and detection controls in high-risk areas (procurement, payroll, rates), reporting and whistleblower mechanisms, and management of conflicts of interest.
- 10.17 Rationale: High current risk; low appetite; high impact if controls fail.
- 10.18 The last internal audit in this area was completed in 2018.
- 10.19 Conflicts of interest also form part of the current Procurement Audit.
- 10.20 **Option 6: Capital Projects Delivery**
- 10.21 Possible focus areas: Project governance, project management framework application, cost management, procurement alignment, and milestone monitoring for major projects.
- 10.22 Rationale: Severe risk; critical for LOS and financial management; high control dependency.
- 10.23 **Option 7: Waka Kotahi Funding Management and Roothing Renewals**
- 10.24 Possible focus areas: Processes for managing NZTA funding, subsidy claims, prioritisation of renewals, and contingency planning for funding reductions.
- 10.25 Rationale: Severe funding dependency; critical to roading LOS; controls ensure accurate and timely funding flows.
- 10.26 Tararua Alliance is subject to an annual performance and financial internal audit and is also subject to NZTA Waka Kotahi audits that will likely meet these audit focus area requirements.
- 10.27 **Option 8: Cybersecurity and IT Resilience**
- 10.28 Possible focus areas: Cybersecurity policies, system access controls, backup and disaster recovery processes, incident response planning, and resilience testing.
- 10.29 Rationale: High risk area; high dependency on internal controls to manage exposure.
- 10.30 The last security assessment/internal audit was completed in 2021.
- 10.31 **Option 9: Tax Review**
- 10.32 The Acting Chief Financial Officer will provide further details on this option.

11. Government “Plan Stop Policy” Announcement for District Plan Changes

11.1 In his speech to the 2025 LGNZ Conference on 16 July 2025 Hon Chris Bishop announced Government plans for changes to planning rules.

<https://www.beehive.govt.nz/speech/speech-2025-lgnz-conference>

11.2 Of immediate impact to Council is the announcement of a Plan Stop Policy:

“Councils will not be able to notify new plan or policy statements or changes to them unless they meet certain exemption criteria.”

“Plan or policy statement changes that have been notified, but not proceeded to hearings, will also be subject to the plan stop. Provisions that had legal effect on notification will be reversed. These plan changes will need to be withdrawn, unless they meet exemption criteria.”

11.3 Additional information on the Plan Stop is provided in the Ministry for the Environment fact sheet.

<https://www.beehive.govt.nz/sites/default/files/2025-07/Plan%20Stop%20Fact%20Sheet.pdf>

11.4 At the time of writing management has not had an opportunity to analyse the announcement and a detailed report is expected to be available for the 30 July 2025 Council meeting.

11.5 In relation to matters being considered by the Committee today:

- This announcement may have an impact on the Legislative Change strategic risk.
- District Planning is a key control for several strategic risks: Climate Change, Natural Disaster, Population Growth, Wind & Solar Farm Developments, Ageing Population.
- The Committee is also confirming the District Planning risk appetite today.

Attachments

1. Strategic Risk Register Summary - July 2025

2. Environmental Scan - July 2025

R00049: 3Waters Reform and Subsidies for Water and Wastewater Upgrades

| | | | |
|--|---|-----------------|----------------------|
| Risk Description Council may be unable to sustainably fund resilient and reliable water, wastewater, and stormwater infrastructure due to changes in legislative standards, growth, and climate change, while transitioning to a new 3Waters delivery model. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | Severe | Moderate |
| Sources: <ul style="list-style-type: none">Legislative changes mandating higher service levels and regulatory standards.Growth and climate change increasing demand and complexity of service delivery.Asset renewals and resource consent conditions requiring substantial investment.Transition risks associated with moving to a new 3Waters business model (Waters CCO).Tensions between councils with differing asset conditions, debt, and funding needs within the joint delivery model.Uncertainty about how actual efficiencies and cost savings will be achieved under the new delivery structure.Potential direct costs of ownership or structural changes not funded by government.Absence of further government subsidies to support compliance upgrades. | Risk Consequences: <ul style="list-style-type: none">Difficulty in planning and timing expenditure due to reform uncertainty.Higher costs, debt, and targeted rates for connected customers unless offset by efficiencies.Risk of stranded overheads and reduced Council capacity.Potentially increased ratepayer burden without external funding support.Missed opportunities for efficiency if the transition is poorly managed.Availability of government subsidies would reduce rate and debt pressures on Council. | | |
| Key Existing Controls | Effectiveness | Comments | |
| Lobby government on the need for investment in 3waters. | Compliant | | |
| Council will actively explore regional collaboration for 3waters management and service delivery. | Compliant | | |
| Review LoS through AP/LTP, although many 3waters service levels are mandatory. | Compliant | | |
| Option to delay some works until new legislation is set. | Compliant | | |
| Commentary/Trends/Risk Indicators: The risk rating for this strategic risk will fall once the CCO agreement is signed however Council will need to ensure that it does not leave itself with any residual risk. | | | |
| Environmental Scan Commentary <ul style="list-style-type: none">Council has agreed to a joint Waters CCO with Wairarapa, removing waters debt and depreciation from Council but connected ratepayers will still pay for services through the new entity.Water Services Delivery Plans are due Sept 2025 under the new regulatory framework.Government is consulting on easing freshwater and wastewater standards, which may reduce capex needs.Despite regulatory easing intentions, forecast charges for urban water users under 3Waters are expected to be challenge affordability for some residents.Low urban growth limits growth-driven pressures, but compliance and renewal costs remain high. | | | |
| Environmental Scan Trends <ul style="list-style-type: none">Formation of Waters CCO progressing, with structural changes in 2026/27.Possible easing of mandatory standards may reduce future capex needs.Urban growth pressures remain low, but renewal and compliance costs remain high.Risk of affordability issues for connected customers under the new model.Legislative changes advancing rapidly, requiring Council to remain adaptive. | | | |
| Environmental Scan Risk Indicators <ul style="list-style-type: none">Progress of the Local Government (Water Services) Bill and associated Water Services Delivery Plans.Details of government decisions on easing freshwater and wastewater standards.Community feedback on rising water charges under the new delivery model.Waters CCO capital programme adjustments once formed.Ongoing LTP amendments required as legislation and CCO structures evolve. | | | |
| Owner: Group Manager Operations | | | |

R00052: Non-Compliance with Statutory Requirements (Council as consent holder)

| | | | |
|--|--|-----------------|----------------------|
| Risk Description: Council fails to comply with statutory requirements (e.g., drinking water standards, consent conditions, regulatory legislation), leading to significant outcomes. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | Severe | Low |
| Sources: <ul style="list-style-type: none">• Ongoing non-compliance with statutory requirements and/or further significant breaches.• Ageing or inadequate infrastructure unable to meet consent or regulatory standards.• Complex regulatory environment and changing compliance requirements.• Operational, monitoring, or maintenance failures. | Consequences: <ul style="list-style-type: none">• Illness, injury, or death impacting community wellbeing.• Political conflict or government enquiry/review.• Increased capital and operating costs to address non-compliance and rework.• Potential prosecution and financial penalties.• Loss of public confidence and trust in service delivery.• Impacts on level of service delivery and reputational damage. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Insurance strategy includes critical infrastructure and business continuity | Compliant | | |
| Capital projects to address compliance have been reviewed to ensure they will address non-compliance | Compliant | | |
| Council works collaboratively with regulators | Compliant | | |
| Additional compliance roles established | Compliant | | |
| Comms plans for 3Waters decisions and projects | Compliant | | |
| | | | |
| Commentary/Trends/Risk Indicators: The residual risk rating for this risk acknowledges that we are not ‘maintaining’ compliance but are ‘working towards’ achieving compliance with improvements summarised in the controls section. | | | |
| Environmental Scan Commentary <ul style="list-style-type: none">• The government is actively consulting on changes to the National Policy Statement for Freshwater (NPS-FM) and related NES regulations, signalling intent to reduce compliance costs and ease consenting for water takes and wastewater discharges, which may reduce the risk of unmanageable statutory requirements for Council.• Proposed changes would give councils greater flexibility in how environmental limits are met, with some options removing or simplifying obligations under Te Mana o te Wai, potentially reducing mandatory capital upgrades to wastewater and water treatment plants.• Despite proposed changes, councils must continue to comply with current NPS-FM provisions until reforms are enacted, maintaining risk of non-compliance in the near term.• New National Environmental Standards for Drinking Water are being prepared, which will affect risk management area mapping and compliance obligations, but details are pending.• Tararua’s urban growth remains low, so pressure from growth on wastewater and drinking water infrastructure is not currently a key compliance driver; risk remains primarily around ageing infrastructure and current standards.• The formation of the Waters CCO with Wairarapa will lead to full reviews of capital and renewal programmes, potentially identifying non-compliance areas requiring action. | | | |
| Environmental Scan Trends <ul style="list-style-type: none">• National policy direction moving toward reduced compliance costs, but changes not yet enacted.• Short-term uncertainty while consultation and reform processes continue.• Likely medium-term reduction in capex compliance pressures if reforms proceed.• Ongoing need to meet existing standards for drinking water and wastewater discharge, especially as major consents (e.g., Dannevirke WWTP) approach expiry. | | | |
| Environmental Scan Risk Indicators <ul style="list-style-type: none">• Progress of NPS-FM and NES-Freshwater reform consultations.• Final details and implementation timeline for the RMA replacement and associated freshwater rules.• Updates on National Environmental Standards for Drinking Water.• Outputs from the Waters CCO review of capex and renewal programmes.• Non-compliance incidents with current consent conditions or DWSNZ standards. | | | |
| Owner: Group Manager Operations | | | |

R00044: Infrastructure Failure

| | | | |
|--|--|-----------------|----------------------|
| Risk Description: Technical or structural failure of critical infrastructure assets disrupts delivery of key community services. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Low |
| Sources: <ul style="list-style-type: none">Ageing or poorly maintained critical assets.Undetected defects or wear due to incomplete asset condition data.Extreme weather or natural disasters accelerating asset failure.Design, construction, or operational faults. | Consequences: <ul style="list-style-type: none">Disruption to essential services (water, wastewater, stormwater, roading).Health, safety, and wellbeing risks to the public and staff.Financial costs for emergency repairs or replacements.Reputational damage and reduced community trust.Potential regulatory non-compliance and legal consequences. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Monitoring processes in place, SCADA, drone inspections. | Compliant | | |
| Customer requests, recognising patterns of small failures which may indicate deterioration. | Compliant | | |
| Major parts that are difficult or timely to source are kept in stock. | Compliant | | |
| Condition ratings on assets with expected life of asset to help determine replacement before failure. | Compliant | | |
| Critical Asset Register development | Complete | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Most critical assets have been identified and have had condition assessments completed to drive maintenance and renewals. | | | |
| Environmental Scan Commentary | | | |
| <ul style="list-style-type: none">A new National Policy Statement for Infrastructure is proposed, aiming to reduce consenting barriers and ensure consistent national planning, which may support the resilience of critical infrastructure over time.A new National Policy Statement for Natural Hazards will set a standard risk matrix for managing hazard risk, aligning well with Council's current approach and aiding prioritisation of critical asset resilience.The draft NZ Infrastructure Plan highlights 17 national priority projects (some in Manawatū), reflecting a focus on regional resilience and logistics, with potential indirect benefits for Tararua's critical infrastructure if regional connectivity improves.Climate change continues to increase the likelihood of extreme weather events, posing ongoing risks to critical assets such as water, stormwater, and roading networks.Insurance markets are tightening and repricing local risks, with increasing premiums and potential withdrawal of cover for high-risk infrastructure, impacting financial resilience after a failure event. | | | |
| Environmental Scan Trends | | | |
| <ul style="list-style-type: none">National policy and planning frameworks shifting toward enabling infrastructure upgrades with less local consenting friction.Climate change increasing asset exposure to storm, flood, and heat-related failures.Insurance costs and coverage becoming a key challenge in post-failure recovery.Focus on consistent hazard risk assessment will aid Council in prioritising critical assets for resilience investments. | | | |
| Environmental Scan Risk Indicators | | | |
| <ul style="list-style-type: none">Implementation progress of the National Policy Statements for Infrastructure and Natural Hazards.Insurance premium increases and changes in cover availability for critical assets.Frequency of extreme weather events in the district.LIDAR and flood path modelling updates influencing critical asset risk profiles.Asset condition assessments revealing vulnerabilities, particularly in aging water, wastewater, and roading assets. | | | |
| Owner: Group Manager Operations | | | |

R00047: Health and Safety

| | | | |
|---|---|---|----------------------|
| Risk Description Council fails to effectively manage health and safety obligations under the Health and Safety at Work Act 2015, leading to serious injury or death. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Low |
| Sources: <ul style="list-style-type: none">• Breakdown in hazard identification processes.• Breakdown in control implementation.• Breakdown in monitoring processes.• Health and safety system failure.• Reckless or negligent conduct | Consequences: <ul style="list-style-type: none">• Death or serious injury to person(s).• Business interruption.• Potential prosecution and regulatory action.• Reputational damage to Council.• Impacts on staff wellbeing and morale. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Hazard Register is complete and reviewed on schedule with staff involvement | Partially Compliant | Critical risk reviews to bring the register up to date are in the work programme. | |
| Health and Safety Committee meets monthly with minutes, actions, and escalations managed. | Compliant | | |
| All new staff complete H&S induction. | Compliant | | |
| The Crisis Management Plan is reviewed annually and is being used to manage notifiable events. | Compliant | Plan testing is not currently done due to capacity constraints. | |
| H&S Representatives are in place for all staff, inducted, and have completed (or are enrolled in) Stage 1 and 2 training. | Partially complaint | | |
| Contractors are SiteWise registered and current. | Compliant | | |
| Quarterly H&S reporting to Audit & Risk Committee. | Compliant | | |
| Safe365 implementation continues to improve incident and risk reporting. | Complaint | | |
| Regular ELT and ARC reporting to support due diligence. | Compliant | | |
| H&S Policy reviewed every three years. | Compliant | Policy review is due and underway | |
| Governance and Due Diligence controls | Partially complaint | See ARC H&S Report | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| Contractor H&S induction and monitoring improvements | H&S Coordinator | Dec 2025 | |
| Develop a Health and Safety Strategy | GM – PC&CS | Jul 2025 | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Commentary, trends and risk indicators are reported quarterly to the Audit and Risk Committee through the Health, Safety, and Wellbeing Management Report. | | | |
| Owner: Group Manager People and Capability | | | |

R00095: Conflicts of Interest

| | | | |
|--|--|-------------------------------------|----------------------|
| Risk Description: Significant non-disclosure or mishandling of a conflict of interest impacts Council's reputation, finances, and operations. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Low |
| Sources: <ul style="list-style-type: none">Collusive practices influencing tender and selection processes.Staff with personal or pecuniary interests in decisions or monitoring (e.g., positions in external organisations).Staff appointments made without merit-based processes.Purchasing processes lacking sufficient competition.Non-disclosure of a conflict of interest by staff or elected members. | Consequences: <ul style="list-style-type: none">Financial loss due to unfair procurement or employment practices.Disruption to Council operations and decision-making processes.Reputational damage and reduced public trust in Council integrity.Potential legal or regulatory consequences if conflicts are proven to have influenced decisions. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Procurement Policy | Compliant | Engaging with iwi on updated policy | |
| Conflicts of Interest Policy and annual Col training | Compliant | | |
| All BCA employees and contractors follow the Building Consent Authority Quality Manual - conflicts of interest policy and process. | Compliant | | |
| All conflict of interest requirements of the Local Authorities (Members' Interests) Act 1968 are met. | Compliant | | |
| Procurement Management team oversight | Compliant | | |
| Related Parties disclosures annually by ELT | Complaint | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Industry Commentary | | | |
| <ul style="list-style-type: none">Governance frameworks tightening: New or forthcoming guidance from the Office of the Auditor-General, Ombudsman, and potential LG systems reforms will put pressure on councils to step up transparency.Greater public scrutiny: Community and media attention to perceived conflicts is intensifying, and rates affordability pressures increase expectations for probity in local government. | | | |
| Risk Indicators | | | |
| <ul style="list-style-type: none">New OAG/Ombudsman guidance and public statements.Instances of late or incomplete declarations in Council registers.Ombudsman or Audit NZ comments or inquiries.High-profile media allegations or complaints referencing conflicts.Procurement or appointment decisions with potential overlap of personal connections or pecuniary interest. | | | |
| Owner: Chief Executive | | | |

R00096: Fraud

| | | | |
|--|--|------------------------------------|----------------------|
| Risk Description: A fraud event occurs within Council operations. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Low |
| Sources: <ul style="list-style-type: none">Weaknesses in internal controls or segregation of duties.Override of controls by staff or management.Collusion with external parties (contractors, suppliers).Inadequate fraud awareness or training.Pressures due to personal financial stress. | Consequences: <ul style="list-style-type: none">Financial loss to Council.Reputational damage and reduced public trust.Disruption to operations during investigation and recovery.Potential legal and regulatory consequences.Staff and community confidence impacts. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Fraud, Dishonesty, and Corruption Policy and reporting process | Compliant | | |
| Protected Disclosures Policy | Compliant | | |
| Procurement Policy | Complaint | Updated policy with iwi for review | |
| Internal audits | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">The Environmental Scan does not explicitly mention fraud but notes an environment of ongoing cost pressures and service cuts, which can increase fraud risks as staff and suppliers face financial pressures.The Local Government sector is under heightened public scrutiny due to high rates increases, with new government efficiency and accountability initiatives likely to raise expectations for transparency.The OAG’s 2025 guidance on integrity stresses robust fraud risk assessments and active controls, noting the importance of transparent procurement, gifts and hospitality registers, and conflicts management in reducing fraud risks.The Serious Fraud Office continues to emphasise local government vulnerabilities in procurement and contract management, especially where conflicts of interest are poorly managed or controls are overridden. | | | |
| Trends | | | |
| <ul style="list-style-type: none">Increased public expectation of transparency and integrity in councils due to economic pressures.Rising audit focus on procurement, sensitive expenditure, and conflicts management.Potential for fraud pressure factors due to cost of living and staff financial stress. | | | |
| Risk Indicators | | | |
| <ul style="list-style-type: none">Internal audit findings related to procurement or conflicts of interest.OAG or Audit NZ recommendations on fraud controls.Trends in staff declarations of interests, gifts, and hospitality.Whistleblower reports or protected disclosures received.Irregularities in procurement, recruitment, or contract management processes. | | | |
| Owner: Chief Executive | | | |

R00057: Capital Projects Do-ability

| Risk Description | Inherent Risk | Residual Risk | Target Residual Risk |
|--|--|-------------------------|----------------------|
| Council may be unable to deliver the planned capital work programme, particularly 3Waters and Cyclone Gabrielle Recovery (Roading) projects. | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">• volume of capital projects forecast is challenging to deliver.• Inadequate scoping and planning.• Uncertainty with the Dannevirke impounded supply, WWTP upgrades.• Project stakeholders not trained or supported to use Project Management Framework.• Ineffective governance or PMO oversight.• Poor procurement or project management practices.• Economic instability, supply chain issues, and contractor constraints. | <ul style="list-style-type: none">• Backlog of work, delays, and cost increases.• Inability to meet planned levels of service.• Assets may fail before replacement, causing service disruptions.• Non-compliance with consent conditions.• Higher debt servicing costs and borrowing impacts.• Additional resources required may increase rates requirements.• Missed opportunities for compliance and service improvements if projects are delayed. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Robust scoping and project briefs. | Compliant | | |
| Project Management Office | Compliant | | |
| Steering committees for larger projects | Compliant | | |
| Reporting through Infrastructure, Climate Change, and Emergency Management Committee | Compliant | | |
| Working collaboratively with supply partners | Compliant | | |
| Use AP/LTP process to re-prioritise projects when required | Compliant | | |
| Procurement Policy | Compliant | Policy review underway. | |
| Tararua Alliance Procurement Strategy | Compliant | | |
| Response to Urban Growth Strategy | Compliant | | |
| Annual review of carry forwards | Complaint | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: <p>This year carry forward have dropped to their lowest level for a number of years.</p> <p>With the strengthening of the above controls project performance continues to improve.</p> <p>Environmental Scan Commentary:</p> <ul style="list-style-type: none">• Inflation and construction material costs have stabilised, with capital goods prices increasing only 1.6% and civil construction costs up 1.2%, easing some cost pressures.• However, insurance costs remain high, and energy prices are rising, impacting project delivery costs.• Interest rates are lower at the short end but remain around 4.5% for long-term borrowing, continuing to affect the affordability of capital projects.• The construction sector is subdued, with less work creating opportunities for sharper pricing, but tender prices remain variable depending on contractor workloads.• The establishment of the joint Waters CCO with Wairarapa will require a full review of the capital and renewals programme in the LTP from 2026, creating potential for re-prioritisation of projects. <p>Environmental Scan Trends:</p> <ul style="list-style-type: none">• Stable construction costs with variable tender pricing.• Lower but uncertain interest rates influencing project financing.• Rising insurance and energy costs are adding to delivery pressures.• Pending Waters CCO transition will influence project scope and timing. <p>Environmental Scan Risk Indicators:</p> <ul style="list-style-type: none">• Variability in contractor availability and pricing.• High insurance premiums and rising energy costs.• Interest rates stabilising but still impacting debt-funded projects.• Upcoming Waters CCO review of capex and renewals. | | | |
| Owner: Group Manager Operations | | | |

R00091: NZ Transport Agency Waka Kotahi Funding

| Risk Description | | Inherent Risk | Residual Risk | Target Residual Risk |
|---|-----------|--|-----------------|----------------------|
| NZ Transport Agency Waka Kotahi funding may be insufficient to meet Council strategic objectives. | | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">National Land Transport Programme (NLTP) funding levels may differ from forecasts in the LTP.Emergency works funding may not match forecast needs if single or multiple events exceed expectations.Emergency works funding is lower than expected or not provided, requiring Council to fund costs through its work programme. | | Consequences: <ul style="list-style-type: none">Variations in subsidy rates affect Council’s revenue (\$102K per 1% change in subsidy).LTP assumes consistent funding levels; funding reductions would impact Council’s budgets and delivery of roading projects.Reduced ability to maintain and improve the roading network to meet strategic objectives.Potential delays in planned projects and services due to funding shortfalls. | | |
| Key Existing Controls | | Effectiveness | Comments | |
| The Financial Strategy maintains sufficient financial headroom and depreciation reserves | Compliant | | | |
| Use AP/LTP process to review levels of service | Compliant | | | |
| Sound relationship with NZ Transport Agency Waka Kotahi | Compliant | | | |
| The Tararua Alliance emergency works process meets NZ Transport Agency Waka Kotahi requirements | Compliant | | | |
| Advocacy through the Regional Land Transport Committee | Compliant | | | |
| New Treatments Planned or Underway | | Owner | Timing | |
| | | | | |
| Commentary/Trends/Risk Indicators: | | | | |
| <p>The Environmental Scan commentary below acknowledges the risks to funding. These do create a high risk for Council in the last 10% on NZTA Waka Kotahi funding e.g. the difference between \$9M and \$10M which is a significant impact but not catastrophic.</p> <p>Environmental Scan Commentary:</p> <p>NZ Transport Agency Waka Kotahi funding remains under pressure, with the FAR rate holding at 73%, but the total national funding pool has shrunk, reducing the funds available for Councils. This is less than assumed in the LTP, creating a risk that Council may not secure sufficient subsidy to deliver its roading programme.</p> <p>Environmental Scan Trends:</p> <ul style="list-style-type: none">Cost pressures have stabilised, but the shrinking size of the funding pie is a key concern.Inflation and interest rates are lower, providing some offset to cost pressures, but do not compensate for reduced subsidy availability.Continued demand for emergency works funding after storm events could further stretch budgets. <p>Environmental Scan Risk Indicators:</p> <ul style="list-style-type: none">Current LTP assumes stable funding levels that may not be realised.Ongoing pressure on Council to maintain and improve roading networks with constrained external funding.Potential for rate increases or project deferrals if funding shortfalls occur. | | | | |
| Owner: Group Manager Operations | | | | |

R00045: Information Technology Failure

| | | | |
|--|--|-----------------|----------------------|
| Risk Description: Significant IT failure disrupts Council’s ability to provide agreed levels of service. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">• Data corruption, either malicious (cyberattack) or accidental.• Hardware or critical system failure.• Inadequate system backups or disaster recovery planning.• Third-party service provider failure (cloud, network services). | Consequences: <ul style="list-style-type: none">• Disruption to Council service delivery and operations.• Inability for staff to perform core functions.• Potential data loss or breach impacting community trust.• Financial costs associated with system recovery and service interruption.• Reputational damage due to extended outages. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Improve ICT/Information/Systems to enable business continuity | Compliant | | |
| Cyber Insurance | Compliant | | |
| IT Disaster Recovery Plan | Compliant | | |
| ICT Acceptable Use Policy | Compliant | | |
| Improvement plan from the 2021 Baseline Security Assessment | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• The Environmental Scan notes increasing demand for online transactions, while the shift away from physical retail is growing. This trend raises community expectations for stable, secure digital service delivery, making system resilience critical.• The rapid pace of technology change (AI, digital tools) increases operational reliance on IT systems while simultaneously introducing new cyber vulnerabilities.• Insurance costs have increased significantly (average +50% in 3 years), with insurers pricing based on current localised risk. This may affect cyber insurance affordability and the ability to transfer some IT risk.• While no direct mention of cybersecurity incidents is noted, the scan identifies disruptive factors and systemic shocks as an increasing feature of the risk environment, reinforcing the importance of IT system resilience. | | | |
| Trends | | | |
| <ul style="list-style-type: none">• Rising community expectations for reliable, secure digital services.• Rapid adoption of AI and digital tools increasing system dependency and risk.• Growing insurance challenges for risk transfer, including for cyber risks.• Ongoing disruptive shocks highlighting the need for robust business continuity. | | | |
| Risk Indicators | | | |
| <ul style="list-style-type: none">• Volume and severity of cyber threats targeting local government or New Zealand.• IT system outages or near-misses.• Community complaints regarding online service availability.• Cyber insurance premium increases or coverage exclusions.• Progress against business continuity and disaster recovery testing schedules. | | | |
| Owner: Group Manager Strategy and Information | | | |

R00058: Sources of Funds for the Replacement of Significant Assets

| | | | |
|---|--|-----------------|----------------------|
| Risk Description: Depreciation funds may be insufficient to replace assets if they require earlier replacement than forecast or if depreciation has not been adequately funded over time. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">Assets requiring replacement earlier than planned due to condition or unforeseen failure.Depreciation funding levels insufficient over the long term.Assumptions on inflation, asset lives, and revaluation impacting depreciation calculations and funding adequacy. | Consequences: <ul style="list-style-type: none">Shortfall in funds for timely asset replacement.Need to borrow or increase rates to cover replacement costs.Potential delays in renewing critical infrastructure, impacting service delivery.Short-term risk to rating levels is low, with a positive depreciation reserve balance (\$31M in 2023/24, forecast to reduce to \$17M by 2034 due to planned renewals).Longer-term funding adequacy dependent on accurate asset life, inflation, and revaluation assumptions. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Financial Strategy manages finances sustainably to meet the unexpected early replacement of significant assets | Compliant | | |
| Council has built its depreciation fund over time to meet long-term renewal of assets | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: <p>At present internal borrowing within Council cannot be transferred or replaced by external debt due to the impact on the debt cap. However, transfer of debt to LWDW will reestablish flexibility.</p> <p>Environmental Scan Commentary</p> <ul style="list-style-type: none">Inflation is stable in the 1–3% band, with the Local Government Cost Index at 2.4–3% short-term, 2–2.5% medium/long-term, supporting predictable depreciation modelling.Capital goods price increases are low (1.6% overall, 1.2% for civil construction), indicating lower-than-expected asset replacement cost escalation for now.However, water and sewerage costs increased 5.5%, insurance costs remain high, and energy prices are rising, which will affect renewal and replacement costs for specific assets.The new 3Waters CCO with Wairarapa will trigger a full review of the capital and renewal programme in 2026, which may change funding and depreciation planning for water assets.Interest rates have stabilised, with long-term rates around 4.5%, reducing uncertainty in funding renewals through borrowing where needed. <p>Environmental Scan Trends</p> <ul style="list-style-type: none">Stable inflation and low asset price increases for most categories.Rising insurance and energy costs impacting future replacement costs.3Waters CCO likely to change water-related asset funding approaches from 2026. <p>Environmental Scan Risk Indicators</p> <ul style="list-style-type: none">Inflation stability within 2–3% range.Capital goods price index increases low, but specific categories (water, insurance) rising.Interest rates stabilising at moderate levels, supporting predictability in debt funding. | | | |
| Owner: Chief Financial Officer | | | |

R00159: Infrastructure Capability

| | | | |
|--|--|-----------------|----------------------|
| Risk Description: Growth exceeding forecasts and climate change impacts place pressure on 3Waters and community infrastructure. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">• Growth in households or businesses significantly above forecast.• Climate change impacts increase pressure on infrastructure.• Existing and LTP planned infrastructure only partly meets growth needs.• Some urban areas constrained by infrastructure capacity despite available land.• Data gaps in 3Waters networks could lead to unexpected challenges.• Transition to a new 3Waters business unit may reduce local focus or control and may face funding constraints. | Consequences: <ul style="list-style-type: none">• Need for significant Council funding to maintain and expand quality, fit-for-purpose infrastructure.• Increased demand on community facilities (libraries, recreation) requiring upgrades.• Risk of insufficient infrastructure capacity affecting growth and service levels. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Sustainable financial management through the Financial Strategy. | Compliant | | |
| Future Community Urban Design project to align with infrastructure capacity | Compliant | | |
| Improvements to 3Waters data | Compliant | | |
| Renewals funded through depreciation and focus on infiltration and leak detection | Compliant | | |
| Improvements in 3Waters demand management | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| Commentary/Trends/Risk Indicators: <p>A one-liner summary of current capacity:</p> <ul style="list-style-type: none">. At capacity - water. Close to capacity – Wastewater and Solid Waste. Significant capacity - Roading and Facilities <p>Once implemented the CCO will decrease existing risk however Council will retain facility and roading risk.</p> <p>Commentary:</p> <ul style="list-style-type: none">• Urban growth is currently low, reducing immediate pressure on 3Waters capacity but maintaining the need for investment due to mandatory standards and renewals costs.• A joint 3Waters CCO with Wairarapa-Tararua has been established, with a full review of the capital and renewals programme expected from 2026, which may adjust investment priorities.• National direction changes (e.g. Freshwater NPS under consultation) may ease some consent costs and timelines, but overall investment in water infrastructure will remain with Council, with no further subsidies expected.• Climate forecasts for Tararua indicate increased drought and higher temperatures, which will place future pressure on water supply and stormwater systems, reinforcing the need for resilient infrastructure planning. <p>Trends:</p> <ul style="list-style-type: none">• Low urban growth, but long-term climate pressures remain.• Continued significant costs for mandatory water infrastructure upgrades and renewals.• CCO transition will reshape infrastructure funding and delivery models.• National policy changes may marginally ease process costs but will not reduce infrastructure funding needs. <p>Risk Indicators:</p> <ul style="list-style-type: none">• Growth below LTP high-growth assumptions, limiting immediate demand.• Pending CCO review in 2026 may reprioritise investment and delivery.• Ongoing regulatory changes and climate trends impacting infrastructure requirements.• No new subsidies, requiring Council to fund upgrades directly. | | | |
| Owner: Group Manager Operations | | | |

R00051: Climate Change

| | | | |
|--|--|---|----------------------|
| Risk Description Climate change may occur more rapidly and with higher impacts than predicted, causing more frequent storm and flood damage, fire risk, storm surge, and erosion. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">Increasing frequency and severity of climate-related events (storms, drought, floods).Global climate impacts affecting supply chains, insurance affordability, and driving migration.Unpredictable seasonal cycles, pests, and diseases.Risk that Council infrastructure decisions do not adequately account for climate impacts, worsening environmental and community resilience. | Consequences <ul style="list-style-type: none">Increased emergency work requirements beyond normal budgets.Damage to roads requiring improved drainage and resilience investments.Increased water demand during droughts while supply reduces, requiring resilient drinking water infrastructure.Higher wastewater volumes from rainfall infiltration, requiring treatment capacity upgrades.Stormwater systems overwhelmed by intense rainfall, requiring capacity and coverage upgrades.Rising costs of damage repair as extreme weather events increase in frequency and intensity.Potential population growth due to climate-driven migration, higher demand for housing and services.Pressure on Council funding to build climate-resilient infrastructure that is safe and meets community needs.Increased expectations and costs to reduce Council's carbon footprint and use resources sustainably. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| The Financial Strategy maintains sufficient financial headroom and depreciation reserves | Compliant | Establishment of the waters CCO will shift the burden of responsibility for waters related climate impacts. | |
| Climate change accounted for in Growth Strategy | Compliant | | |
| Climate change accounted for in District Plan review | Compliant | Work being done for Woodville flood plain | |
| Climate resilience projects incorporated into LTP budgets e.g. stormwater infiltration prevention. | Compliant | | |
| Membership of the Manawatū-Whanganui Climate Action Joint Committee which has completed a Regional Climate Change Risk Assessment and Joint Climate Action Plan. | Compliant | Progress reported quarterly | |
| New Treatments Planned or Underway | Owner | Timing | |
| Develop an Insurance Strategy | | | |
| | | | |
| Commentary/Trends/Risk Indicators: A new emergency management act is being developed. Southern hemisphere ocean currents have recently changed with unknown effects – increased saline. | | | |
| Environmental Scan Commentary: Global warming trends are spiking, with climate risks escalating faster than forecast. While Tararua had a relatively normal 2024/25, other regions faced severe weather, confirming volatility. Local forecasts show rising temperatures, more drought, and fewer frosts, increasing long-term risk. | | | |
| Environmental Scan Trends: <ul style="list-style-type: none">Rising insurance costs and reduced coverage for high-risk areas.Improved flood mapping now informing land use and planning.Increasing pressure to invest in resilient infrastructure, especially stormwater, water supply, and roading. | | | |
| Environmental Scan Risk Indicators: <ul style="list-style-type: none">Higher insurance premiums and localised risk profiling.Extreme weather frequency in NZ despite a mild local year.Confirmed warming and drought trends from NIWA. | | | |
| Owner: Chief Advisor | | | |

R00054: Natural Disaster

| | | | |
|---|---|-----------------|----------------------|
| Risk Description: A significant natural disaster severely damages infrastructure and disrupts Council services. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | High | Moderate |
| Sources: <ul style="list-style-type: none">Increasing frequency of natural disasters in New Zealand.Potential for severe local events (e.g., Hikurangi Subduction Zone earthquake).Inadequate Council preparedness or resourcing for significant disasters or cascading events.Inability to secure affordable insurance for assets.Potential reduction in central government financial support for infrastructure repair or managed retreat. | Consequences: <ul style="list-style-type: none">Immediate funding required for response and recovery, including infrastructure repair and potential property buyouts.Example: A severe earthquake destroying 10% of Council assets could cost over \$100 million to repair.Council staff and resources could be overwhelmed during response and recovery phases.Prolonged disruption to critical services (water, roads) and local economy.Need to borrow to fund recovery, impacting financial capacity for future events and possibly requiring rates increases. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| The Financial Strategy manages finances sustainably to meet sudden unexpected events like natural disasters. | Compliant | | |
| Maintains adequate response capability | Compliant | | |
| Coordinates with iwi and other emergency management agencies | Compliant | | |
| Has MoU with CHBDC for mutual support | Compliant | | |
| Member of Horizons Region emergency management group | Compliant | | |
| Growth Strategy and District Plan consider hazard avoidance or increased requirements | Compliant | | |
| Council's assets are insured | Compliant | | |
| Tararua Emergency Rooding Fund can be used post disaster | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| Develop Corporate Business Continuity Plan | Sandy | December 2025 | |
| | | | |
| Commentary/Trends/Risk Indicators for the Environmental Scan: | | | |
| Commentary: <ul style="list-style-type: none">Natural disasters are increasingly probable for Tararua, despite the 2024/25 period being relatively benign locallyOther parts of New Zealand have experienced very wet conditions and damaging storms, signalling continued national exposure.Climate change is already influencing weather patterns, with an increasing likelihood of destructive storms and cyclones impacting NZ in coming years.Rising insurance costs and reduced availability of cover for high-risk assets are noted, which may limit Council's ability to secure affordable insurance post-event. | | | |
| Trends: <ul style="list-style-type: none">Warmer and wetter seasonal trends, increasing the probability of flooding and storm impacts.Increased frequency of severe weather events nationally, with Tararua exposed to future cyclone risks.Insurance industry shifting to localised risk pricing, increasing premiums and reducing coverage options. | | | |
| Risk Indicators: <ul style="list-style-type: none">Climate models forecast higher temperatures & drought risk for Tararua, with more frequent hot days and fewer frost days.Notable insurance premium increases across Council and private sector assets.National trends of severe weather events despite a quiet year locally, reinforcing the need for preparedness. | | | |
| Owner: Group Manager People, Capability, and Customer Experience | | | |

R00165: Resource Consent Renewals

| | | | |
|---|---|-----------------|----------------------|
| Risk Description: Resource consent conditions change significantly, requiring major unbudgeted investment for compliance, or consents are not renewed. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | Moderate | Low |
| Sources: <ul style="list-style-type: none">Alteration of conditions on new or existing resource consents.Shortened renewal terms (e.g., 10 years or less) requiring frequent renewals.Inability to renew expiring wastewater consents (e.g., Dannevirke wastewater discharge consent expiring 2027).Potential requirement to invest in alternative or more expensive treatment and disposal systems.Changes in resource management legislation increasing process complexity and costs. | Consequences: <ul style="list-style-type: none">Significant unplanned capital investment needed to meet new consent conditions.Additional operational and compliance costs to meet new standards.Opportunity costs, with other infrastructure projects delayed or cancelled to fund compliance.Affordability pressures for small communities if costs increase.Potential non-compliance impacts if conditions are not met, leading to fines or legal action. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Financial Strategy manages finances sustainability to cope with unexpected costs that could arise from resource consent renewals. | Compliant | | |
| Partnerships and working relationships with iwi and Horizons, Tararua Alliance | Compliant | | |
| Lobby government for funding | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Resource consent renewals have been a significant work programme with changes to structure, increased resourcing, system improvements implemented. There has been an increased level of management and governance oversight in this area. | | | |
| Environmental Scan Commentary | | | |
| <ul style="list-style-type: none">The new government is actively consulting on broad changes to the National Policy Statement for Freshwater (NPS-FM) and related NES, aiming to reduce compliance costs and ease the consenting process for water takes and wastewater discharges.These proposed changes are intended to provide councils with more flexibility in meeting environmental limits, potentially reducing the cost and complexity of securing or renewing resource consents.However, there remains uncertainty during the transition to new legislation, and councils must continue to have regard to existing NPS-FM provisions in consent decisions until new frameworks are in place.A replacement for the RMA is expected to be announced late 2025 with phased implementation, signalling a shift to a more permissive, property rights-focused framework, which may affect the consent environment positively for councilsSome changes could reduce regulatory barriers and lower capex requirements for water and wastewater consents under the new Waters CCO, but details remain to be confirmed. | | | |
| Environmental Scan Trends | | | |
| <ul style="list-style-type: none">Transition underway towards reduced regulatory complexity and compliance costs for consents.Potential de-escalation of mandatory standards affecting capex planning for wastewater and water consents.Short-term uncertainty during policy consultation and transition to RMA replacement.National focus on easing infrastructure consenting to enable economic development. | | | |
| Environmental Scan Risk Indicators | | | |
| <ul style="list-style-type: none">Progress and outcomes of government consultations on NPS-FM and NES amendments.Timing and details of RMA replacement legislation.Freshwater regulation shifts, including possible reduction in mandatory standards.Continued requirement to meet current standards until changes take legal effect. | | | |
| Owner: Group Manager Operations | | | |

R00048: Iwi and Māori Partnerships

| | | | |
|---|--|--|----------------------|
| Risk Description Council fails to maintain and strengthen iwi and Māori partnerships. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | High | Low |
| Sources <ul style="list-style-type: none">• Inadequate Māori engagement in decision-making (Local Government Act 2002, RMA 1991).• Failure to meet objectives of the Memorandum of Partnership with Rangitāne o Tamaki nui-ā-Rua.• Failure to meet objectives of the Memorandum of Partnership with Ngāti Kahungunu ki Tāmaki-nui-a-Rua.• Variations in iwi priorities may affect Council's confidence and consistency in engagement. | Consequences <ul style="list-style-type: none">• Reduced iwi and Māori input into Council decisions.• Weaker social, cultural, economic, and environmental outcomes.• Challenges in progressing projects where strong iwi partnerships support effective consent applications and project delivery. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Regular governance meetings with iwi | Compliant | Currently no formal schedule. Iwi were at the table for LTP. | |
| Regular operations meetings with iwi | Compliant | Formal meeting schedule for waters and roading | |
| Significance and Engagement Policy | Compliant | | |
| Better off funding - building iwi capacity project. | Compliant | Coming to an end – rate funding will be required to maintain | |
| Cultural Competency Policy and Strategy. | Compliant | | |
| Tāmaki-nui-a-Rua Māori Ward | Compliant | Subject to referendum this election | |
| Rangitāne o Tamaki Nui-ā-Rua Partnership Agreement | Compliant | | |
| Ngāti Kahungunu ki Tāmaki nui-a-Rua partnership agreement | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Changes in the current political and operational environment has the potential to impact on iwi partnership relationships. | | | |
| Environmental Scan Commentary: | | | |
| <ul style="list-style-type: none">• The 2023 Census confirms Māori now make up 29% of Tararua's population, well above the NZ average of 20%, and this share is increasing rapidly.• 37% of local school pupils are Māori, indicating the significance of Māori youth in shaping future community priorities.• National policy changes (RMA reform, NPS for infrastructure) are signalling more centralisation and potentially less local iwi input, while reaffirming commitments to uphold Treaty settlements.• The new National Environmental Standards for Papakāinga will enable Māori to develop homes and communities on their land, potentially increasing engagement opportunities with iwi on land development matters.• These trends reinforce the need for Council to actively maintain and strengthen iwi partnerships to ensure effective participation in decision-making and to achieve shared environmental and social outcomes. | | | |
| Environmental Scan Trends: | | | |
| <ul style="list-style-type: none">• Growing Māori population share and youth proportion in Tararua.• Policy signals of reduced local input but maintained Treaty obligations.• Opportunities to engage through Papakāinga development initiatives. | | | |
| Environmental Scan Risk Indicators: | | | |
| <ul style="list-style-type: none">• Demographic growth of Māori population in the District.• Changes in national policy affecting iwi engagement pathways.• Increased iwi interest in housing and land development opportunities. | | | |
| Owner: Chief Executive | | | |

R00103: Interest Rates

| | | | |
|---|---|-----------------|----------------------|
| Risk Description Interest rates are significantly different to forecast. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | High | Moderate |
| Sources <ul style="list-style-type: none">• Economic and market conditions drive interest rates higher or lower than LTP assumptions.• Global financial events.• Domestic monetary policy changes.• Volatility in inflation or exchange rates. | Consequences <ul style="list-style-type: none">• For every 1% movement in rates, interest costs could vary by \$845,000–\$1,493,000 annually based on projected borrowings.• Higher rates increase debt servicing costs, reducing funding for other activities.• Lower rates reduce investment returns, impacting revenue projections. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Interest Rate Strategy | Compliant | | |
| Council meets LGFA borrowing covenants | Compliant | | |
| Council receives expert treasury advice | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| LTP Assumptions: <ul style="list-style-type: none">• LTP assumes an average borrowing rate of 5.08% over 10 years.• Investment return assumptions are built into revenue forecasts over the same period. | | | |
| Commentary, trends, and risk indicators from the Environmental Scan: | | | |
| Commentary <ul style="list-style-type: none">• Interest rates have fallen faster than forecast at the short end (OCR now 3.25%, potential cuts to 2.75–3.0% later in 2025).• However, long-term rates remain around 4.5% (10-year bonds), reflecting global debt risks and trade uncertainties.• Lower rates ease immediate borrowing costs, but longer-term rates are not declining further, maintaining pressure on future debt servicing.• Volatility is increasing due to international risks (US debt, wars, trade barriers). | | | |
| Trends: <ul style="list-style-type: none">• Short-term interest rates dropping, easing borrowing for new debt.• Long-term rates stable, maintaining pressure on debt-funded projects.• Inflation stabilised around 2.5% but energy and insurance costs continue to rise, affecting Council budgets indirectly. | | | |
| Risk Indicators: <ul style="list-style-type: none">• OCR movements and RBNZ guidance (currently 3.25% with potential further cuts).• 10-year bond rates around 4.5%.• Global conflicts, US fiscal policy, and trade tensions affecting financial markets.• Inflation tracking within the 1–3% band. | | | |
| Owner: Chief Financial Officer | | | |

R00158: Legislation Changes

| | | | |
|--|--|-----------------|----------------------|
| Risk Description: Legislative changes increase the levels of service or activities Council must deliver, impacting delivery models and funding. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | High | Moderate |
| Sources: <ul style="list-style-type: none">• Government reviews in transport, resource management, and 3Waters may change delivery models, including potential regionalisation.• Potential for unplanned or forced changes to Council structure despite current signals against amalgamation.• Earthquake-prone building regulations may impact local businesses and Council assets.• Uncertainty around resource management legislative changes with unclear financial impacts.• Uncertainty around legislative change with unclear financial and resourcing impacts. | Consequences: <ul style="list-style-type: none">• Increased or shifted service delivery requirements, impacting staffing, resources, and budgets.• Disruption to Council work programmes if structural reforms or amalgamations occur.• Reduced farming profitability could impact the local economy and rates affordability, creating governance pressures to limit rates increases and potentially reducing service levels.• Potential costs for seismic upgrades to Council-owned buildings and business impacts on commercial properties.• Resource consent processes may become simpler if freshwater standards are relaxed, providing potential financial relief while continuing environmental objectives.• Impacts from 3Waters reform addressed under a separate risk.• Legislative changes may modestly but continually impact Council finances and service levels. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Submissions to central and regional consultations | Compliant | | |
| Effective partnerships with iwi and Horizons | Compliant | | |
| Political advocacy | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• A replacement for the RMA will be announced late 2025, signalling a more permissive, property-rights-based framework, with phased implementation over two years.• Government changes are generally reducing regulation and compliance costs for Councils, particularly around freshwater standards, wastewater consents, and planning frameworks.• Freshwater NPS changes under consultation could ease consent processes and lower capex requirements for water infrastructure while still supporting environmental objectives.• A rapid pace of legislative change continues, but impacts will vary, with some changes having minimal direct impact on Tararua while others may require LTP amendments.• Earthquake-prone building system review is underway, with extended deadlines, reducing immediate compliance pressures on Council. | | | |
| Trends: | | | |
| <ul style="list-style-type: none">• General regulatory direction is towards reducing compliance costs and barriers for Councils.• Freshwater and wastewater compliance costs likely to ease, with potential capex reductions for 3Waters CCO.• Centralisation of planning and delivery frameworks is continuing, with regionalisation likely, reducing some local control. | | | |
| Risk Indicators: | | | |
| <ul style="list-style-type: none">• Ongoing consultations and legislative announcements (RMA replacement, Freshwater NPS) in 2025.• Extended timelines for earthquake-prone building requirements.• Government commitment to uphold Treaty settlement obligations within new frameworks while reducing some local-level input in planning. | | | |
| Owner: Chief Executive | | | |

R00046: Inadequate Staff Resources

| | | | |
|--|--|--|----------------------|
| Risk Description: Staff capability and capacity are inadequate to deliver Council's strategic objectives. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Severe | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• Tight labour market and skill shortages.• Internal factors: Workload, workflow, work/life balance, pay and budget constraints.• Rightsizing workforce due to government reform, changing community and governance expectations. | Consequences: <ul style="list-style-type: none">• Loss of institutional knowledge and skill gaps, especially in specialist areas.• Vacancies may require consultants, adding onboarding and integration pressures.• Poorer documentation, processes, and fragmented systems.• Reduced productivity, higher error rates, compliance and legal risks.• Inability to meet service levels or deliver capital projects.• Lower morale, wellbeing impacts, higher turnover.• Missed opportunities (e.g. external funding).• Increased workloads for remaining staff. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Annual staff survey | Compliant | | |
| Wellbeing Committee and programme | Compliant | | |
| Performance development plans | Partially Compliant | Overdue for a small number of teams. | |
| Use external consultants when required | Compliant | | |
| Robust recruitment processes | Compliant | | |
| Training opportunities to strengthen people leaders' skills | Compliant | | |
| Annual review of salaries and benefits within remuneration framework | Compliant | | |
| Ensure staffing requirements are clear in AMPs | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| Improvements to performance development plans | GM-PC&CS | Testing in progress, in place for 2025/26. | |
| | | | |
| Commentary/Trends/Risk Indicators: <p>Locally staff turnover is low for the year to date. Seeing an increasing number and quality of applicants. Still have some difficult to fill roles.</p> <p>Environmental Scan Commentary:</p> <ul style="list-style-type: none">• Public sector wages increased 6.5% over the year, outpacing private sector increases, reflecting past cost catchups. Wage increases are expected to slow in 2025/26, reducing immediate cost pressures.• Net migration has eased staff shortages, but ongoing high emigration of New Zealanders and a declining net population gain may limit future workforce availability.• Tararua's employment fell slightly (-0.3%), with a 14% increase in Jobseeker numbers, indicating underlying economic challenges.• Staff costs (including consultants) remain one of the four key cost drivers for Council, and while wage pressures are easing, the tight labour environment and ageing population will continue to pressure recruitment, retention, and resourcing. <p>Environmental Scan Trends:</p> <ul style="list-style-type: none">• Slower wage growth anticipated in 2025/26, providing cost stability.• Net migration gains reducing, with potential impacts on workforce availability over time.• Ageing population in Tararua (now 21.9% over 65) will add pressure on retaining skilled staff and future workforce supply. <p>Environmental Scan Risk Indicators:</p> <ul style="list-style-type: none">• Public sector wage increases outpacing private sector but expected to ease.• Slight employment decline and increased Jobseeker numbers locally.• High proportion of ageing population in Tararua impacting workforce availability. | | | |
| Owner: Group Manager – People, Capability, and Customer Services | | | |

R00162: Contracts

| | | | |
|--|---|-----------------|----------------------|
| Risk Description: Significant unbudgeted cost variations or changes in terms occur when retendering contracts and service agreements. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• Inflation significantly higher than forecast.• Lack of competition in local or specialist markets.• National or international supply chain disruptions impacting availability and pricing of goods or services. | Consequences: <ul style="list-style-type: none">• Increased contract costs requiring budget adjustments or reprioritisation of work programmes.• Potential delays in service delivery or project implementation if retendering extends timelines.• Pressure on rates or borrowing if large contract cost increases cannot be absorbed.• Financial impact generally low, as Council’s wide range of contracts across activities and markets often balances cost changes.• Impact may be significant for high-value or specialist contracts. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Monitoring of the economic environment | Compliant | | |
| Review of contract and LoS requirements through AP/LTP | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary <ul style="list-style-type: none">• Construction and capital material prices are stable or rising slowly, with the Capital Goods Price Index up only 1.6%, and civil construction costs up 1.2% over the past year, indicating low contract price escalation risk for most activities.• Labour costs are increasing above CPI (3.8% private sector, 6.5% public sector), but wage increases are expected to slow in 2026, reducing medium-term contract cost pressure.• The depressed construction sector is driving competitive tender pricing, with firms offering sharp pricing to secure work, resulting in significant variations between tender prices depending on contractor workload.• Diesel and fuel prices have declined (~5% lower year-on-year), reducing operating costs for contractors, particularly in roading and construction. Overall, energy prices remain low but are vulnerable to international instability.• The NZD remains volatile (currently around USD 0.60), which may influence imported materials pricing but has not driven major recent price spikes. | | | |
| Trends <ul style="list-style-type: none">• Stable to low increases in material and capital goods pricing, reducing contract volatility risk.• Competitive market conditions in the construction sector providing opportunities for lower tender pricing.• Labour cost increases still occurring but expected to ease, limiting wage-driven contract cost increases.• Fuel price reductions easing contractor operating cost pressures. | | | |
| Risk Indicators <ul style="list-style-type: none">• Capital Goods Price Index <2% annually.• Stable or falling diesel and fuel costs.• Tender pricing variability reflecting contractor workloads rather than market-driven price spikes.• Labour cost increases slowing into 2026. | | | |
| Owner: Chief Financial Officer | | | |

R00164: Forest Harvesting

| | | | |
|---|--|-----------------|----------------------|
| Risk Description: Increased forestry harvesting volumes cause major damage to roads requiring investment outside planned frequencies. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">Significant increases in forestry harvesting volumes in the medium term.Expansion of exotic forestry plantings intended for future harvest.Harvest-related heavy vehicle movements on arterial roads.The risk is lower where new forestry is for carbon storage and will not be harvested. | Consequences: <ul style="list-style-type: none">Damage to roads, increasing renewal and maintenance costs.Higher operational and capital expenditure in the roading programme.Potential disruption to transport networks during harvesting periods. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Tararua Alliance works with main forest owners to determine volumes and routes | Compliant | | |
| Route 52 improvements | Compliant | | |
| Introduction of heavy vehicle component to rates | Compliant | | |
| Increased depreciation funding for transport | Compliant | | |
| Council can require resource consents in some cases | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">Production forestry returns have been subdued, with domestic sawmills operating below capacity and global demand (especially China) remaining weak, limiting immediate harvesting pressure.Long-term forest harvesting volumes will still increase, but new government regulations are restricting whole-farm conversions for exotic carbon forestry, with a cap on LUC 6+ land and a ban on LUC 1-5 conversions.These restrictions, combined with low carbon prices, are slowing the pace of new forestry conversions, which may moderate the increase in future harvesting pressure on roads.Council’s scan notes the impact on roading is moderate over 10 years, with lower long-term risk where carbon forestry is not harvested. | | | |
| Trends: | | | |
| <ul style="list-style-type: none">Slower pace of forest conversions due to ETS rule changes.Harvesting pressure on roads remains likely but may be less rapid than previously anticipated.Domestic and export market uncertainty may delay some harvest activities. | | | |
| Risk Indicators: | | | |
| <ul style="list-style-type: none">ETS rule changes capping or banning certain forestry conversions.Weak global forestry demand, especially in China, and subdued domestic sawmill activity.Continued long-term forestry land use trends, with eventual increases in harvesting volumes. | | | |
| Owner: Group Manager Operations | | | |

R00166: Access to External Funding

| | | | |
|---|--|-----------------|----------------------|
| Risk Description: Council may be unable to secure external borrowing to fund services or capital investment. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• Tightening credit markets or increased lender requirements.• Rising interest rates affecting borrowing affordability.• Changes in government policy or financial regulations restricting local government borrowing.• Unplanned capital works or variations affecting covenants with lenders. | Consequences: <ul style="list-style-type: none">• Inability to fund planned capital projects or maintain service levels.• Need to use rates as a primary funding source for capital expenditure, leading to rates increases.• Review and potential reduction of forecast levels of service. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| The Financial Strategy manages finances in a sustainable way that has the capacity to meet unexpected borrowing costs. | Compliant | | |
| Access to the LGFA | Compliant | | |
| Strong relationship with bankers | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• Interest rates have fallen more quickly than forecast at the short end (OCR at 3.25%, expected to drop to 2.75–3%), supporting lower borrowing costs for short-term funding.• Long-term rates (10-year government bonds) remain around 4.5%, higher than pre-COVID levels due to global debt levels and trade uncertainties, indicating funding for long-term borrowing remains steady but not cheap.• While lower interest rates improve affordability for Council’s debt servicing, international uncertainties, wars, and trade conflicts could drive borrowing costs higher in the future.• Council’s budget drivers include interest rates, with current competitive construction sector pricing providing cost-effective project delivery, reducing immediate pressure on borrowing needs. | | | |
| Trends | | | |
| <ul style="list-style-type: none">• Short-term interest rates decreasing, reducing immediate borrowing costs.• Long-term rates stable but elevated due to global factors.• Volatile international conditions continue to pose future risk to borrowing costs.• Competitive construction pricing reducing borrowing requirements in the short term. | | | |
| Risk Indicators | | | |
| <ul style="list-style-type: none">• OCR trends indicating further reductions (currently 3.25%).• 10-year NZ government bond rates stable around 4.5%.• International conflicts and trade policies affecting debt markets.• Competitive tender pricing and subdued construction market reducing immediate capex pressures.• Increases in existing risks that result in increased capex and opex. | | | |
| Owner: Chief Financial Officer | | | |

R00160: Asset Lives

| | | | |
|--|---|-----------------|----------------------|
| Risk Description: Council assets wear out earlier or later than predicted. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• Inaccurate asset condition assessments.• Unforeseen environmental or usage factors accelerating asset deterioration.• Climate impacts (flooding, drought) affecting asset wear.• Assumptions on asset lifespans not aligning with actual performance. | Consequences: <ul style="list-style-type: none">• Earlier asset replacement may require unplanned capital expenditure, increasing depreciation and interest costs.• Delayed replacement may reduce depreciation and interest costs but risk service failure or inefficiency.• Potential impact on service delivery if critical assets fail earlier than planned.• Financial impact generally immaterial unless significant assets (e.g., bridges, pipe networks) require earlier replacement. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Infrastructure Strategy Improvement Plan – improve asset knowledge | Compliant | | |
| AP/LTP processes can mitigate impacts by reprioritising | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Unexpected external factors such as increase in use or emergency events make it difficult to decrease the residual risk further. | | | |
| Environmental Scan Commentary | | | |
| <ul style="list-style-type: none">• Inflation is stable (1–3%), with the Local Government Cost Index at 2.4–3% short-term and 2–2.5% longer-term, supporting consistent replacement cost assumptions• Capital goods price increases are low (1.6% overall, 1.2% for civil construction), which reduces the risk of unanticipated cost escalations when assets require renewal• Material and asset prices are stable or low, except for water and sewerage (+5.5%) and insurance costs, indicating lower pressure on asset replacement budgets for most assets• Labour and construction market conditions remain competitive, with sharper pricing available in some cases due to a subdued construction sector• The formation of the 3Waters CCO will lead to a full review of capex and renewal programmes from 2026, which may affect planning and assumptions for water-related asset lives | | | |
| Environmental Scan Trends | | | |
| <ul style="list-style-type: none">• Low and stable material and construction costs are helping to contain asset renewal costs.• Stable inflation supports reliable depreciation and asset life forecasting.• Water and wastewater renewal costs remain higher, requiring monitoring for asset life assumptions in these areas. | | | |
| Environmental Scan Risk Indicators | | | |
| <ul style="list-style-type: none">• Inflation remaining in the 1–3% band.• Capital Goods Price Index increases under 2%.• Local Government Cost Index tracking around 2.5%.• Labour cost growth moderating, providing cost stability for renewals. | | | |
| Owner: Group Manager Operations | | | |

R00039: Population Growth

| | | | |
|---|--|-----------------|----------------------|
| Risk Description: Population or household growth differs significantly from forecasts, leading to misaligned Long Term Plan decisions. Growth may also occur in unexpected locations. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• Migration changes due to international factors, government policy, economic conditions, climate change, or natural disasters.• Variations in birth, and death rates, or household occupancy rates.• Growth occurring faster or in locations not aligned with infrastructure or service planning. | Consequences: <ul style="list-style-type: none">• Higher or unplanned growth may result in unsustainable development, making it difficult to maintain quality community facilities and infrastructure.• Increased costs to provide additional services and infrastructure to meet demand, or need to reduce service levels to manage affordability.• Lower than expected growth may leave Council with underutilised infrastructure and services, increasing per-ratepayer costs or requiring service reductions to keep rates affordable.• Unexpected growth requires higher infrastructure and service investment.• Lower growth risks overinvestment in unnecessary infrastructure and services. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| Sustainable financial management to meet changing population needs through the Financial Strategy. | Compliant | | |
| District Strategy, and the Growth Strategy and District Plan review are tools Council will use to ensure growth is sustainable | Compliant | | |
| Council has increased depreciation funding for three waters and transport to enable higher levels of renewals that will support growth. | Compliant | | |
| Membership of LGNZ and lobby government on issues that impact growth | Compliant | | |
| Infrastructure Improvement Plan: Improve understanding of assets | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• Population growth in Tararua is low (0.5%p.a., ~100 people/year), below LTP high-growth assumptions. Growth driven mainly by older residents (65+), now 21.9% of the population, indicating ageing-driven growth rather than working-age.• Birth rates dropped significantly in 2024 but partially recovered in early 2025; long-term birth rates remain low• Net migration into NZ has slowed sharply, and departures remain high, with Tararua seeing stable or slightly negative net migration.• Urban growth is very low, with new housing consents significantly reduced, while rural lifestyle blocks show more activity• The new highway to Manawatū is expected to support modest future growth, particularly around Woodville. | | | |
| Trends | | | |
| <ul style="list-style-type: none">• Urban growth is low, with rural lifestyle block growth outpacing urban areas.• Ageing population increases demand for health and community services while limiting labour market growth.• Limited new housing supply due to high build costs and low developer profitability.• Migration-driven growth risk has decreased, with lower net migration nationally and for Tararua. | | | |
| Risk Indicators: | | | |
| <ul style="list-style-type: none">• Annual population growth at 0.5% vs higher LTP assumptions.• Reduced new housing consents (down ~50%+ from previous years).• Ageing population (21.9% 65+ and rising).• Net migration trends showing limited positive impact for Tararua. | | | |
| Owner: Group Manager Strategy and Information | | | |

R00161: Revaluation of Property, Plant and Equipment

| | | | |
|---|---|-----------------|----------------------|
| Risk Description: BERL forecasts or Tararua Alliance unit prices may be materially incorrect, leading to asset revaluation misstatements in Council’s financial accounts. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• BERL inflation and valuation forecasts proving materially inaccurate.• Tararua Alliance unit prices not reflecting fair asset values.• Market volatility affecting revaluation outcomes. | Consequences: <ul style="list-style-type: none">• Changes in asset valuations result in depreciation changes, impacting rates levied.• Overstated fair values increase depreciation and funding requirements.• A 1% change in total depreciation would increase rates requirements by ~\$192,000 per year (as at LTP). | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| The fair value price of assets is reviewed every year through the annual and long term planning process. | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators: | | | |
| Developments and LoS investments add to baseline depreciation expense. Over investment or overpaying for assets may result in write downs. | | | |
| Environmental Scan Commentary | | | |
| <ul style="list-style-type: none">• Inflation is stable in the 1–3% range, with the Local Government Cost Index tracking at 2.4–3% short-term and 2–2.5% medium to long-term, aligning with revaluation assumptions and reducing the likelihood of significant surprises in asset valuations.• Capital Goods Price Index increased only 1.6% in the year to March 2025, and civil construction costs rose 1.2%, indicating stable replacement cost trends for core assets.• Material and asset prices are generally stable, with some exceptions (water, sewerage, insurance), reducing volatility in revaluation calculations.• Interest rates (10-year government bonds at ~4.5%) and stable borrowing costs support predictable financing and valuation models.• However, high insurance cost increases and energy prices may indirectly affect the costs of asset replacement, which should be monitored during revaluations. | | | |
| Environmental Scan Trends | | | |
| <ul style="list-style-type: none">• Asset and material price inflation is low and stable.• Inflation assumptions used in the LTP remain aligned with observed trends.• Labour and tender prices are stable due to a subdued construction sector, offering competitive pricing for renewals. | | | |
| Environmental Scan Risk Indicators | | | |
| <ul style="list-style-type: none">• LGCI consistently within 2–3% range.• Capital Goods Price Index and civil construction costs increasing by ~1–1.6% per year.• Stable borrowing environment with predictable interest rates for funding renewals. | | | |
| Owner: Chief Financial Officer | | | |

R00163: Wind and Solar Farm Developments

| | | | |
|---|--|-----------------|----------------------|
| Risk Description: Wind and solar farm developments significantly impact roads, requiring increased or accelerated roading renewals and upgrades, out of the planned cycle of that work. | Inherent Risk | Residual Risk | Target Residual Risk |
| | High | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• Heavy vehicle and machinery movements during construction phases of wind and solar farms.• Increased maintenance and wear on local roads due to construction traffic.• Timing and scale of developments not aligning with planned roading renewal schedules. | Consequences: <ul style="list-style-type: none">• Higher or accelerated roading renewal and maintenance costs.• Potential disruption to road users during construction periods.• Funding pressures if costs are not fully recoverable through resource consent conditions.• Resource consents are currently expected to fully cover development-related roading costs.• Forecasting assumes wind and solar developments will not significantly increase roading renewals expenditure. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| District Plan review considers resource management rules for wind and solar farms | Compliant | | |
| Council participation in the resource management process | Complaint | | |
| Renewals bought forward to take advantage of developments | Compliant | | |
| Tararua Alliance works with developers to determine volumes and routes | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• New Zealand’s energy transition is driving investment in solar and wind, with increasing interest in local renewable energy projects.• However, the impacts will take years to significantly affect energy markets, indicating that large-scale wind and solar developments in Tararua will likely occur progressively rather than as a sudden surge.• Tararua is well placed due to New Zealand’s high baseline of renewable energy, but grid connection, consenting, and market volatility will influence the pace of new developments.• There is no specific indication of imminent large-scale developments in Tararua creating sudden roading impacts, aligning with the LTP assumption that impacts on roading renewals will be limited during the period. | | | |
| Trends: | | | |
| <ul style="list-style-type: none">• Gradual increase in renewable energy project interest (wind, solar).• Energy transition driven by higher energy prices and technology improvements.• Project timing is likely to be staged, reducing the likelihood of a sudden spike in heavy traffic on roads. | | | |
| Risk Indicators: | | | |
| <ul style="list-style-type: none">• New resource consent applications for wind and solar developments in the region.• National grid and local network upgrade plans aligning with renewable generation capacity increases.• Market signals (carbon pricing, energy prices) influencing developer investment decisions. | | | |
| Owner: Group Manager Operations | | | |

R00102: Inflation

| | | | |
|---|---|-----------------|----------------------|
| Risk Description: Actual inflation differs significantly from forecasts used in the LTP. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Moderate | Moderate | Moderate |
| Sources: <ul style="list-style-type: none">• International oil price fluctuations impacting costs of fuel, bitumen, and plastic-based materials.• Volatile exchange rates and imported inflation affecting capital equipment and materials.• Domestic economic trends driving staff and operating cost increases.• Limited Council control over externally driven cost changes.• NZD devaluation causing sudden price increases for imports. | Consequences: <ul style="list-style-type: none">• Misstatement of costs in budgeted financial statements.• Higher costs for imported plastics, capital equipment, petrol, and diesel, impacting roading and other infrastructure projects.• Budget pressures requiring reprioritisation or rates adjustments if inflation is higher than forecast.• About 50% of Council business relates to roading, making it particularly susceptible to fuel and material price changes.• Higher or lower inflation directly impacts budget accuracy and financial planning. | | |
| Key Existing Controls | Effectiveness | Comments | |
| Financial Strategy manages finances to mitigate impacts of sudden cost increase. | Compliant | | |
| AP/LTP processes mean spending can be adjusted | Compliant | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• Inflation (CPI) is currently 2.5% (March 2025), within the 1–3% target band, but showing signs of increasing again• The Local Government Cost Index (LGCI) sits between 2.4–3% short-term and 2–2.5% medium-long term, aligning well with LTP inflation assumptions.• Capital goods prices are low (+1.6%), with civil construction costs up only 1.2%, reducing pressure on capital project budgets• However, water and sewerage costs (+5.5%) and local government administration costs (+2.9%) are rising, signalling higher inflation risks in specific expenditure areas.• Energy prices (electricity, gas) and insurance costs remain high and are increasing, contributing to operating cost pressures despite stabilised general inflation.• The NZD remains lower than the 10-year average (currently US\$0.7c), which may affect imported goods and fuel prices if further devaluation occurs. | | | |
| Trends: | | | |
| <ul style="list-style-type: none">• Inflation stable in the short term but could increase, particularly in energy, water, and insurance.• Capital goods and construction material costs stable or low, supporting budget predictability for infrastructure projects.• Exchange rate volatility may influence the cost of imported materials and fuel.• Continued lowering of cost for solar and battery storage providing viable alternative source of electricity. | | | |
| Risk indicators: | | | |
| <ul style="list-style-type: none">• CPI at 2.5% with upward pressure.• LGCI consistent with LTP assumptions (2–3%).• Rising specific cost areas (water, insurance, energy).• NZD exchange rate trends impacting import costs. | | | |
| Owner: Chief Financial Officer | | | |

R00157: Ageing Population

| | | | |
|---|---|-----------------|----------------------|
| Risk Description: The District's population ages significantly faster or slower than forecast. | Inherent Risk | Residual Risk | Target Residual Risk |
| | Moderate | Low | Low |
| Sources: <ul style="list-style-type: none">• Migration changes due to international factors, government policy, economic conditions, climate change, or natural disasters.• Variations in birth and death rates.• Changes in household occupancy trends. | Consequences: <ul style="list-style-type: none">• Faster ageing may lead to Council services not meeting the needs of older residents.• Increased pressure on rates affordability for ratepayers on fixed incomes.• Challenges for Council to fund and deliver forecast levels of service if the ageing trend is faster than expected.• Challenges to grow local technical capacity to support the district• Challenges to recruit required skills to support growth in the district• Low financial impact anticipated. | | |
| | | | |
| Key Existing Controls | Effectiveness | Comments | |
| District Strategy, Growth Strategy, and District plan are all tools Council will use to consider demographic change. | Compliant | | |
| AP/LTP processes consider changes in demand | Compliant | | |
| | | | |
| New Treatments Planned or Underway | Owner | Timing | |
| | | | |
| | | | |
| Commentary/Trends/Risk Indicators from the Environmental Scan: | | | |
| Commentary | | | |
| <ul style="list-style-type: none">• The ageing population trend in Tararua is strong and on track with LTP forecasts. Residents aged 65+ grew 6.5% (255 people) in two years, accounting for 75% of total population growth since 2018.• The median age increased to 42.2 years in 2024 (NZ: 37.9), reflecting a gradual ageing trend in the district.• The 65+ age group now makes up 21.9% of the population, increasing by around 0.5% annually, aligned with projections to reach 26% by 2034.• Birth rates fell significantly in 2024 (lowest in 20 years), but partially recovered in early 2025, while deaths are gradually increasing, reinforcing ageing demographics.• Globally, declining birth rates and ageing are expected to intensify, influencing future migration patterns and competition for skilled workers.• Decline in local capability to support growth in the district | | | |
| Trends | | | |
| <ul style="list-style-type: none">• Steady increase in the proportion of residents aged 65+, consistent with projections.• Gradual increase in median age, outpacing national averages.• Low birth rates and gradual increase in death rates reinforcing ageing trends.• Migration unlikely to offset ageing significantly. | | | |
| Risk Indicators | | | |
| <ul style="list-style-type: none">• 65+ population increasing ~0.5% per year.• Median age rising steadily.• Low and fluctuating birth rates.• National and global trends indicating continued ageing with limited mitigation through migration.• Council faces recruitment challenges, | | | |
| Owner: Group Manager Strategy and Information | | | |



ENVIRONMENTAL SCAN V13

July 2025

Trends and High-Level External Challenges facing Tararua District

Key issues impacting Tararua

Environmental scanning is the process of gathering information about events and analysing their relationships with an organisation's internal and external environments. The basic purpose of environmental scanning is to help management advise governance of known and possible future trends, to inform a response to likely challenges and to help set the future direction of the organisation.



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Changes in this Version

| Topic | Impact on Wellbeing's | Comment |
|---|--|--|
| Climate Change | ↓↓ | Recent data points to previously 'worst case scenario' with warming trends spiking. Risk of localised impacts from flooding increasingly likely . |
| The Economy | ↓↑ Mixed Tararua ↑↑ | NZ economy – recovery is still very weak. Growth in the regions offset by very tough conditions in Auckland and Wellington. Net immigration much lower. Inflation modest (ex-insurance, rates and health costs). Retail trade (physical) very tough, but dairy, beef, sheep and horticulture (fruit) product prices and export returns at high levels. |
| Immigration rapid changes continue | → | Numbers arriving have sharply reduced, departures at high levels so net gain has plummeted (but still positive). Number of kiwis leaving NZ continuing at very high levels but off peaks of 2024. Arrivals to Tararua low. Departures modest so overall likely negative for Tararua. |
| Unemployment | ↓↓ | Jobseeker numbers climbing again after big increase winter 2024 and now just below Covid peak in 2020. Health and Disability very large increase to 426, up 45% in 2 years. |
| Population growth | → | Census 2023 - 4% increase on Census 2018 (0.8% a year). Consistent with assumptions. Stats NZ latest estimates for June 2023 (18,950) and June 2024 (19,050, +0.5% growth for the year) revised down on lower immigration, lower birth rate and very few new houses. Very low urban growth has implications for 3 waters costs. New highway expected to boost growth 2025/26. |
| Farm product prices (excluding forestry) high resulting in profitable season | ↑↑↑ | China demand still subdued but very strong demand from EU, UK and USA. Beef prices at record high, lamb schedule prices rising rapidly. Dairy payout at nominal record high and forecast to stay high for 2025/26. Wood prices average to poor (below long-term averages – China demand low and NZ demand low). Wool prices continuing to increase and up on last few years. |
| House prices stabilised | → | House prices stable – 3 month rolling average \$423,957 up 3.6% on June 2024 and 12.2% off the peak Dec 21. Market stabilising with signs of activity picking up. House sales jumped in May 2025. Number of new house consents significantly down. |
| Affordable housing shortage and rents | ↓↓ | Rents continue to rise, up 10% for the year to May 2025 (NZ 2%) . Rents are actually falling from late 2024 highs as vacant rentals increase. Owning now more affordable than renting if deposit can be found. Kainga Ora built 7 new 2 bed units in 2024 but no more units are planned. There continues to be severe shortages of general and social rental housing in Tararua. Trust House to rationalise housing stock to fund new build 1 and 2 bed units – but no current plans for new units in Tararua. |
| Government policy and regulation impacts uncertain | Unknown Mixed ↑ | Waters, RMA, ETS, Housing, rate caps – many changes underway or being consulted. Impact = who knows! ETS changes confirm new restrictions on exotic plantings will limit whole farm conversions – banned on LUC 1-5 and for LUC 6+ capped NZ annual of 15,000ha. RMA replacement draft early 2026. Policies that impact TDC costs being re-written (see Govt Policy section) – some being consulted on currently. 3 waters consenting costs could be lower than current estimates. |
| Price increases low (Ex Insurance, power and Council rates) | Good for all ↑ | Asset and materials prices low or nil. Farm cost increases flat for year (+0.2%). Food prices increasing again +4.4% year to May 2024. Oil prices are again low and stable after spiking due to Middle East wars. |
| Interest rates falling – but maybe not much more | ↑↑ for those in debt / businesses ↓↓ For savers | Reserve Bank NZ OCR at 3.25%, further modest cuts expected later in 2025. Trump impact increases risks for inflation (debt and tariffs) which impacts NZ. High uncertainty in markets with trade wars (and shooting ones). |
| Wage and Salary levels still increasing | ↑ Income levels ↓ Business margins | Average ordinary time hourly earnings from wages and salaries to Sept 2024 for public sector up 5.2% for the year, private sector 3.3%. Net migration has eased shortages of staff. |



Key Stats Snapshot

| Measure | Change / Result | Period | Comment |
|--|--|--|--|
| Population | District - Up 0.5% Urban – up 0.2% Rural – Up 0.9% | Year to June 2024 | June 2024 Stats NZ estimate 19,050, June 2023 Est 18,950 (revised down). Urban +0.1% Rural +1.0% 2023 census - up 4% from 2018. |
| Births and Deaths net gain | +42 +9 | Year to March 2025 Year to March 2024 | Births declined in 2024 (living costs stress?) but increased in March 2025. |
| New house consents (new and relocates) | 43 = -25% on June 2024 | June 2025 year | 12 months to June 25 = 43 (16 new and 27 relocate house consents). Compares to 57 (30 new, 27 relocates) June year 24. |
| Ageing Population – Superannuation numbers | 3.1% (NZ up 3.2%) | Year to March 2025 – MSD | Growth trend strong – now 4,179 residents on Super (est 21.8% of population). |
| Median Age | 42.4 years | 2023 Census and June 2024 update | Median age increased from 41.8 in 2018. |
| Māori share of Population (Māori Descent) | 29% | 2023 Census | NZ average is 20%. Increasing quickly. |
| School enrolments – MoE | -2.1% | July 2023 to July 2024 | Numbers falling, 37% of all pupils are Māori. ECE (preschool) declining. |
| Household Numbers | +2.9% | 2013 – 2018 | Household occupancy up marginally. |
| Stats NZ Census | +4.2% | 2018 - 2023 | Shortage of rentals now easing. |
| House Prices – QV 3 month rolling average | +3.6% -12.2% | Year to June 2025 From peak Dec 2021 | Prices stable and house sales increasing. NZ -0.6% annual and -14% from peak. Tararua still up 29% in last 5 years. |
| Rents – average change for District | 10.3% | Annual average change to April 2025 | Rents still climbing on an annual basis - now up 73% in last 5 years. Lower quartile rents +10.8% for year. Latest data shows rents plateauing or falling locally. NZ rents up 2.1% (April 2025 year) on same basis. |
| Housing Register | 35 | April 2025 | Was 65 in April 2024. Kainga Ora now has 9 houses in Dannevirke. |
| Total Employment (living in Tararua) | -1.3% | As at March 2025 – Annual change | 8,604 jobs March 2025 – down 1.3% from March 2024. NZ down 1.6%. |
| # of Business Units | -0.7% | As at Feb 2024 – Annual | There were 2751 businesses (separate geographic units) in Feb 2024, down from 2769 in Feb 2023. Farm amalgamations, retail closures. NZ + 0.9% |
| Jobseekers – MSD benefits - Tararua | Total +14% Job Ready 8% Health/Disability 21% | May 2025 vs May 2024 | May 2025 total was 933 – big increase in last year. Peak (Sept 2020) was 934. Huge increase in Health and Disability – up 21% 1 year and 45% in 2 years. |
| Accommodation Supplement | 5.4% | Year to May 2025 | 1,800 households receiving AS payments in Tararua – number climbing. NZ up 5.3%. |
| Crime – number of offences | 1,616 down 10% on year to March 2024 | Year to Mar 2025 | Crime falling. Mostly theft / break ins. NZ on same basis -1.2%. Offences lower in Tararua than NZ average (8.4 per 100 people vs 11.2) |
| Commercial Vehicle registrations | 159 + 19% | Year to April 2025 | Year to April 2024 was 134 – 10-year average is 210. |
| Electric passenger vehicle registrations | Nil – down 100% | Year to April 2025 | New electric vehicle sales have totally collapsed due to govt policy changes. |
| Dairy Payout (excludes dividend) – forecasts are midpoint Fonterra | \$7.80 kg milkfat \$10.00 \$10.00 | 2023/24 2024/25 2025/26 forecast | Current (June 25) GDT auction dairy prices are now up 16% on June 2024. Payout is nominal record high. |



Topic Discussions

Introduction and Overview

This environmental scan describes major drivers likely to shape the Tararua District over the medium term and beyond from the viewpoint of the Council. Many of the drivers are completely outside of Council control, or any meaningful impact in the medium term at least.

For other drivers Council can act as a leader for the district or as a lobbying agency to government on behalf of residents. 'Black Swan' events, such as a cyclone, pandemic, war or international economic crash can change trends and create huge impacts on residents, often in ways that cannot be anticipated.

After many years of talking about the future impacts of climate change, we are now in that future. Gabrielle was the word for 2023 – we are likely to see increasingly more cyclones hitting New Zealand in the years to come. Thankfully 2024 and 2025 has yet to see any major weather events in Tararua (other parts of NZ have not been so fortunate).

This scan focuses on the trend changes and key risks currently facing Council, Tararua and New Zealand in the context of the upcoming Triennial elections.

Guidance on 2024 LTP Assumptions

The Long-Term Plan contains some key assumptions that impact on costs, societal and environmental changes. These assumptions often directly or indirectly drive rate impacts over time.

| Assumption | LTP forecasts | 2025/26 Estimate | Current Trends against Assumptions |
|----------------------------------|---|--|--|
| Growth | Population 0.6% yr Households 0.7% a year (70% urban and 30% rural) | 0.5% 0.6% 50% rural | Population growth is currently minimal and driven by older people (0.7%). Immigration (net) likely negative and natural increase (births less deaths) is currently 0.2%. Lower urban growth means the costs for 3 waters are spread more on existing properties. |
| Aging Population | Increased to 26% of population by 2034 | Currently 21.9% of pop - and increasing every year (ratio increasing by around 0.5% a year) | On track to be 26% of total population by 2034 |
| Natural disasters | No extreme natural disasters | Increasingly probable | Warmer and wetter this winter. |
| Legislation and one plan changes | Significant and ongoing impact on Council finances and levels of service. | Significant change continues. 3 Waters CCO, reduced 3 Waters standards, RMA replacement with shift | Freshwater NPS being consulted on now. Assumed capex programme for mandatory standards could be scaled back / delayed. Possible |



| Assumption | LTP forecasts | 2025/26 Estimate | Current Trends against Assumptions |
|---|---|--|---|
| | | to regional plans – possible LTP Amendment | easing of consent costs / time for discharges and water takes. |
| Infrastructure Capability | Forecast growth can be partly met by the current and planned capacity of infrastructure assets. | Urban growth is currently low. | Growth in urban areas (3 Waters) is currently very low so remains true. It's the mandatory standards and renewals that are expensive. |
| Waka Kotahi funding | requirements for the performance of subsidised work will not alter to the extent they adversely impact operating costs. | NZTA - Less than assumed | FAR still 73%, but size of total pie has shrunk (less funding available). |
| Inflation | Local Government Cost Index – 2.4% to 3% in 24/25. 2 – 2.5% a year medium to longer term | Is possible. Some activities are lower than this already. | CPI currently 2.5% as at March 2025, Capital Goods 1.6%. But Water and sewerage costs +5.5% and Local Govt Admin +2.9%. Lower short term, higher medium term likely. |
| 3 Waters reform and subsidies for water and wastewater upgrades | Will remain with Council and there will not be further government subsidies for upgrades | CCO established with Wairarapa. Possible Amendment to LTP as a consequence (2026/27). | The new CCO will result in full reviews of the capex and renewal programmes currently in the LTP. |
| Interest Rates | Average 4.71% in year one and increasing to 5.75% by 2034. The average is 5.12% over 10 years. | Close to outcome. Current 10 year govt bond rate is 4.58% | Interest rates have fallen far quicker than forecast – but mainly at the short end and for savers. International uncertainty / risk holding up longer rates. Possibly higher (International drivers). |
| Access to markets for farm exports | Continues to be open with high uncertainty for the US. More trade agreements being put in place (for NZ) | 10% tariff now on exports to US. High demand and new free trade agreements offsetting risks. | Possible tariffs and trade barriers. High uncertainty. |

Changing Societal Trends

The big trends that are or will change how we live:

- Protectionism and retreat from big government – some countries are electing new leaders that favour stronger borders, less immigrants, lower taxes and a return to 'the good old days',
 - Increase in trade barriers – risk to NZ farm exports
 - Restricted movement of people between countries
 - Growth in regional trading agreements based on shared cultures and values



- Access to rich markets used as political weapon resulting in all countries being poorer
 - NZ could see surge in cheap goods in short term diverted from other markets
- AI (Artificial Intelligence) – already changing the way we work and plan our lives,
 - Impact patchy with some employment winners and some losers
 - Productivity should increase – but increase in ‘fake’ knowledge.
- Online everything – demand continues to grow for online transactions. Demand for physical retail and commercial is dropping, and businesses are moving to reduce physical shop fronts which is cutting the demand for office / retail space.
- Climate change – hotter, with more destructive storms becoming more common. Will result in mass movement of people (mostly from Asia) seeking safety and a place to live,
 - Global commitment to decarbonisation is faltering as USA withdraws from Paris Accord and promotes drilling for fossil fuels.
- Lower birthrates in developed and emerging countries resulting in significant declines in future population, and a shortage of workers and tax revenue to support ageing populations,
 - Leads to intense competition for skilled migrants from developing countries
 - In countries where government is offering incentives to have more children birth rates are still dropping (China, Japan, Italy)
- Healthcare – living longer but taxes not sufficient to pay for resulting and ever more costly healthcare.

New Zealand is now politically in a period of cost control and efficiency. Government budgets have been reduced in real terms for much of the public sector. The economy and household budgets are adjusting to this lower spending reality. Unemployment is continuing to increase, and asset prices are stabilising (house prices are still high – but becoming more affordable as wages rise and interest rates fall).

The government has many policy changes and ‘balls in the air’, with more changes being announced regularly. For many councils 3 Waters is moving to a CCO regional model with balance sheet separation in some form. Councils are cutting back to reduce costs, but rate increases around NZ are still averaging around 10% for 2025/26. Government intervention to impose rate caps is possible and currently actively being looked at as they can blame local government for these ongoing cost increases. The reality that most of the new increases are still 3 waters and past costs driven.

The government is continuing with major restructuring, including initiating the merger of the Ministry of the Environment, Ministry of Housing and Urban Development and the Ministry of Transport.

The triennial elections in October could see ratepayer backlash to the large rate increases, resulting in many new councillors voted in on a ‘cut costs’ platform. This will only eventuate if voter turnout is much higher.

The Economy and Affordability Overview

- Interest mortgage rates still falling but stabilising – but government 10-year bonds stuck at 4.5% and have not fallen in 2025. International pressures and high government debt are underpinning long term yields.
- Inflation firmly back in 1-3% range – many products and services are not increasing at all. Insurance, food (higher meat and dairy) and rates not included!
- Boost from immigration gains fading as net gains head to zero.
- Household budgets still under pressure from huge cost increases in 2022 and 2023, and spending has not recovered. Limited or no economic growth continuing.
- Sharply lower deposit rates for savers has significantly reduced investment incomes.



- Farming affordability in a much better situation.
- New highway open improving connections to Manawatu will provide a boost to Tararua and to the confidence of local business.
- Changing land use to forestry threatens the established farming servicing industries.

The NZ economy has been stuttering over 2024 / 25 as households continue to limit spending and rising unemployment hits confidence. Housing and other asset prices have seen a major correction from the 2021 bubble in asset prices but are now stabilising. Getting household and government budgets into a healthier balance and debt under control is taking far longer than expected.

The exodus of kiwis heading overseas leaving many empty houses for sale and taking with them skills and capital is continuing. In the last year (to April) 70,000 kiwis were estimated to have permanently left, close to a record high. On the flip side around 25,000 kiwis permanently arrived back in the country in the last year. High numbers of new migrants have arrived, but this number is reducing and departures of non – citizens has increased. While the population as a whole is still increasing, net immigration has dropped from a high of +135,000 in 2023 to 21,000 for the year to April 2025. Data on departures is poor, and the numbers are subject to large revisions, so we do not know which areas are seeing the most impacts.

The government has cut spending in many areas and is reducing the public service workforce overall which has had a negative impact on Wellington and the surrounding region in particular. The significant reduction in immigration into Auckland (likely) has hit the housing market in the city – and removed a major driver of activity growth.

The latest indicators for New Zealand of activity in services, retail and manufacturing are poor. It seems the economy, after some improvement in the March 2025 quarter, has ‘hit the wall’ and flatlined in the June quarter. This is despite huge export returns from the farming sector that has given a boost to the regions.

The local Tararua economy is driven primarily from the farm returns of dairy, beef, lamb and forestry. The next largest sector is retail followed by manufacturing. After two tough years farm product prices significantly increased over the 2024/25 season (excluding forestry), and these income gains are forecast to continue into the 2025/26 season. The result will be much improved profitability across the Tararua farming sector. Debt will be reduced and confidence increasing the longer these prices continue to remain high. Farm costs are currently running at close to nil, and that includes large insurance, power and rates increases.

This boost to farm profits is likely to result in increased spending on farm services, improvements and flow onto increased employment. Continuing falls in interest rates and further relaxing of government regulations, then economic activity into 2026 should be much more robust. New regulations on pine in the ETS will improve protection for whole conversions of sheep and beef farming from late 2025.

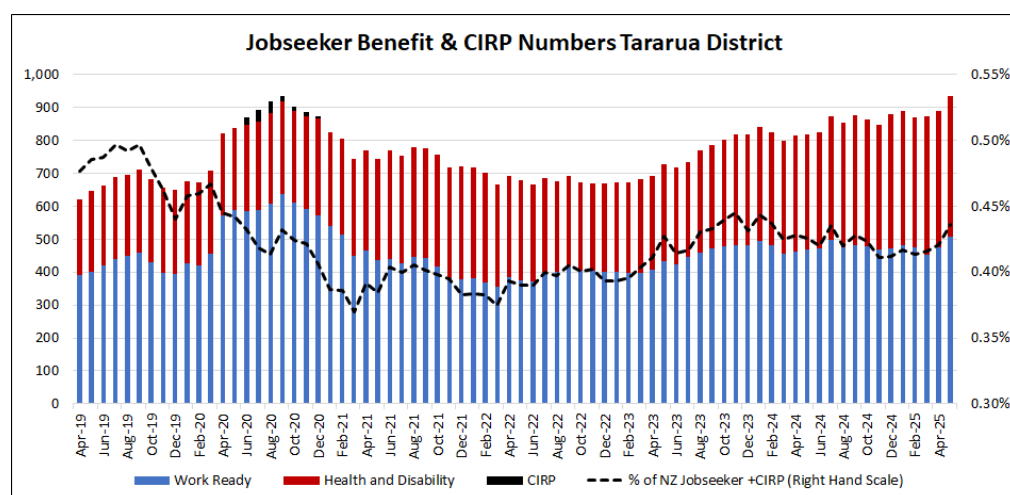
A note of caution on meat and dairy returns – the prices seen currently are ‘off season’ and volumes are low. Due to the better returns many farmers retain stock to build stock numbers for breeding / herd size in response to the better returns. This, as well as plenty of grass, resulted in shortages of stock going to the works this autumn. Some meatworks closed very early, and the processing companies have been competing for the available stock. Once stock volumes increase again over the 25/26 season the high prices are likely to ease.



The tough 2024 resulted in total employment declining a little (March 2025) and Jobseeker numbers have surged 14% in the year to May 2025. Hopefully the better farming returns will start to flow through to generating more employment.

Overall the risks for the year ahead include:

- The health of the Chinese economy,
- US tariff policies and the impact on world trade,
- Policy and new legislation from the government (3 waters, farming, ETS, rates caps),
- Immigration / employment trends.



High housing costs (ownership, rental and living costs) continue to be unaffordable for many. However with the much lower home mortgage interest rates for many people 1st home ownership is now cheaper than renting. Saving the deposit required is the main barrier. There has been a significant increase in home sales for May 2025 (31), more than double the number of May 2024 and a big increase on early 2025. This is likely to be 1st home buyers becoming more active in the market. Rents are likely to stabilise and possibly decline – as is the case across much of New Zealand currently.

A large number of Tararua households receive the Accommodation Supplement (1,800) and other forms of social welfare. This reflects the generally low incomes of residents in the district.

The number of new houses being built is currently at a very low level, especially in urban areas, and they are expensive to build. On top of this, new subdivisions are complex, take a long time to do and the whole process is expensive. The government has significantly reduced Kainga Ora activity and there is very limited support for social housing.

It is difficult for residential developers to make profits in the current market. In the last five years the cost of building a residential home has increased by 41% in New Zealand, while the average Tararua house price has increased by 28%, and rents have increased 51%.

In terms of sectors for 2025/26 affordability issues are:

- Urban residential – continuing to be very tough with ongoing substantial increases in rates (for property owners), insurance and energy along with increasing unemployment. Food costs



are on the increase again (meat, dairy). For those with sizable mortgages the situation has improved significantly, and interest rates are expected to continue declining. For those with sizable term investments and / or no debt, incomes will be reducing. Overall, 2025 is 'less awful' but household budgets will be constrained into 2026.

- Business – profitability continues to be challenging with high costs (wages, insurance, power, regulations, etc). On the plus side interest rates are lower and some regulations are being eased. General retail will likely continue to be very tough. For those servicing the farming sector activity and profitability should increase. Cost pressures have eased but on-line competition is increasing.
- Rural – very positive. Cost increases are modest and incomes are significantly higher. Costs in the last year were just 0.2%. While costs are not expected to surge again this is reliant on many international factors outside NZ influence. Confidence has also improved with the government reducing environmental regulations. Note - Farm product prices are unlikely to stay at historically high levels (history shows that they don't) but are expected to remain at good levels.
- It should be noted that insurance costs are impacting households, businesses, farms and Councils - average bills up 50% in last 3 years. Insurance companies are changing the assessment of risks and pricing them more on current experience rather than historical.

A note about the Draft NZ Infrastructure Plan released at the end of June. This was a draft and contained 17 priority projects for NZ to deal with in the next 30 years. A number of them were in the Manawatu so quite major news for the Region, based around defence force Linton and Ohakea upgrades and logistics transport upgrades around Palmerston North. Some of these projects would be significant for the region and boost employment, with positive impacts for Tararua.

Limitations of this Scan

This scan is not intended to be 'definitive'. Change in society, technology, business, and environment is occurring fast and it is difficult to forecast for the next year, let alone 10 or 30 years.

Disruptive factors are resulting in changes to how we live and the state of the environment. We have no or very little control over these, and the impacts are significant.

- Government policy changes impacting on service standards, household incomes, costs and structures, urban and rural land values and land use changes:
 - 3 Waters,
 - ETS – forestry,
 - NPS - Freshwater regulations being consulted on now,
 - RMA replacements (who knows!),
 - Immigration policy.
- Interest rates – how low will the Reserve Bank go?
- World trade and tariffs – we are a trading nation and Tararua especially so. Tariffs could be increased at any time and other new barriers to trade could impact the costs and availability of imports and returns on exports.
- Technology (e.g. artificial intelligence).
- Climate change events.

Note: The Council Impact tables at the end of each section relate to the resources required relative to existing overall Council budgets, not what is currently allocated to the specific activity (so a moderate increase in Roading is significant for Council, while for Service Centres it is not). This is a guess based on current knowledge.



Economic and Demographic Trends – the detail

Cost increases for most goods and services are now stable (with some exceptions e.g. insurance, electricity, red meat and dairy products). Stresses on household budgets still impacting retail trade, services and housing investment, and possibly the birthrate (children are expensive). As a result, the NZ economy is limping along, and unemployment has risen. Tararua business and development activity showing early signs of recovery driven by much improved farm profitability.

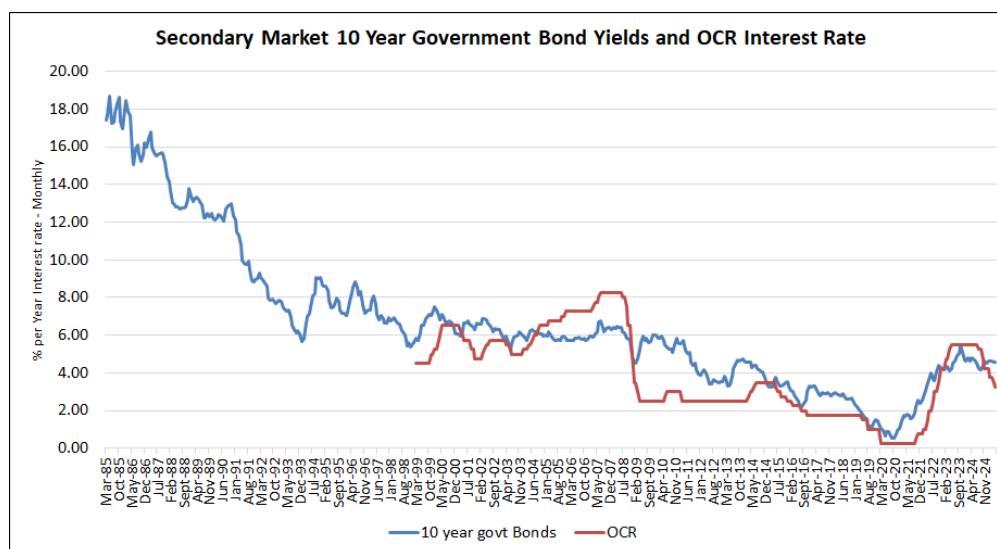
The outcome for 2025/26 is looking positive underpinned by strong farm returns. The risks are mostly international from highly uncertain trade agreements, tariffs and conflicts as a result of the rapid changes in US policies. These are impacting oil prices, export costs and accessibility as well as longer term interest rates.

Cost increases no longer an issue overall

Inflation (CPI) is now at 2.5% (although it is increasing again) as most supply chains have settled down and domestic prices (including wages) have stabilised. Costs are now being driven by:

- Energy prices as electricity grid charges are hiked and gas supplies decrease,
- Insurance costs as higher risks from natural disasters are factored in,
- Higher food prices driven by very good export prices for red meat and dairy, and
- Council rates increase driven by the need to address continued long term renewal issues and the sunk costs (debt and depreciation) of recent 3 waters investments (as well as the costs of establishing the new CCOs).

Interest rates are continuing to drop at the short end and are now around 'normal' levels on an historical basis. They are still quite low compared to the 1970's through to the early 2000's. Longer term rates have stayed at around 4.5% (10 year gov't bonds), reflecting the US bond market and increasing risks around soaring world debt levels and trade uncertainties. Higher interest rates have a huge impact on Council finances as debt costs significantly increase – and the major source of that funding is rates.



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Council has now agreed to form a joint Waters CCO with the Wairarapa. The future capital programme and the Tararua network share of these costs will become clearer through 2026. The removal of Waters debt and depreciation costs will result in major changes to the Council budget and balance sheet. While this will be largely positive for the Council the ratepayers connected to the Waters networks will still be paying for the services (likely at an increasing amount).

The RBNZ has reduced the official interest rates (the OCR) to 3.25%. Another 0.25% cut is expected later in 2025, with the RBNZ forecasting a low point for the OCR in this cycle of between 2.75% and 3.00%. This implies a 10-year government bond of around 4% and mortgage rates in the 4.25 – 5.0% range. Current risks include wars, massive debt increases in the US and trade barriers which are all keeping longer term and wholesale interest rates higher than expected.

Key Prices for Council

Council budgets are driven by 4 key costs.

- a) Labour costs (including consultants),
- b) interest rates,
- c) Capital and construction materials – pipes, machinery, concrete, pumps, and buildings,
- d) Diesel prices and bitumen.

Most civil works are a combination of the above. While costs are still high, competition for work in a depressed construction sector is currently resulting in some sharp construction prices for projects. Tender prices are varying substantially reflecting the amount of work each company has at the moment.

Currently the NZD is at US60.7 cents, which is generally lower than the average for the last 10 years. The NZD has recovered from falling to US56 cents at the beginning of 2025. The movements are largely driven by shifts in the \$US rather than the \$NZ, and reflect rapid shifts in risk assessment from Trump policies.

Material and asset price increases are lower with a notable exception.

- Farm prices increased 0.2% year to March 2025,
- Capital Goods Price Index increased 1.6% in the March 2025 year.
- Capital Goods Price Index - Civil Construction increased 1.2% year to March 2025,
- Producer Price Index input prices for Heavy and civil engineering construction increased 1.4% in the year to March 2025.
- Producer Price Index output prices - Water, Sewerage, Drainage and Waste Services increased by 8.7% for the year (possibly due to high demand for these services from mandatory standards?)

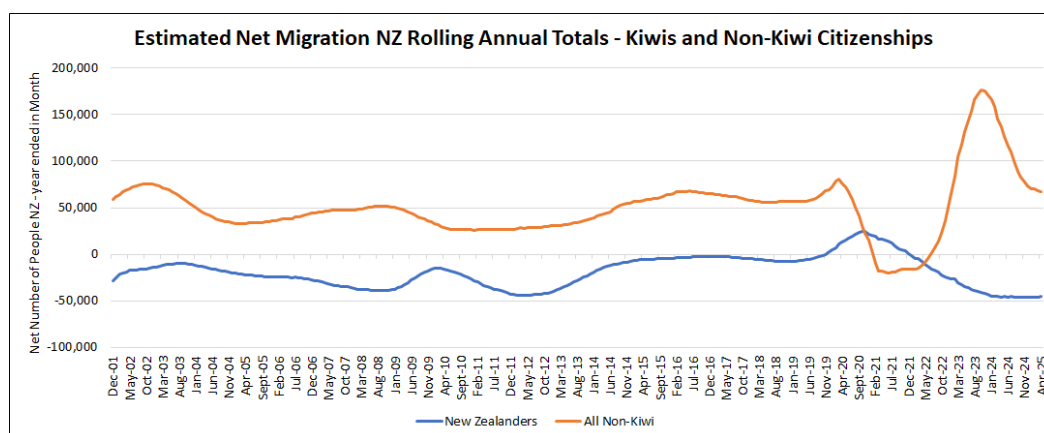
Labour costs

The Quarterly Employment Survey to March 2025 saw a continuing above CPI increase in private sector average hourly earnings of 3.8% for the year. Public sector earnings are still increasing faster at a 6.5% annual increase. These increases reflect prior cost increases as wage movements 'catch up'. Wage increases into 2026 are expected to be much lower, especially in the public sector.

While unemployment has increased the net immigration has significantly reduced, with a near record number of New Zealand citizens continuing to leave for Australia and other countries. The result is a



rapidly declining net population gain for the year. These two factors are offsetting each other. With modest to low growth there is unlikely to be any substantial wage rises in 2025/26.



Net long term immigration numbers have fallen to an estimated net gain in the year ending April 2025 of 21,000, made up of a net loss of kiwis of 46,000 and a net gain of non-kiwis of 67,000. Numbers are subject to large revisions.

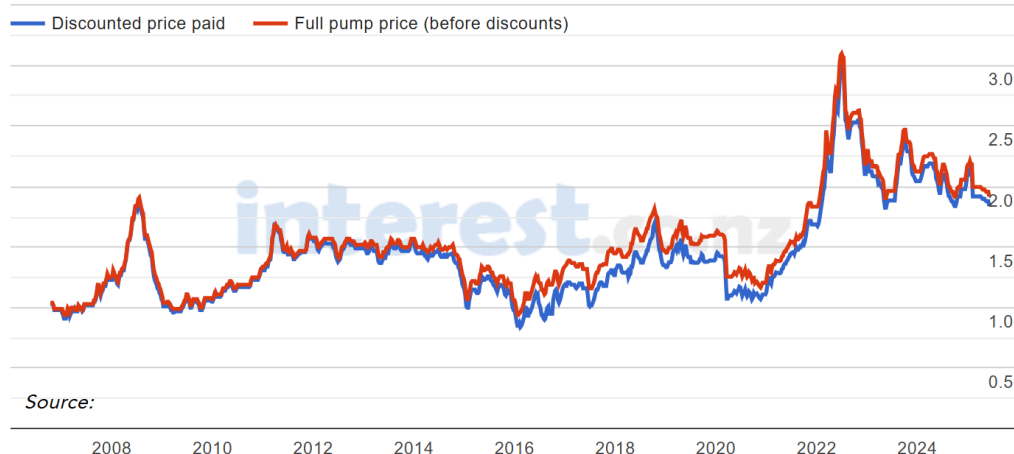
Energy prices – Oil and Diesel

The price of oil and fuel has been a key price driver for Council costs historically. The oil price is still a key component in the roading activity (vehicle fuel and re-seals) and plastic pipes. Fuel costs impact all transport related costs throughout the economy. Oil prices and diesel have been gradually declining over the last year, after spikes in fuel prices in 2022 driven by supply chain blockages. Recent international conflicts have not moved the prices much – with markets having brief spikes before settling at relatively low levels again. Expanding renewable energy investments have largely met the increasing demand for energy.

Select chart tabs

Diesel pump price - Rest of NZ

Diesel pump price - Rest of NZ



Source:



Source Interest.co

Diesel prices in NZ at the pump are currently about 5% lower than this time a year ago.

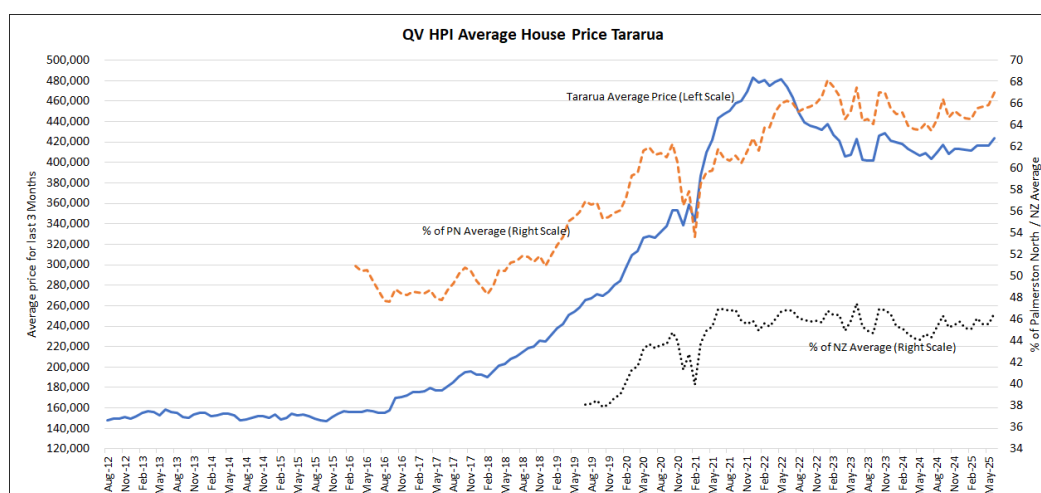
Electric vehicle prices continue to fall with more Chinese brands resulting in competition and discounts. The new RUCs for electric vehicles has drastically cut the number of new EVs being bought with consumers turning to hybrids to avoid the RUCs. The government has a medium term policy review looking at introducing RUCs for all vehicles to level the field. New electric and battery technologies currently being commercialised (within 5 years) will result in electric vehicles being the common new vehicle purchased.

Housing and Rental Costs

House prices have stabilised over the last year in Tararua after coming off the peak of 2021. Across NZ the average prices are still gradually reducing. The latest QV average price for Tararua for the year to May 2025 was up 2.3% for the year. Prices are down 14% from the peak of December 2021. After a very slow market in 2024 and early 2025 the number of sales has spiked up in May 2025. With interest rates much lower for many people it is cheaper to buy a home then to rent it.

Tararua has performed better than the Palmerston North and the NZ market overall, but remains significantly cheaper. Palmerston North has dropped 19% and New Zealand overall -14% from the 2021 peak. In the last year average house prices have continued to fall in NZ (-0.8%). The larger cities are struggling the most.

New housing consents in Tararua have reduced significantly, and the wider residential construction industry is repeating the boom / bust cycle of the past. 2025 looks like an especially severe 'bust'. The sector is changing to drive costs down and with the rise of 'factory or yard' built relocatable housing which generally delivers smaller 2 bed and 3 bed houses quickly at a lower price. Demand from those seeking affordable housing remains high.

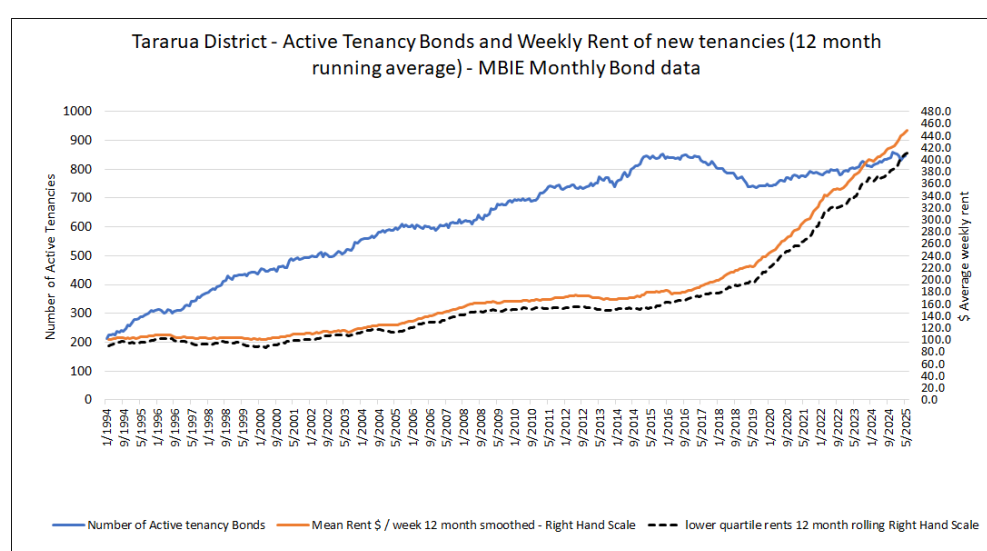


After some new social houses were built by Kainga Ora in Dannevirke in 2023/24 further investment has been ended. Budget 2025 (government) confirmed the cutting back of funding for Kainga Ora and the consolidation of social housing assistance funding into MHUD. This new fund will not be open to applications until 2026.



Rents are still increasing on top of the significant rent increases way above wage increases in the last few years. Rental increases, measured by MBIE tenancy bond data, have increased by 10% in the year to May 2025 for Tararua (on a smoothed annual average basis).

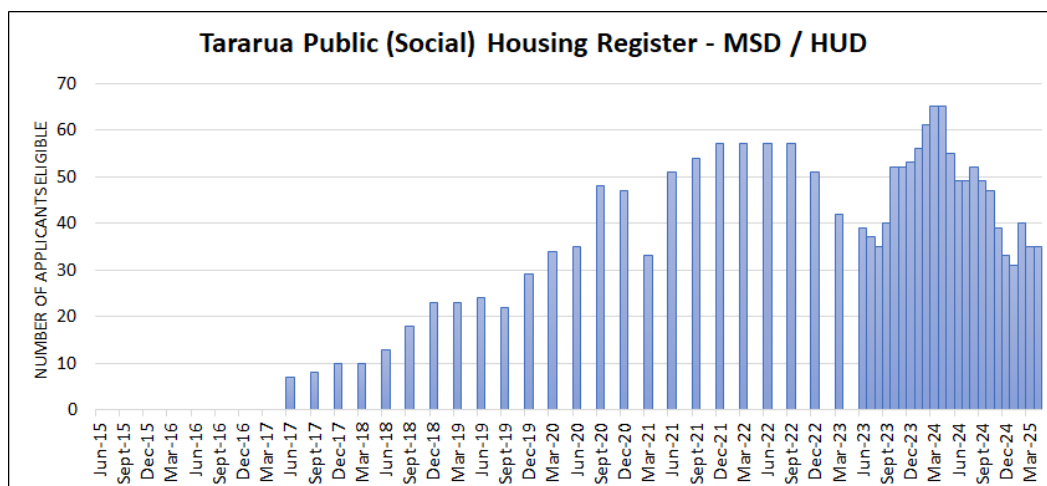
Pressure on the rental market has eased a little in Tararua in the last few months with generally a few more rentals available. Rental costs have dropped back from a peak at the end of 2024. The market is still tight compared to Palmerston North where there is significantly more availability. Average rents are now \$450, with reasonable family homes more expensive which is eating up a very large proportion of household incomes. This is placing real hardship on many people in Tararua, including businesses who are having trouble attracting new staff who cannot find quality rental housing. Rents across NZ have increased at a much lower rate but from a higher base, with some large cities flat or negative.



The cost of building new houses and developing residential sections remains very high. While recent anecdotal information points to more competitive prices, there is a big gap in costs to develop and build vs achievable sale prices in most locations. The gross and net returns from a rental investment property are currently relatively poor, although this is improving as term investment rates decline.

The public housing register for Tararua has reduced again to 35 after a spike in numbers in mid-2024 to 65. This trend is seen across New Zealand - including Manawatu, Whanganui, and Masterton. This is due to the large number of public houses being completed by Kainga Ora. Other reasons include:

- more rental availability in many urban areas as some houses that cannot achieve the desired sale price are taken off the market and rented out 'until the market improves'.
- many people leaving for overseas, and
- many townhouse developments are completed (in the major cities), there has been a surge in rental stock.



Council Impacts

Note: the resources required relates to the overall Council budgets, not what is currently allocated. It also may reflect political effort / impacts rather than budgets. This is a guess based on current knowledge.

Growth in housing has continued to be very low during 2024 and 2025 and brings into question the **timing** for urban expansions in the short term and the infrastructure costs that come with that. Some government regulation constraints relating to soils, freshwater and planning rules are being relaxed by the new government.

| Council Group | Impact – Resources Required | Likelihood |
|--|-----------------------------|------------|
| Finance – Rating Policy (affordability of property owners) | High | High |
| Council overall (inflation / interest rates increases now reduced) | Low | Likely |



Growth and Demographics

Population

The population in Tararua is estimated to be continuing at around 0.5% a year increase (around 100 people extra per year), after a few years of stronger growth (2019 and 2021). New house building has fallen away since late 2023 and continuing at low levels for 2024 / 25. This mirrors a major collapse in new residential building activity across NZ as developers cannot make a profit given development / build costs and house prices.

The latest population estimates (as at June 2024) from Stats NZ are based on the 2023 Census result. This update resulted in a small downwards revision to the total population number from a few years ago.

The population estimates are a bit lower than our assumptions for the 2024-34 LTP, which used the high growth scenario. The main difference is the lack of growth in the urban areas, and a falling birth rate (March 2025 saw this mostly recover but it may not continue). Net international migration has also declined as more people leave for overseas.

| Year | Previous Stats NZ estimates (June Year) | New revised Stats NZ estimates (2025 release) | TDC LTP forecast assumptions (June Year) |
|------|---|---|--|
| 2018 | 18,450 | 18,450 | |
| 2019 | 18,650 | 18,600 | |
| 2020 | 18,700 | 18,650 | |
| 2021 | 18,900 | 18,800 | |
| 2022 | 19,000 | 18,900 | 19,050 |
| 2023 | 19,150 | 18,950 | 19,153 |
| 2024 | 19,250 | 19,050 | 19,314 |
| 2034 | | | 20,981 |

Note that the June year estimates are higher than the Census results as Stats NZ then add on people that are estimated to have been missed by the census (and those overseas longer term) and adjust for a June year as opposed to March.

Population - usually resident

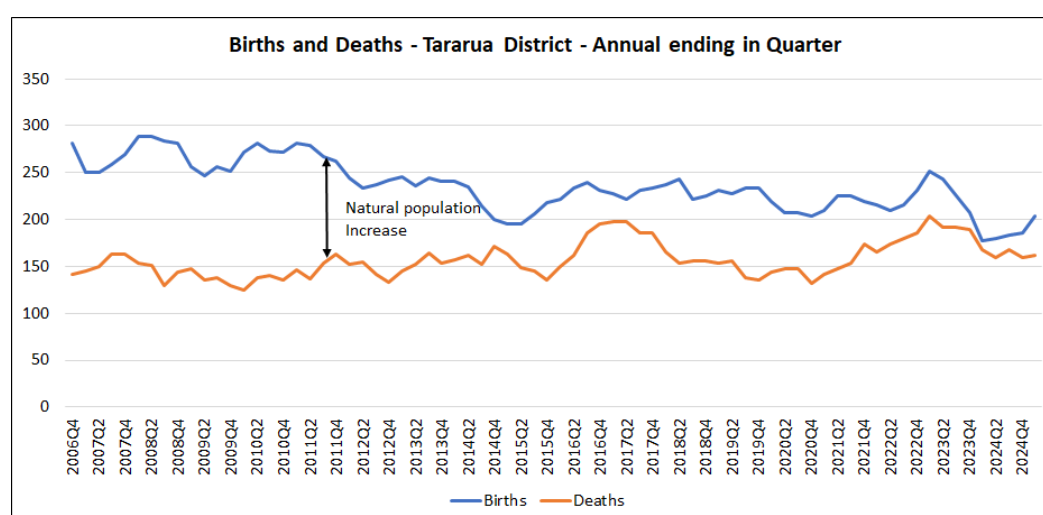
| | 2014 | 2019 | 2024 | % Change 2023 to 2024 |
|---|--------|--------|--------|-----------------------|
| District | 17,650 | 18,600 | 19,050 | 0.5% |
| Dannevirke | 5,330 | 5,660 | 5,680 | 0.2% |
| Pahiatua | 2,530 | 2,790 | 2,860 | -0.7% |
| Woodville | 1,460 | 1,620 | 1,710 | 1.2% |
| Eketahuna (est 2023 Census) | 460 | 518 | 579 | |
| All rural and other | 7,886 | 8,026 | 8,220 | 1.0% |
| 4 main Urban towns total | | | 10,830 | 0.1% |
| New Zealand estimated population Increase | | | | 1.7% |



There has been a strong increase in lifestyle block subdivisions, some of which are now seeing new housing being built. Woodville is also estimated to have grown in the lead up to the new highway opening. Pahiatua is estimated to have declined from 2023 to 2024. Note these are estimates from Stats NZ based on a range of available statistics, but they are only estimates.

Overall, we are seeing evidence that urban growth in Tararua been very low over the last two years. The gain in births less deaths over the last 5 years has fallen by around a third compared to the 5 years before that. Also new house consents have reduced to low levels.

In the year to March 2025 Tararua recorded a net gain of residents (births – deaths) of 42. There was a significant drop in the number of births over 2024, while deaths are gradually increasing. Births for the 2024 year were around the lowest in at least 20 years. Pressures on housing and cost of living in 2022 and 2023 were likely reasons for fewer births, as well as the ageing population. Fortunately, the number of births increased significantly in March 2025 quarter, and deaths have reduced as well. This is an important driver of employment and activity for the District (schools, daycare, retail etc), so hopefully the recovery in the birth rate will continue.



The following still seems to support the growth assumption over the medium / long term:

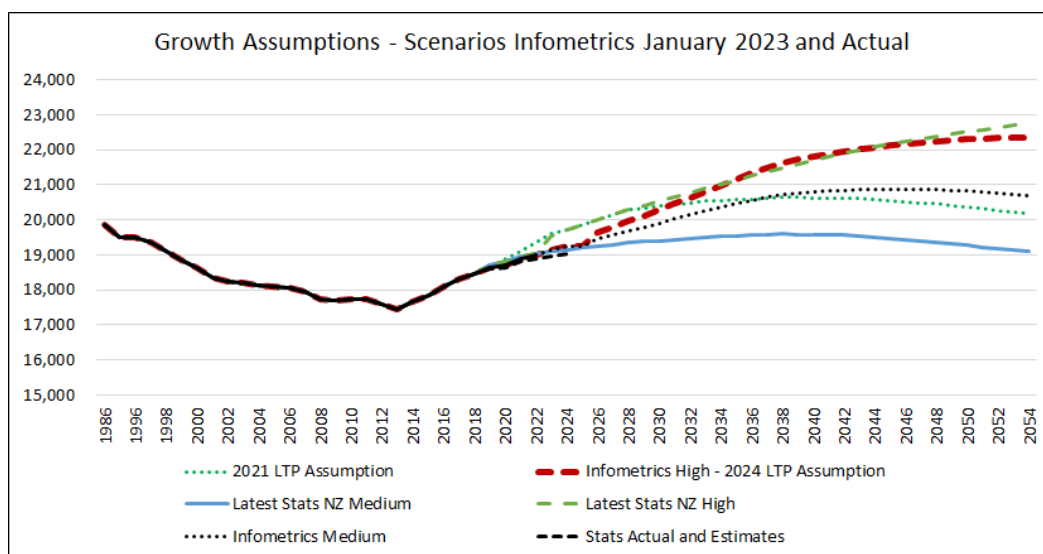
- new highway now open enabling easy commuting to Palmerston North / Manawatu
- continued rent increases for urban rentals indicates demand for housing,
- new proposed District Plan in 2025 with new growth areas (possibly more restrictive on rural subdivision),
- Palmerston North continuing to grow,
- many new lifestyle blocks subdivided during the last 2 years.

However, there are risks that point to lower population outcomes:

- Carbon forestry land use – hollowing out of rural population and less demand for agricultural services
- Declining birth rate
- More people leaving for overseas (probably)
- Lack of suitable housing to attract new residents

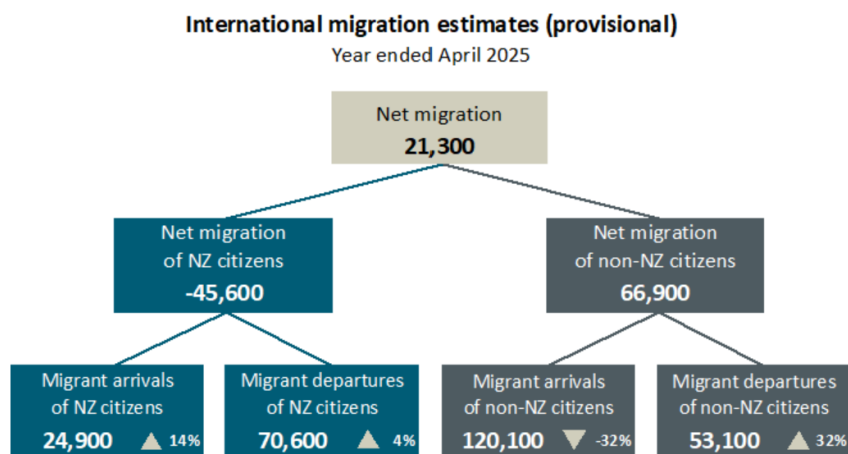


- Government again pulling back on public housing



Immigration

New immigrants still came into NZ in high numbers in the year to April 2025, although down 27% on the year to April 2024 and down 38% from the peak (year ending October 2023). This is offset by a near record number of kiwis heading for greener pastures (70,600 in the year to April 2025), itself offset by a near record number (24,900) of kiwis coming home. The overall net gain of people through migration for the year to April 2025 has dropped to 21,300. This net number is dropping and could approach nil later in 2025. Current flows of people for the year to April 2025 for New Zealand:



Notes: Estimates are provisional as of 11 June 2025.
Percentage changes are indicative of the April 2025 year compared with the April 2024 year.
Figures may not sum to totals due to rounding.
Source: Stats NZ

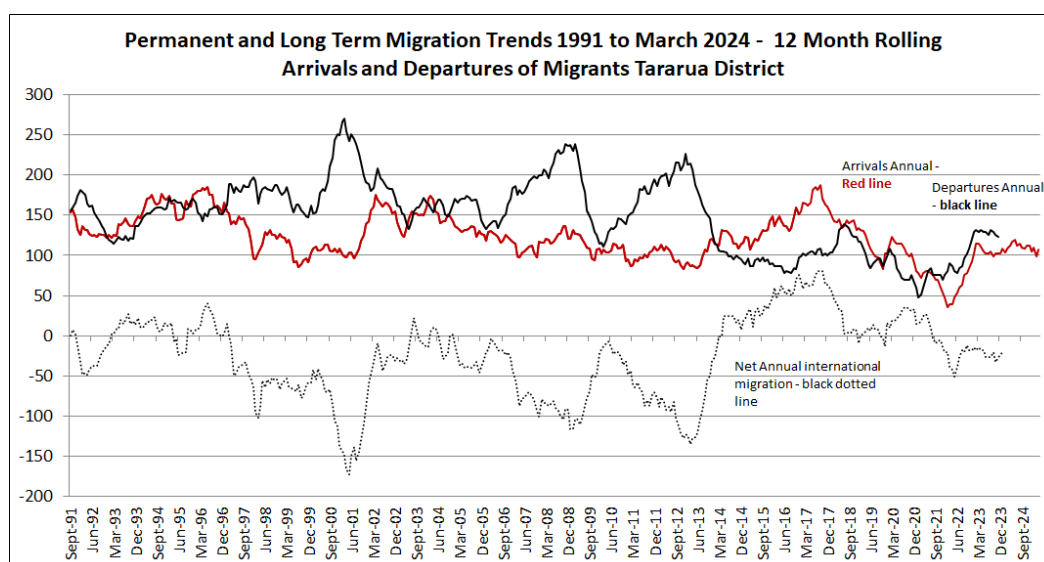
Note that these inflows and outflows are having profound impacts as they are not uniform across New Zealand. We have poor up to date data on the location of those departing permanently.



Migrant arrivals are reducing from the record highs of 2023 (which were double the previous record of 2020). Citizens of India, China, Philippines, Sri Lanka, UK and Australia drive the net migration gains (in that order). Most of these countries are also in the list of largest migrant departures as well.

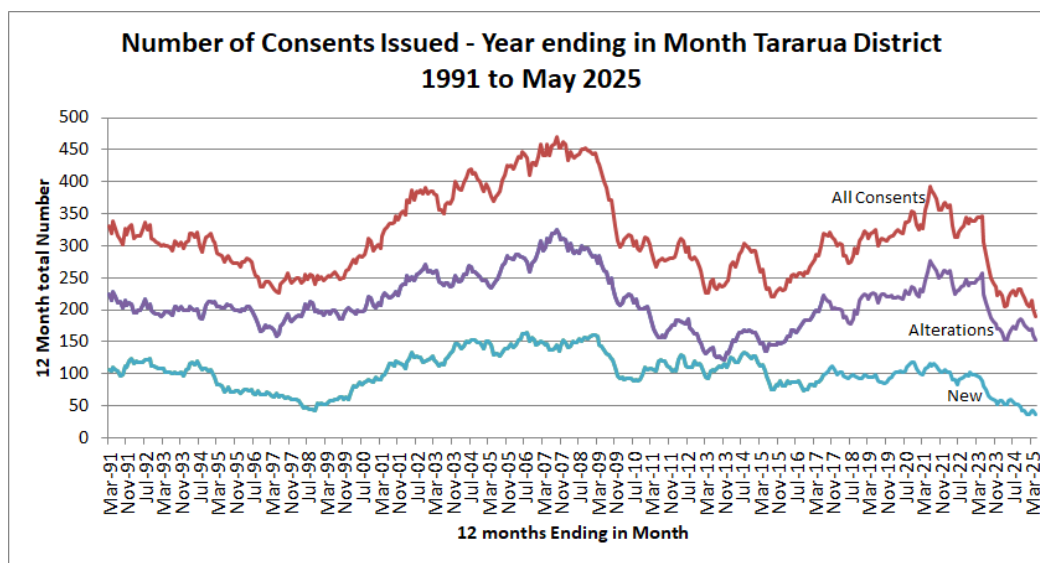
For Tararua this surge of arrivals of permanent residents into NZ has not resulted in record inflows. Arrivals are steady but recent numbers have been revised downwards. The annual totals are tracking around 100 people and below previous peaks of 2017 and 2002. Departure data is lagged 16 months by Stats NZ and numbers surged post Covid lockdowns. There has been an estimated small annual net loss of around 20 people from international migration in Tararua since mid 2021. This may have reversed as Stats NZ have estimated a net gain from international migration of +90 for the year to June 2024 (which looks unlikely on current data to Dec 2023).

There are much larger flows of people within NZ to and from Tararua. We have no data on these flows between Census years but use other data as indicators of these flows. The latest Stats NZ annual population estimates for the year to June 2024 included an estimated net 40 people gain internal NZ migration.



New Houses

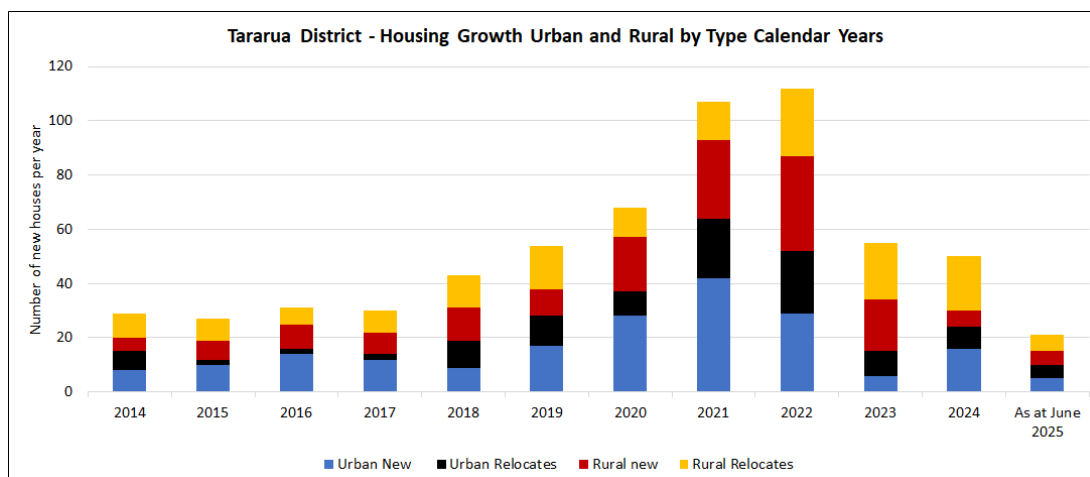
Nationally new housing consents have fallen 34% (annual to April 2025) on the peak year ending May 2022. New housing consents seem to have levelled out at around 33,000 a year. The pull back in Tararua has been more like 50% +.



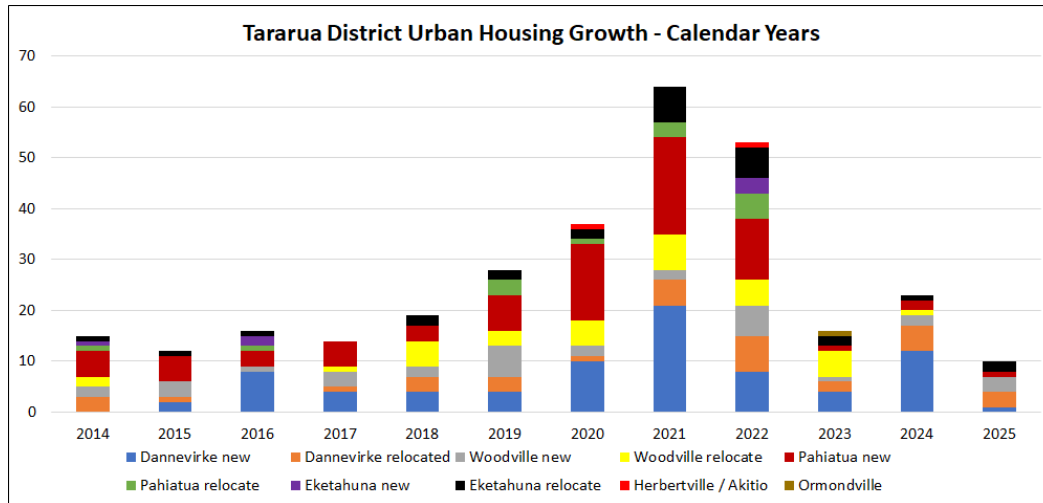
Note – new house relocates included in alterations and additions since 2015.

New housing activity has dramatically slowed since late 2022 as falling property prices and large increases in the costs of development and building has significantly increased the cost of a new house vs buying an existing house.

While the cost increases of subdivision development and building are now modest, it remains very expensive. Relatively low new section / house values in Tararua mean that there is no profit for private developers. Building consent numbers are showing no sign of increasing yet.



There is limited new housing currently underway in urban areas, around half are relocates. There is a slight majority of new housing consents that are coming through in 2025 in the rural areas. The new Highway is expected to result in new housing in Woodville – so far in 2025 there have been three new house consents granted in Woodville. Of note is the assumptions in the 2024 LTP and the Growth Strategy that the majority of new housing (built on site and relocated) will be in the urban areas. For 2024 this was not the case with 60% being rural. So far in 2025 this has improved to around 50%.

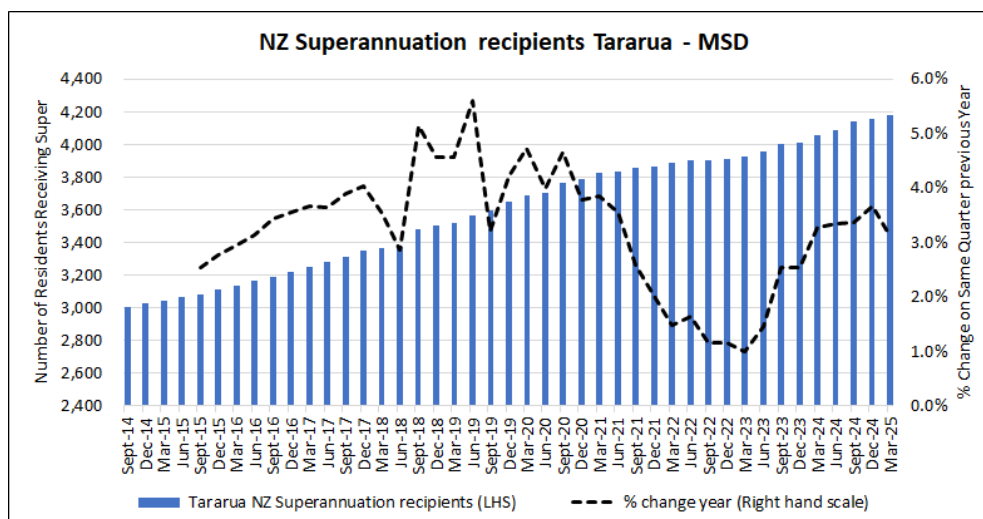


Getting Older

The latest Stats NZ estimate for June 2024 median age is 42.2 years, up 0.2 years from June 2023 and up from 41.5 in 2018. This compares to 37.9 years for NZ (2024).

The majority of population growth in Tararua is in the 65+ years ages. In the year to March 2025 the increase in residents receiving super (so aged 65+) was 3.1% (+126 people). The NZ wide increase was 3.2%. This age group now makes up an estimated 21.9% of the population in Tararua, compared to 17.7% for New Zealand.

These numbers were confirmed in the 2023 Census results that show that residents aged 65+ accounted for 75% of the total increase in population since 2018. All other age groups amounted to a 1% increase on 2018. Children aged 0 - 15 declined by 3.7% or 144. In the last two years since the Census years the number of people aged 65+ in Tararua has grown by 6.5% or 255. This compares to a total population increase estimated at 200 over this time.





Emerging global trend and wildcard event - Around the world lower births are a common trend, which if continued will lead to a fundamental change in many countries' society and economies. In Japan the population is now falling by 500,000 a year and housing in many provincial areas is very cheap. In China the birth rate has dramatically reduced, and the government is offering large incentives for new births. The population in China in 2100 could collapse by 600 million people with current birthrates. India, Indonesia and Africa are emerging as the future powerhouses based on population.

Council Impacts

| Council Group | Impact – Resources Required | Likelihood |
|------------------------------------|--------------------------------|------------|
| Finance – Rating Policy / Funding | Moderate | High |
| Operations | Moderate | Medium |
| District Promotion and Development | Moderate | Medium |
| Roading and Footpaths | Low (10 years) High (30 years) | High |
| 3 Waters (retic and treatment) | High | Medium |



Government Policy / Structural Change in Local Government

Good Water Done Well is taking shape. Local Government (Water Services) Bill (to set up a new regulatory framework for water services delivery) expected to be reported back from the Select Committee by 4 July 2025. Water Services Delivery Plans by 3 September 2025.

A replacement for the RMA will be announced late in 2025 with legislation before the 2026 national elections. It will be phased in over two years. The signal is a much more permissive framework based more on individual property rights.

A huge package of National Policy Statements, National Environmental Standards and proposed changes to regulations under the RMA are currently open for consultation (close 27 July).

New limits in the ETS to the planting of exotic trees come into effect October 2025, backdated to December 2024 – will significantly reduce whole farm conversions in Tararua and focus them on LUC class 6+ land. There are no limits on native plantings proposed.

The rapid pace of change in legislation and government policy impacting local government is continuing, but now in a different way. Many of the legislative and regulatory changes put in place by the previous Labour government are or have been repealed. A range of changes are open for consultation with more to come.

Some of the announced changes will reduce the future costs of compliance for Council. This includes several significant changes to freshwater standards and wastewater discharge consents which is likely to reduce the capex requirements for the new Waters CCO. The requirement for urban food scraps collections (by 2030) has been removed. Some of the new changes will have a profound impact on the Council. Others will not impact Tararua much at all.

On 18 June 2025 the Government announced consultation on a wide ranging series of policy packages aimed at amending RMA national direction. These are aimed at an interim package of reforms while the replacement legislation for the RMA is being developed / implemented.

This substantial package of NPS, NES and proposed changes to regulations under the RMA are currently open for consultation (close 27 July).

Other changes to legislation that impact Tararua are also taking place, but these are either past the consultation phase or are still in development. These include:

- Changes to the Emission Trading Scheme (ETS) that restrict eligibility to carbon credits for any new pine forestry conversions of pastoral farmland. Legislation was introduced to parliament on 10th June. The regulations will come into effect on 31st October 2025 but some key rules will apply to land purchased back as far as December 2024.
- Regulatory Services Bill – Submissions closed 23 June.
- 3 Waters further enabling legislation
- National Environment Standards for Drinking Water to be amended.
- Earthquake prone building regulations being reviewed (extended by blanket 4 years (and possibly 2 more) in late 2024).



- Complete replacement of the RMA with two new Acts – the Planning Act (focusing on land-use planning to enable development and infrastructure), and the Natural Environment Act (concentrates on the use, protection, and enhancement of the natural environment).
 - In June the government granted the Minister of Housing the powers to override Council district plan rules if those rules were restricting growth too much (for Tararua extremely unlikely).

These will mandate more central government standardised policies, more regionalisation and considerably more flexibility for property development. Likely to see less input allowed at the local level, and a lesser role for local iwi. The Government has made a commitment to uphold Treaty of Waitangi settlements and other Treaty-related commitments and arrangements in all the reforms

The following is an update on the key changes that are known. In most cases the overall direction is to reduce regulation. Generally, the final details of new legislation are still to come. Council will consider making a submission to several of these proposed changes in early July 2025.

- 3 Waters – As Council has worked on this topic in huge detail this is not covered again here. A note of caution though as the scale of increased charges to connected urban properties from the impacts of 3 Waters start to dawn on property owners. These forecast charges are unaffordable for many and a backlash from impacted people could eventuate in the medium term.

The current strong demand for lifestyle blocks includes those seeking to avoid current and future charges – the future viability of urban towns could be impacted.

- Regulatory Services Bill – Submissions closed 23 June.
 - Driven by the ACT Party - codify principles for good lawmaking and economic efficiency. The key issue for many is the lack of specific recognition of the Treaty of Waitangi.
 - The Bill aims to bring the same level of discipline to regulatory management that the Public Finance Act brings to public spending.
 - Establishes a set of "principles of responsible regulation" (Principles) that serve as benchmarking thresholds for good legislation. These principles cover:
 - rule of Law,
 - liberties,
 - taking of property,
 - taxes, fees and levies,
 - the role of courts,
 - good law making
 - introducing "consistency accountability statements" (CAS) which create a transparency assessment of a piece of legislation's consistency with the Principles;
 - establishing an independent Regulatory Standards Board to consider the consistency of proposed and existing legislation (and make non-binding recommendations); and
 - strengthening regulatory quality by supporting the Minister for Regulation in its regulatory oversight role



- Bill provides that both proposed and existing legislation would need to be assessed for consistency with the Principles by responsible Ministers, administering agencies, and other makers of legislation.
 - Bill also intends to strengthen regulatory oversight by supporting the Ministry for Regulation in its oversight role and requiring the Ministry to report on the overall state of the regulatory management system.
- The Bill has caused considerable concern that it is missing some principles and that it cements into law the views of the ACT Party as to what is important. Principles that could be missing include:
 - environmental protection,
 - protection of human rights that are protected under the Bill of Rights Act,
 - rights and obligations under te Tiriti or the principles contained in it.
 - The Bill could result in an assessment of legislation that is at odds with the Treaty, and the principles enshrined in the Bill would constrain the Treaty's impact.
 - The other major issue is the Principle that every person is equal before the law – while te Tiriti gives special rights to Māori.
 - According to Russell McVeigh these Principles largely reflect constitutional principles that legislation is likely to already align with, and regardless, the Principles are not enforceable in court in the event of inconsistent legislation.
 - Failure to comply with the Bill would not affect any power to make any legislation, nor the validity or operation of any legislation.
 - The NZ Bill of Rights Act also does not include any te Tiriti clauses and has not resulted in major problems.

The first round of consultation closed 13 Jan 2025. There was a huge number of submissions with 88% in opposition. The main reasons for this were:

- a lack of clearly-defined problem that the Bill aims to address, the creation of duplicate legislation review mechanisms, and increasing complexity in lawmaking;
 - that the Bill would undermine future Parliaments and democracy;
 - lack of recognition of Treaty of Waitangi / Tiriti o Waitangi rights and interests; and
 - concerns around the Bill's social, environmental and economic outcomes
- The Local Government Systems Improvements Bill - expected to be introduced to parliament soon which changes:
 - the purpose of local government
 - the definition of core services
 - possible rates caps (this is gathering some momentum and is looking increasingly possible)
 - reviewing audit requirements
 - the extension of govt powers to set non-financial performance measures
 - codes of conduct for elected members and their relationships with staff

Some discussions are taking place and there are rumours that the government is looking at changing the structure of Local Government and folding local councils into regional councils.

- National Policy Statement for Indigenous Biodiversity 2023 (NPS-IB)
 - Regional Councils are required to identify new Significant Natural Areas –



- this has been suspended for three years,
 - The NPS-IB requires councils to manage adverse effects on indigenous biodiversity, including those outside of SNAs
 - a focus on managing the effects of activities rather than simply prohibiting new activities.
 - Changes to the NPSIB are being considered as part of the broader Resource Management Act (RMA) reforms.
 - The Government is consulting on proposals to prepare or amend national direction, including amending the National Policy Statement for Indigenous Biodiversity – closes 27 July 2025.
- Changes to the Emissions Trading Scheme - The Government has followed through on previous announcements on policy changes intended to limit how much farmland is converted to forest and registered in the ETS. **Legislation was introduced to parliament on 10th June.** The regulations will come into effect on 31st October 2025 but some key rules will apply to land purchased back as far as December 2024. The government is stating that the intention is to stop further loss of good quality pastoral land to forestry. The high export receipts from red meat in 2025 has highlighted how important these industries are to NZ.
 - There is an acceptance by this government that the current ETS settings are driving wholesale conversion of pastoral land to pines and that this is not a great outcome for NZ or net CO² levels in the World.
 - Confirms that Land Use Classes (LUC) one to five cannot take part in the Emissions Trading Scheme as whole farm conversions, which will affectively stop forestry companies from buying this land for conversions.
 - a **national** annual hectare limit of 15,000 hectares for exotic forest land registered in the ETS if planted on LUC class 6 farmland (most of which would be allocated on the basis of a ballot starting next year). Note that this is less than the total forestry conversion area on all LUCs of the past few years,
 - The proposed Bill lets you register up to 25% of LUC class 1 to 6 land as exotic forest on each farm,
 - There are no restrictions on LUC 7 or 8. The majority of hill country in Tararua is LUC 6 and most LUC 7 and 8 is unsuitable or uneconomic for pastoral farming,
 - The legislation backdates the starting point for the rules to December 2024, but allows an exemption where afforestation was well underway before then,
 - Transitional exemptions for foresters who were in the process of afforestation before this announcement and can provide evidence of this dated from 1 January 2021 to 4 December 2024.
 - Certain types of Māori land also have an exemption under the policy. This includes:
 - Māori land held under Te Ture Whenua Māori Act 1993
 - land on which the status was changed to general land under the Māori Affairs Amendment Act 1967
 - land pursuant to a Treaty settlement
 - There are no limits on ETS registrations on:
 - forest land already registered in the ETS
 - native (indigenous) forest registrations in the ETS.
- Earthquake prone buildings deadlines were extended by blanket 4 years (and possibly 2 more) in late 2024. A full review of the earthquake-prone building system is currently underway with the following timeline:
 - Review of seismic risk management in existing buildings – Due now



- Options to deliver the recommendations of the Review with discussion paper – by 2026
- Legislative process (if required) and implementation – commencing 2026

Infrastructure, development and primary sector policy / legislation changes Currently under consultation.

The government has released a package of proposed changes for consultation covering a mix of RMA, national policy statements and national environmental standards. These generally involve short term changes while more significant legislation changes are being developed. Consultation closes on 27th July 2025. A key goal is to make it easier for Councils to deliver Infrastructure, but consistently across NZ.

This is a major package of changes covering many issues and policies. The following is a brief summary of the proposed changes.

Package 1: Infrastructure and development

The Government aims to make it easier for councils to plan and deliver infrastructure by making four new national direction instruments and amending four existing national direction instruments.

Package 2: Primary sector

The Government aims to enable growth in the primary sector by making changes to eight existing national direction instruments.

The proposals to prepare and amend national direction in Packages 1 and 2 are being consulted on under section 46A of the Resource Management Act.

Package 3: Freshwater

The Government is seeking feedback on options to amend freshwater national direction to better reflect the interests of all water users, and on whether changes should be implemented under the existing RMA or under new resource management legislation.

This is an interim consultation step, with further consultation undertaken later this year with more details of the proposed freshwater national direction.

Package 4: Going for Housing Growth

The Government is seeking feedback on how the proposals in the first pillar of the Going for Housing Growth programme could fit into the new resource management system. Pillar 1 aims to free up land for development and remove unnecessary planning barriers. This is mainly for larger urban areas and has limited direct impacts on Tararua.



Package 1 Details - Infrastructure and Development

New National Policy Statement for Infrastructure proposed.

- applies to all infrastructure activities (and supporting infrastructure activities) except electricity generation
- nationally consistent approach is needed to enable and protect national infrastructure, including stormwater and social infrastructure.
- The intent is to clearly define all infrastructure and reduce barriers to consenting and renewing consents, and to ensure consistency in planning decisions across NZ
- Reinforces the importance of direct involvement in decision-making on proposals in areas that contain sites of significance to iwi/Māori.
- Councils will be required to engage with infrastructure providers around long term planning.
- Would reduce the ability of councils to decline an application for infrastructure due to local adverse effects
 - Planning decisions must enable new or upgraded infrastructure, provided that adverse effects on environmental values are avoided where practicable, remedied where practicable, or mitigated where practicable
 - direction to recognise that amenity changes over time, countering status quo bias
 - will make it easier to transition to the new planning laws
 - Encourages that matters of importance to relevant iwi/Māori are taken into consideration when developing the infrastructure proposals (rather than relying on submissions or input later on in the process). This will result in more up front discussions and planning with iwi partners before consents are lodged.

New National Policy Statement for Natural Hazards will establish a nationally consistent base definition for 'significant risk'. The mandatory stipulated risk matrix identifies levels of risk using combinations of defined likelihood and consequences.

- Sets a nationally consistent language of levels of risk local authorities can use in applying a proportionate management of natural hazard risk
- Seeks to embed good practice around risk-based and proportionate management of hazards - ensuring development is located and designed appropriately in terms of natural hazard risk.
- No required timeframe to 'give effect to' the NPS in plan changes is proposed – will apply when plan changes are made.
- This is very similar to the approach Council already takes in its risk management approach. The new NPS – Natural Hazards may require some amendments to the existing frameworks in Council (planning and risk management) to align with the



mandated risk matrix and definitions. The NPS – Natural Hazards only applies directly to planning decisions under the RMA, but it would make sense to align the wider risk management frameworks to this standard.

- Local authorities must proportionately manage natural hazard risk, including significant risk, when making planning and consenting decisions on new subdivision, use and development, based on the level of natural hazard risk.
 - Local authorities must use best available information when making planning decisions managing natural hazard risk.
 - Local authorities must continue with risk assessment processes where information is uncertain or incomplete.

Amendments to the National Policy Statement for Renewable Electricity Generation (REG). These amendments will make it easier for solar farms and windfarms to gain consents, both for new projects and renewing / expanding exiting ones.

- Aimed at enabling the development of more REG, including making it easier to upgrade existing REG sites.
- strengthen the objective to reflect the significant increase in REG required to support emission reduction targets.
- emphasise the beneficial outcomes of REG.
 - strengthens the requirement for RMA decision-makers to consider the national benefits and significance of REG projects.
 - updates the list of REG benefits to consider.
 - strengthen the requirement to protect existing REG assets from reverse sensitivity effects.
- Councils must recognise and provide for small-scale and community scale REG activities.
- must recognise and provide for Māori interests in relation to REG activities.
- highlights that increasing REG must be done in a way that also manages the adverse effects on the environment.

Amendments to the National Policy Statement on Electricity Transmission – to be renamed National Environmental Standards for Electricity Network Activities. This is designed to align with the changes to the National Policy Statement for Renewable Electricity Generation. There also some technical amendments to the NES's for Transmission and Telecommunication.

- Covers the efficient transmission and distribution of electricity.
- Intent is to make it easier to gain consents for new and upgraded assets for the transmission and distribution of electricity.



- Recognises that electrification of the economy is the most important enabler for decarbonising New Zealand's energy system. Requirement for decision-makers to consider the national significance of the entire electricity network and enable the full range of national, regional and local benefits.

Package 2 Details - Primary Sector

Numerous changes are being proposed – many are of little relevance to Tararua (Marine Aquaculture for e.g.) or are minor in impact. The following are worth noting:

National Environmental Standards for Commercial Forestry. Note the following is in the context of changes to the ETS that limit exotic forestry ability to receive carbon credits. These changes limit farm conversions to forestry across NZ on LUC 6 or 7 to 15,000ha per year, and ban conversions in LUC 1-5. Farms can have up to 25% of land area converted to forestry.

- Restrict Councils ability to impose stricter rules on forestry:
 - Narrowed to manage the risk of severe erosion from a commercial forestry activity
 - Repeal councils' broad discretion to have more stringent rules to control aspects of afforestation.
 - More reliance on NES-CF
- Replace blanket rules around slash management with a requirement with a Slash Management Risk Assessment approach
- Propose removal of the requirement to prepare afforestation and replanting plans. A Harvest Management Plan is still required.

New Zealand Coastal Policy Statement changes

- direct decision-makers to provide for aquaculture activities within aquaculture settlement areas
- give more recognition to the cultural and environmental benefits of aquaculture

National Policy Statement for Highly Productive Land (NPS-HPL)

- The proposal is to amend the NPS-HPL to provide more opportunities for urban development while retaining the most agriculturally productive land for primary production.
- removing LUC 3 land from NPS-HPL restrictions with immediate effect
 - Tararua has some areas of LUC 3 land around urban townships so this change will provide more flexibility for future urban growth options
- testing alternative ways to continue to protect additional areas of agricultural land that are important for food and fibre production
- extending timeframes for mapping of HPL to be completed within two to three years (2027 or 2028) or suspending requirements for mapping HPL until further direction is provided in the replacement resource management system



- Some other changes are proposed around mining / quarrying on HPL.

Stock Exclusion Regulations

- Proposes to remove further parts of the Stock Exclusion Regulations.
 - includes amending the requirement that all stock must be excluded from any natural wetlands that support a population of threatened species, so that it would not apply to non-intensively grazed beef cattle and deer.

Package 3 Details – Freshwater

Freshwater national direction changes (NPS-FM 2020 and Resource Management (NES – Freshwater) Regulations.

- Seeking to better reflect the interests of all water users
- Designed to be transition policies until the new planning system is in place.

The Government has already paused regional councils' ability to notify freshwater planning instruments while it is working through changes to national direction and a significant reform programme to replace the RMA.

The current requirement is that regional councils are required to publicly notify plan changes to give effect to the NPS-FM by the end of December 2027. Councils will need to have regard to any changes to the NPS-FM that influence consenting when they consider an application for a resource consent under section 104 of the RMA.

The requirements for Fresh Water Farm Plans are currently under review. It is intended that improvements to the that system will be finalised by the end of 2025.

Currently NPS-FM sole objective sets out a hierarchy of obligations to ensure that natural and physical resources are managed in a way that prioritises:

- first, the health and well-being of water bodies and freshwater ecosystems
- second, the health needs of people (such as drinking water)
- third, the ability of people and communities to provide for their social, economic, and cultural well-being, now and in the future.

The government is seeking feedback on 3 options to rebalance Te Mana o te Wai with the intent to allow district councils more flexibility in how they meet environmental limits. Te Mana o te Wai in the NPS-FM is a defined concept that refers to the fundamental importance of water. The government is signalling that more detailed consultation on the preferred option will take place later in 2025.

Option 1 - Remove the hierarchy of obligations and clarify how Te Mana o te Wai applies

- clarify that for the purposes of the NPS-FM (and councils needing to 'have regard' to it in consent decision-making), Te Mana o te Wai does not apply to consenting decisions and that progressive improvement over time is allowed
- retain process steps for councils to apply Te Mana o te Wai – for example, by actively involving tangata whenua in freshwater management.



Option 2 - Reinstate Te Mana o te Wai provisions from 2017

- remove the concept of a hierarchy of obligations and provisions referring to Te Mana o te Wai,

Option 3 – Remove Te Mana o te Wai provisions

- completely remove the concepts of Te Mana o te Wai.

Of note is that none of the three options includes the status quo.

There are a number of other proposed changes that will have impacts on Council over time. Some of these would remove several significant regulatory barriers to farming and horticulture, as well as make it easier for Council to obtain water source consents and wastewater discharge consents. The financial impact could be significant, while there could be adverse environmental impacts on freshwater catchments.

Introduces a new objective that will direct councils to give equal weighting to:

- safeguard the life-supporting capacity of freshwater and the health of people and communities,
- while enabling communities to provide for their social, cultural and economic well-being, including productive economic opportunities.

Consulting on new objectives to enable the continued domestic supply of fresh vegetables, and to address water security – likely to reduce regulatory barriers to continue this activity.

- removing the need for growers to obtain a resource consent to grow food or rotate crops within a catchment

Proposes to give Councils more flexibility around the compliance with the current compulsory national thresholds of assessing water quality in freshwater catchments.

Drinking Water Sources proposed changes:

- introduce a new requirement in the NPS-FM for source water risk management areas (SWRMAs) to be mapped by regional councils
 - complete mapping within five years
 - set a lower population threshold of 100 people for these areas, (from 500 persons)

Water storage changes.

- removing the need for farmers to get a resource consent to build larger-scale water storage schemes on land (not dams – called off-stream water storage).

Changes to the rules around Wetlands:

- make the creation and maintenance of wetlands a permitted activity
- clearer and simpler wetland regulations, including definitions, especially around farming



- removing the requirement for councils to map natural inland wetlands within 10 years (by 2030)

Proposing changes to rules around fish passage in waterways

- consulting on whether to simplify fish passage regulations. This would make, for example, options around altering the Huxley St Drain easier to consent and reduce costs.
- The current NPS-FM requires councils to provide for fish passage, and to identify and remediate existing barriers.

Synthetic Nitrogen Fertiliser use regulation changes

- consulting on three options to improve the NES-F rules for synthetic nitrogen fertiliser
 - remove the requirement for farmers to obtain a resource consent to use more than 190 kilograms of nitrogen per hectare per year on the grazed area of their farms
 - repeal the requirement for dairy farms to provide receipts for purchases of synthetic nitrogen fertiliser
 - align the reporting date in the NES-F with the farming calendar

Package 4 - Going for Housing Growth

- **New National Environmental Standards proposed for Granny Flats Considerations.** This NES will have to be applied by councils and overrides many district plan rules. This has already been through one round of consultation on a discussion document (in late 2024). The proposed NES will potentially result in a surge in smaller dwellings that Council has no control over. Considerable pressure on existing urban pipe networks could result.
 - This will allow the construction of one secondary residential building ('granny flat') up to 70m² as of right with no resource consent or building consent required.
 - Defined as '*a self-contained residential unit that is ancillary to the principal residential unit and is held in common ownership with the principal residential unit on the same site*',
 - Maximum total building coverage of 50% in residential zones,
 - Setbacks 2m from any boundary, and from principal dwelling.
 - Councils cannot apply rules around outdoor space, parking, privacy, sunlight, access or windows.
 - Rules around subdivision, hazards and other matters still apply.
 - Applies to residential, rural, mixed use, and Māori purpose zones across all of New Zealand,
 - These buildings will still have to meet the building code and be signed off by a licensed building practitioner. Council is required to be informed and Contributions will still be payable.



- **New National Environmental Standards for Papakāinga.** This NES will have to be applied by councils and overrides many district plan rules.
 - enables Māori to develop homes and communities on their land
 - will apply across NZ with consistent minimum requirements
 - Papakāinga development of up to 10 residential units will be permitted on Māori ancestral land in a zone for rural or residential purposes or zone for Māori purposes regardless of lot sizes.
 - Papakāinga developments of up to 30 residential units (so from 11 to 30 units) on Treaty settlement land are proposed to be a restricted discretionary activity.
 - Permitted activities also include:
 - commercial activities up to 100m²
 - visitor accommodation for up to 8 guests (excluding manuhiri staying on a marae)
 - educational facilities
 - health facilities
 - sports and recreation activities
 - Māori cultural activities including Marae and urupā
 - Maximum building coverage of 50% of the site.
 - Residential zone - front setbacks 1.5 m and all other setbacks from site boundaries 1 m.
 - A range of underlying rules from district or regional plans will still apply, including wastewater and water supply, hazards, height etc.
 - If some of the rules are not met treated as a restricted discretionary activity.

A discussion document has been released seeking feedback on a range of housing development issues and targets, focused on intensity and infrastructure planning.

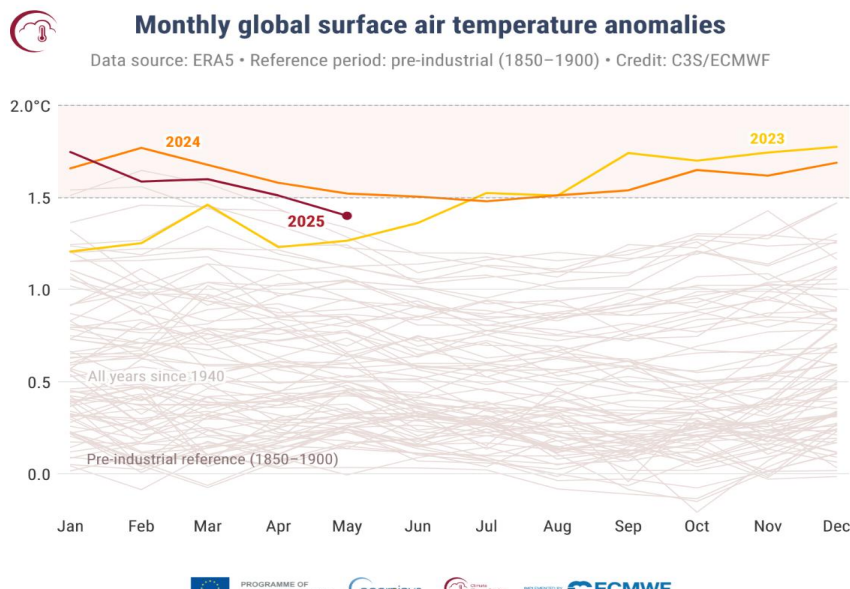
The majority of these issues currently only apply to tier 1 and 2 Councils (metros and larger provincial urban areas as listed in the NPS-UD – not Tararua). As such there is little of direct relevance to Tararua in this discussion document. There are significant proposed impacts on the larger urban areas across New Zealand



Climate Change

Since the beginning of 2025 the global response to climate change has become even more complicated and confused. The USA, following the election of Trump, has withdrawn from the Paris Accord. This has resulted in some other countries pulling back on policies / investments in climate adaptation. Why increase taxes / reduce economic output to fight global carbon emissions when the largest polluter in the World can't be bothered?

Some experts are pointing to the huge cost and shortage of rare earth minerals and metals (such as copper) that will be required to increase the electricity grids and decarbonise across the world. It looks extremely unlikely that countries will be prepared to pay the high costs required to achieve the Paris Accord goals. Essentially it is unaffordable in the short term no matter what the future impacts will be. As such the more likely outcome is for global emissions and warming to continue at a less than desired rate.

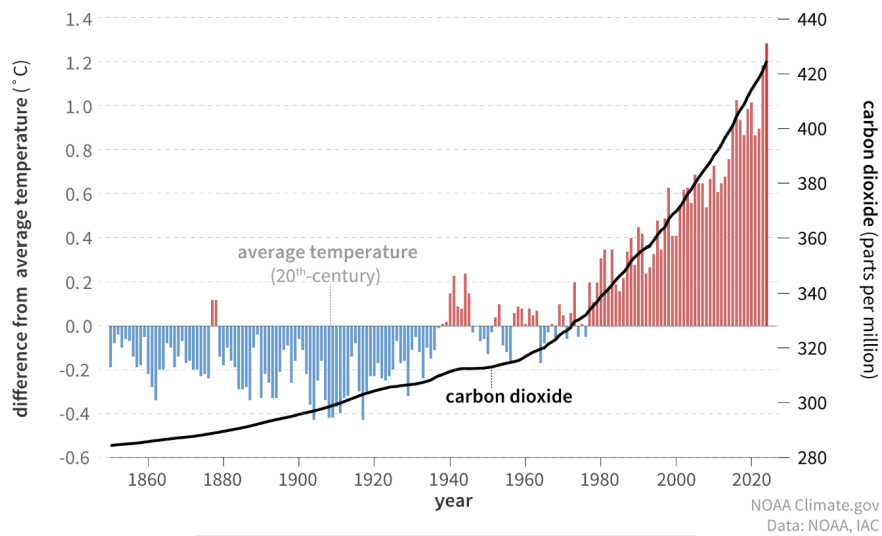


Energy transition will occur over time as higher energy prices drive investment in solar, wind, hydro and geothermal. Technology advances in battery storage and EVs will result in a shift away from oil, but the impacts will take years to make a big difference. The price of oil (relatively low) does show that there is no shortage of the stuff currently. Peak Oil supply (which never happened) has now changed to Peak Oil demand.

New Zealand is well placed in all this as the large majority of our energy is already from renewable resources. Given the issues and costs we have associated with increasing electricity production and replacing the natural gas supply, which is a relatively small % of our energy consumption, the costs and difficulties for many countries to move away from fossil fuels for energy are very high.



Increases in atmospheric carbon dioxide and global temperature (1850-2024)



In New Zealand the Emissions Trading Scheme will continue, with new rules that limit farm conversions to forestry. The market has responded by valuing carbon units lower, meaning that the auction of new carbon units by the government are failing (currently a reserve price of \$68 / tonne - so government has received less funding than expected to pay for climate change initiatives). The government is now saying that NZ can best contribute to reducing global warming by continuing to be the most efficient pastoral producer of animal protein. Turning NZ into a pine forest for carbon storage is a short term solution that will significantly reduce our economy and does not result in polluters reducing their emissions.

One possible further change in the ETS would be limiting the ability to use carbon credits from planting pines to offset emissions. NZ is a permissive outlier in the world on this. This is one of the reasons that the carbon price has fallen.

Select chart tabs

Carbon price NZU

Carbon price NZU



Source: Interest.co 9 June 2025

Environmental Scan Version 8 July 2025 draft 2

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The 2024 / 25 climate has been relatively benign for Tararua, a welcome respite after multiple years of floods and drought. Other parts of New Zealand have been very wet. The result has been an exceptional season for local farmers as good volumes of milk / lambs / beef etc have coincided with record or healthy farm product prices.

Local Impact forecasts.

NIWA and the Ministry for the Environment in September 2024 released district level climate forecasts based on three climate change scenarios. These scenarios are those used by the Intergovernmental Panel on Climate Change (IPCC). Note that the assumptions contained in these scenarios tend to be from data that is a few years old – but the range does give some indication of possible local impacts.

Overall the forecasts for **averages** for the 2021 – 2040 period are the following (compared to the average for the 1995 – 2014 period):

- Temperatures increasing (0.5 – 0.7C°)
- Rainfall generally less (-1.1 - -2.1%)
 - Number of days of heavy rain >25mm almost no change
- Drought generally more likely
 - Increase in number of hot days >25 C° (+ 6 to 9.5 days per year)
 - But number of dry days not much change
- Number of frost days continues to reduce (-2.2 to -3 days per year).

All of the above patterns become greater for the years 2041 – 60 and 2080 – 2099. What is notable is that as the forecasts get further out in years the range of forecasted impacts widens significantly between the three scenarios. Under the 'worst' scenario by 2080 Tararua will be much hotter, dryer and free of frosts. In effect Tararua would be very much alike to Hawkes Bay today.

Council and residents are continuing to see large increases in insurance bills as the insurance industry seeks to recoup rising insured costs and increasing risk. Insurance companies continuing to implement pricing local risk and increasingly withdrawing coverage of known high risk assets. Improved LIDAR mapping and modelling of flooding and flood paths will drive where future development can occur, with this reflected in the draft District Plan.

Council Impacts

Note: the resources required relates to the overall Council budgets, not what is currently allocated. This is a guess based on current knowledge.

| Council Group | Impact – Resources Required | Likelihood |
|-----------------------|----------------------------------|-------------|
| Roading | Significant (longer term) | High |
| Water (supplies) | Moderate | High |
| Wastewater | Low (if infiltration fixed) | Medium |
| Stormwater | Significant | High |
| Policy across Council | Moderate | High |



Farm Product Prices and Costs – Rural Sector

Farming Incomes - The Current Situation is **very positive** for Tararua farmers

Following multiple years of tough times (climate, farm product prices, rapidly increasing costs and hostile government imposed regulations), 2024/25 has been a great season for pastoral Tararua farming. Dairy payout and Beef prices are at record nominal levels, and lamb and wool prices are much improved. The higher prices are forecast to continue into 2025/26, and this continued increased profitability will likely flow through to the wider agricultural support services sector as well as retail and other sectors.

The key drivers have been:

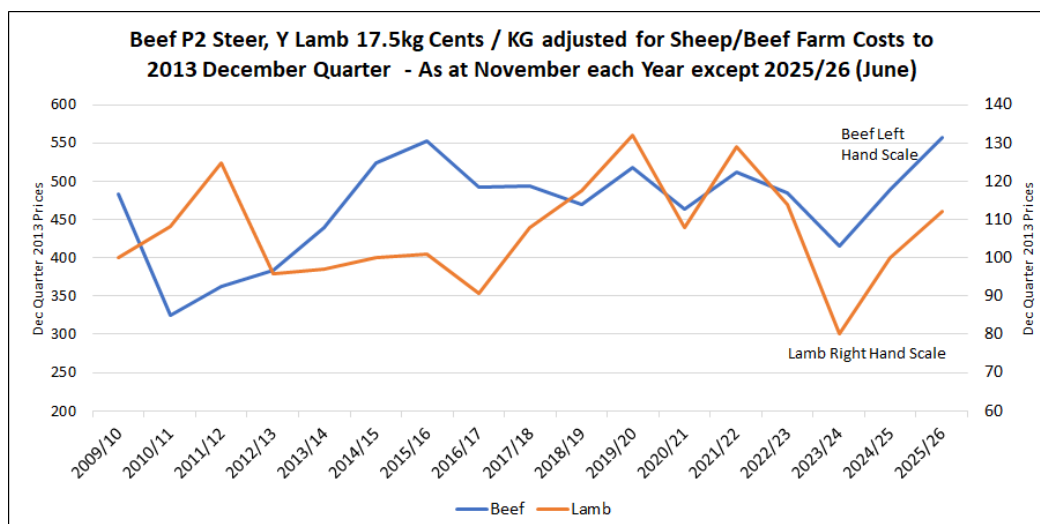
- Relatively stable and lower \$NZD (against the \$USD) helping to support higher prices for exports, while overall imported and domestic material costs are static / declining,
- Falling interest rates,
- The increasing demand for beef and lamb from the US, UK and EU,
- Flow on market access from recently agreed trade agreements,
- No major climatic events (floods, drought etc), and
- Signals and actions from the government to reduce compliance costs and reverse some regulations that would have increased costs / reduced stock numbers further.

Wildcard risks – the new Trump administration has imposed a 10% base tariff on imports from NZ. This has mostly resulted in higher prices for the US consumer. The 10% tariff is the lowest rate so all our competitors are also hit with the same 10% rate or higher. Changes could be imposed at any time and markets are volatile.

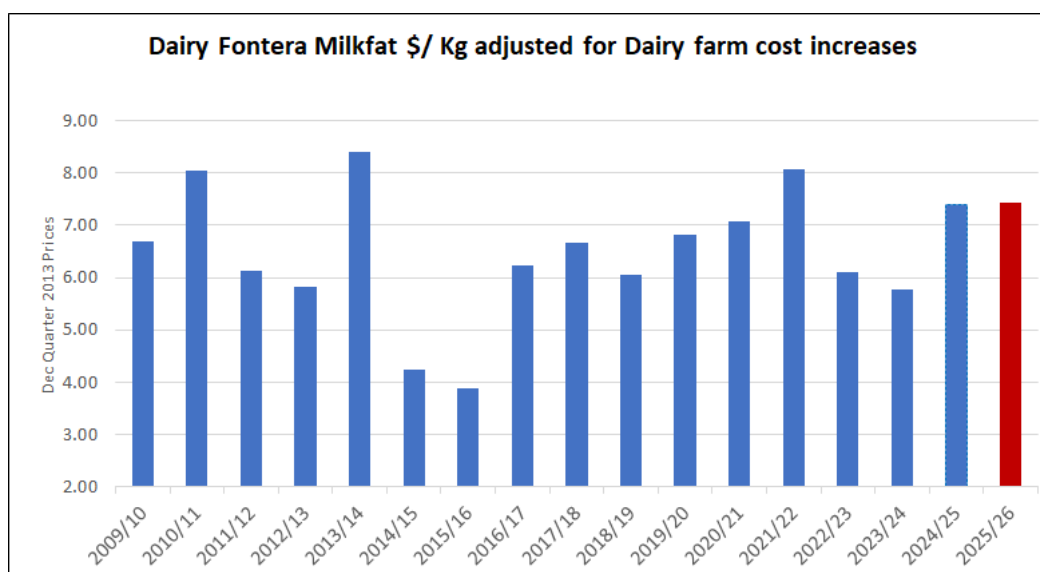
Continued conversion of pastoral land to forestry (production and Carbon but generally pines) has continued at a slower rate. New government regulations have restricted whole farm conversions and protections have added for land use classes 1 – 5. The majority of Tararua LUC is 6 or higher. These new restrictions on permanent forestry are set to take effect from December this year and will limit the demand for forestry conversions in the short term. The government is now talking about further restrictions on forestry conversions and have multiple goals of increasing farm export receipts. These changes to carbon and the Emissions Trading Scheme rules have resulted in a low carbon price.

Long term trends to lower sheep numbers continue as a result of the shift into pines, and the ongoing lack of profitability in wool. The drop in sheep numbers is being seen in a shortage of supply in the market and, coupled with increased demand, prices have risen. Higher prices may see sheep numbers stabilise. With beef prices at high levels an increase in numbers is unlikely.

The following charts show the latest indicator prices for beef, lamb and dairy products adjusted for farm costs (from the Farm Expense Price Index) with the 2013/14 season as the starting point. Cost adjusted beef prices are currently at record highs (adjusted for costs) for the last 15 years. Lamb prices are still some ways below the peaks of 2019/20 and 2021/22 but are now back above the average level.



On a cost adjusted basis Dairy prices for the 2024/25 season were well above the last decade average, and the 4th highest in real terms in the last 15 years. The initial forecast for the 2025/26 season is at the same level, which will significantly improve the profitability and confidence of most dairy farmers.



Price gains and level perspective

| | 23/24 season | 24/25 (f/cast) season | season % change | 24/25 level | 24/25 level inflation adjusted |
|------------|--------------|-----------------------|-----------------|-----------------|--------------------------------|
| Lamb, c/kg | 651 | 865 | 33 | close to record | near average |
| Beef, c/kg | 599 | 750 | 25 | record | record |
| Milk, kgMS | 783 | 1000 | 28 | record | well above average |

Source - BNZ Rural Wrap May 2025



Overall the large increase in NZ export prices (up on average 20% in a year) while import prices remain flat has resulted in one of the largest improvements in NZ terms of trade in history.

Continued reductions in sheep numbers are creating risks for the Tararua economy around meat processing. One of the largest employers in Dannevirke is the Alliance plant which is a sheep meat plant. Alliance is expected in the next month to provide shareholders with options to recapitalise its business and further plant closures may result. The lack of stock this season has seen meat plants closing early across New Zealand.

A much more favourable climatic season in Tararua has given farmers a much needed break from floods and droughts. This has allowed full advantage to be taken of the higher meat and animal prices.

Government regulations and reporting requirements for farmers have been reduced, and a complete replacement for the RMA is expected early in 2026. Comments from the government is that the new legislation will favour individual property rights. The inference is that the requirements for resource consents to develop or farm the land will be reduced further. Some short term changes to the RMA in the interim are being consulted on now and will relax certain requirements prior to the new legislation coming into effect.

The NZD has continued its up and down volatility that reflects movements in the USD. The \$NZ is currently back around \$USD 0.60, the same level as November 2023 and November 2024.

- Dairy prices were at a record nominal high of \$10 kg milkfat for the 2024/25 season – a 26% increase on the 2023/24 season. The initial forecast for 2025/26 from Fonterra is the same \$10kg milkfat.
- Lamb prices for July 2025 have risen to around \$164, up over \$50 for a 17.5kg carcass weight on June 2024.
- Beef prices are currently up a substantial \$190 a head on June 2024, and is also at a record high.
- Wool has continued its slow but steady trend recovery from extremely low (and unprofitable) prices in 2022/23. Coarse wool prices are now around 20% higher than a year ago, and 35% higher than 2022/23. This is still down on 10 years ago (and that's NOT inflation adjusted). Sheep numbers are still declining in favour of Beef, and forestry, changing the farming land use in Tararua.

Farm Product Prices

Dairy milk products are continuing to see high demand and prices. While this is resulting in higher costs to consumers around the world NZ dairy farmers are seeing record payouts on a milkfat basis. While this is not a record income when adjusted for farm price inflation it is still one of the highest returns over the last 15 years. The Global Dairy Trade price is currently 16% above June 2024 levels.

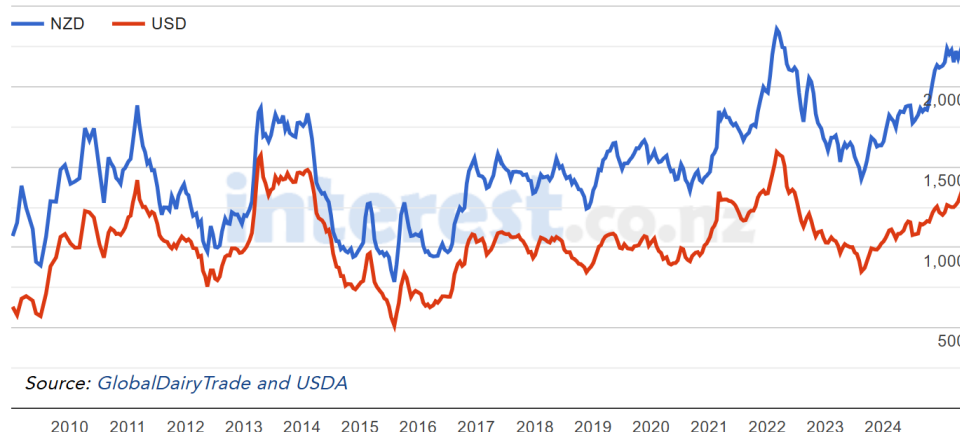
China is currently seeing reduced domestic milk production due to high costs and lower consumer prices that are resulting in low returns. There is reduced demand overall due to a very low birth rate. The current pullback in domestic production is benefiting NZ milk powder exports. While the overall demand is under pressure it is still a very large market and NZ milk powder is seen as a premium product. Demand for NZ milkpowders, butter and cheese from other parts of the world has increased as local production in some markets has been impacted by floods, droughts and diseases.



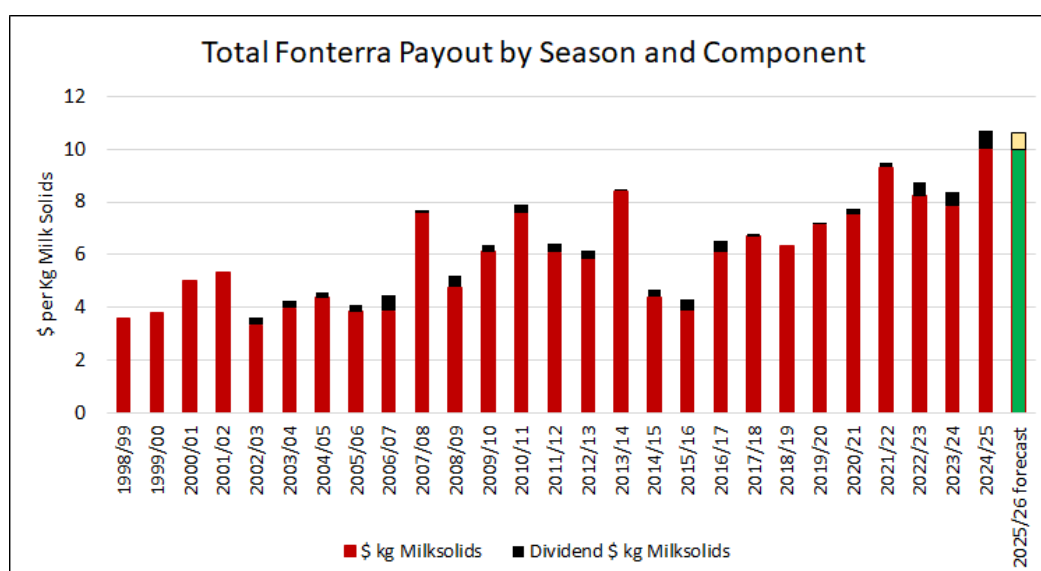
Select chart tabs

GDT TWI index

GDT TWI index



Source: Interest.co as of 9 June.



Note: A special dividend of 50 cents per share was paid to Fonterra shareholders in August 2023 (not included in the chart above).

Sheep meat prices have recovered strongly in 2025 as drought-driven sales by Australian farmers has stopped and stronger global demand, especially from the UK and EU. The Chinese market continues to be subdued but is improving. Prices in the North Island for standard lambs has increased to \$157 a head, a huge 45% increase on June 2024. This is still below the post Covid 2022 and 2023 prices of over \$160 a head. A declining sheep and lamb numbers in NZ and the EU is reducing the supply available so even with static demand prices are rising.

Wool prices continue to be poor, even with prices increasing substantially from the last 2 years. Returns barely cover the costs of shearing, and coarse wool continues to be a loss-making by-product of many sheep farms. Low wool volumes (falling sheep numbers) and good demand = supply and



demand principle is continuing to have a positive flow on for sheep farmers. Prices in 2024/25 are up 20%+ on 2023/24 and overall costs are very similar. The recent winning by Bremworth (from Whanganui mill) of a \$2 million Kainga Ora replacement carpet contract is cause for some optimism.

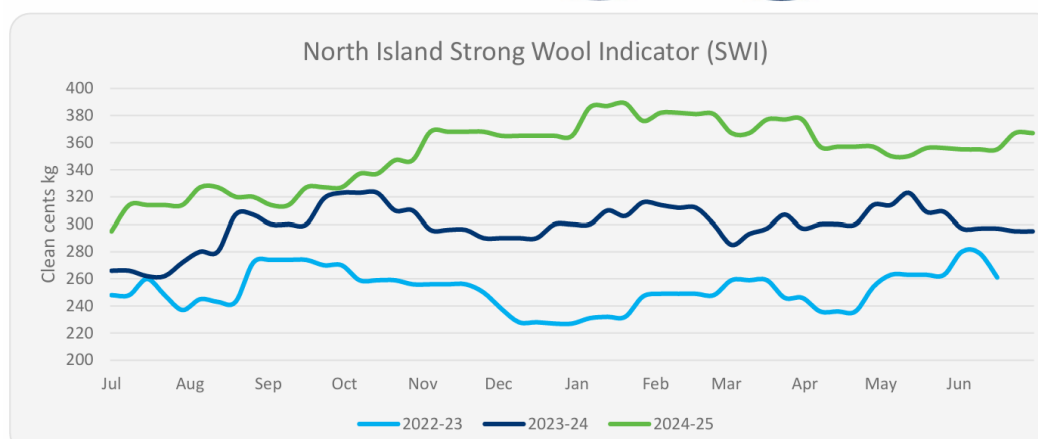
Select chart tabs

NI avg 17.5kg \$/hd

Y Lamb schedule prices



Source – Interest.co.nz as of Saturday 14 June 2025 (17.5kg carcass weight)



Source: PGG Wrightson Wool Reports

Beef steer prices are touching \$8.00 kg vs \$6.00 kg last year (a 33% increase) – and at a nominal all time high. High demand from the US is driving the firm prices. There is a reduced volume of beef available in the United States as they rebuild their beef herd. This is the key driver behind New Zealand's higher prices for lean product used to supply mince for the burger market. Beef exports by value are at an all time high.



Select chart tabs

NI average

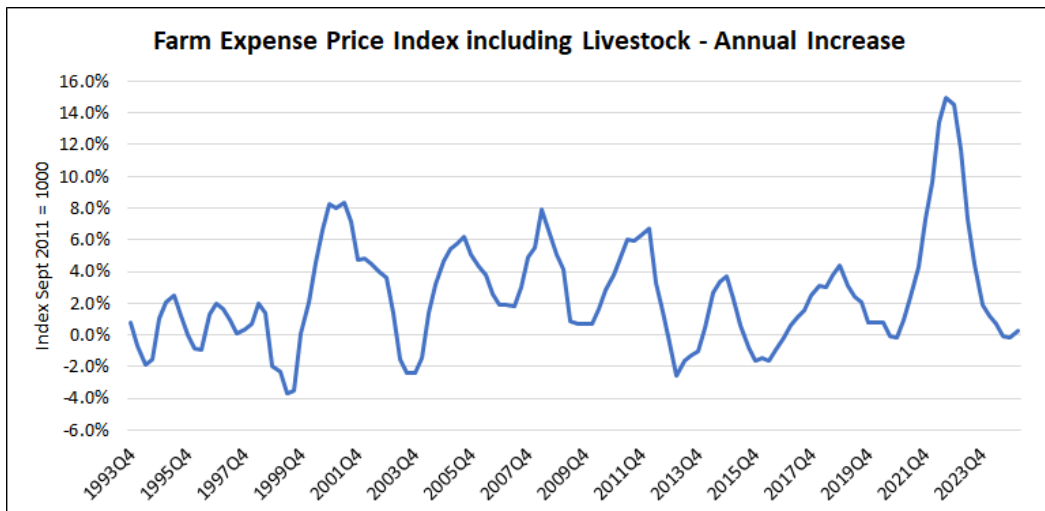
P2 steer schedule prices



Source – Interest.co.nz as of Saturday 14 June 2025 - (270-295kg carcass weight)

After a few years where farm costs had risen at a very high rate (peaking at 15% in the year to September 2022) this season has seen increased product prices and stable costs. Farm expenses increased 22.9% in the 2 years to December 2023. Cost increases are now stable with the 2 following years seeing cost increases of just 1.4%. While some costs have continued to increase quickly (insurance, rates, electricity), this was countered by falling on-farm costs.

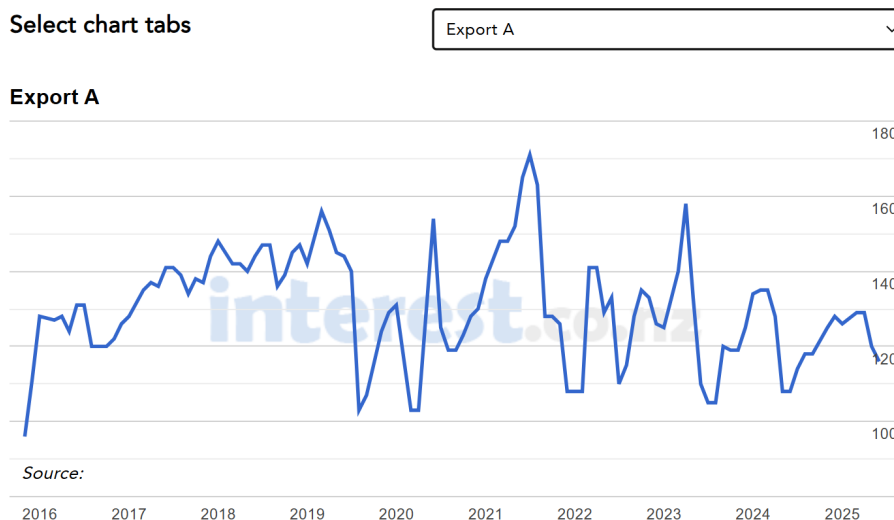
In the year ended March 2025 costs increased by 0.2%.



Source – Stats NZ



Production forestry (pine) returns have been subdued for most of the last few years. Currently many domestic sawmills in New Zealand continue to operate below capacity as construction demand has reduced. There are significantly low inventory levels through the local sawn-timber supply chain. So, when construction activity does increase, there will likely be a shortage of material. Export markets are very quiet across USA, Europe and Asia due to global uncertainty about markets and geopolitical tensions. There is considerable stockpiles of logs in China.



Source: Interest.co from PF Olsen monthly reports.

Council Impacts

Note: the resources required relates to the overall Council budgets, not what is currently allocated. This is a guess based on current knowledge.

| Council Group | Impact – Resources Required | Likelihood |
|---------------------------------------|--|------------|
| Finance – Rating affordability | Low | Medium |
| Roading and Footpaths (from forestry) | Moderate (10 years) High but reducing (carbon forests) (30 years) | Medium |



Report

Date : 17 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Stephen Dunn
Risk & Assurance Advisor

Subject : **Risk Appetite**

Item No : **7.7**

1. Recommendation

1.1 *That the report from the Risk & Assurance Advisor dated 11 June 2025 concerning the Risk Appetite (as circulated) be received and adopted.*

1.2 *That the Committee endorses the risk appetite statements as follows:*

- *Infrastructure Assets and related Services: Moderate (with a reducing appetite)*
- *Other Assets and related Services: High (increasing appetite)*
- *Environment and Resource Consents: Moderate (reducing appetite)*
- *District Planning: Moderate (reducing appetite)*
- *Enforcement: Moderate*
- *Community Relationships: Low (increasing appetite)*
- *Iwi Relationships: Low*
- *Key Stakeholder Relationships: Moderate*
- *Revenue: Low (reducing appetite)*
- *Debt and Interest Rates: Moderate*
- *Information Technology: Moderate (reducing appetite)*

- **Records and Date: Moderate (reducing appetite)**

2. Reason for the Report

- 2.1 To provide the Committee with an update on progress of gap analysis between the draft risk appetites and current risks faced by Council.

3. Background

- 3.1 Setting risk appetite is a critical governance responsibility that helps Council define how much risk it is willing to accept in pursuit of its strategic objectives. By engaging in this work, elected members provide a clear tone from the top, signalling Council's expectations across each area of activity.
- 3.2 A well-defined risk appetite supports informed decision-making by both elected members and staff, so that decisions are made in line with Council's priorities and risk tolerance. It helps clarify where Council is prepared to be innovative or take on uncertainty, and where it has low tolerance for failure, such as in matters involving community safety, compliance, or key relationships.
- 3.3 In 2024, elected members initiated the risk appetite setting process through two workshops focused on setting a draft risk appetite across each of Council's key risk areas. These workshops provided the foundation for the development of individual risk appetite statements, which were drafted by officers based on the direction and discussion provided. This risk appetite settings and statements have been reflected back to the Committee in reports to the December 2024 and February 2025 Committee meetings.
- 3.4 As a next step, the Executive Leadership Team (ELT) is undertaking a review of each draft risk appetite statement to assess alignment with Council's current risk profile and to identify any gaps. This review is being completed in stages and reported back to the Audit and Risk Committee progressively.
- 3.5 **Definitions for Risk Appetite Levels**
- 3.6 **Low Risk Appetite:** Council **prefers minimal exposure to risk**, prioritising stability, compliance, and conservative decision making. Decisions favour proven, low risk, approaches with stringent risk mitigation strategies.
- 3.7 **Moderate Risk Appetite:** Council is **willing to take measured risks** to achieve objectives while maintaining a balanced approach to risk-taking and control. Decisions weigh risk against opportunity, with safeguards in place to manage uncertainties.
- 3.8 **High Risk Appetite:** Council is **prepared to accept significant levels of risk** in pursuit of strategic objectives. Decisions may involve innovate, high-reward



opportunities, acknowledging that some risks will materialise and require active management.




































- 3.9 The risk appetite rating is in contrast to the risk ratings which provide a snapshot of the actual level of risk Council faces before and after it applies controls.
- 3.10 Monitoring activities allow Council to monitor controls and performance against risk appetite.

4. Draft Risk Appetite Overview


- 4.1 The table presents the risk draft appetite for each area and highlights where the highest-rated risks align with each corresponding category.
- 4.2 This is helpful in understanding where Council risk is now versus where it wants it wants to be and can help determine what additional controls or mitigations may be required and the importance of verifying that existing controls are working as intended.
- 4.3 Following on from the table is a detailed list of each risk appetite statement.
- 4.4 Note that the “greyed out” sections in this report are for risk statements that the committee approved at its last meeting, so do not need reviewing at this meeting. However they have been left in the report for completeness.

Key

| | |
|---|--|
| Risk Appetite | Draft risk appetite (Low, Medium, High) from workshops. |
| Risk Rating | Risk ratings from the Risk Management Framework |
|  | Risk appetite and direction of travel from workshops |
|  | The current highest risk rating for this area in the risk register |

| Risk Appetite | Low Moderate High | | | |
|-------------------------------|---|--|--|---|
| Risk Rating | Low | Moderate | High | Severe |
| Infrastructure Assets/Service | |  | |  |
| Other Assets/Service | | |  |  |
| Environment & Res. Consents | |  | |  |
| Strategy | |  | |  |
| District Planning | |   | | |
| Enforcement |  |  | | |
| Central Govt Relationships | |   | | |
| Community Relationships |  | |  | |
| Iwi Relationships |  | |  | |
| Key Stakeholder Relationships | |   | | |
| Revenue |  | |  | |
| Rates Setting |  | | | |
| Expenditure |  | | |  |
| Debt & interest Rates | | |   | |
| Health, Safety & Wellbeing |  | | |  |
| Resourcing | |  | |  |
| Information Technology | |   | | |
| Records and Data | |   | | |

5. Draft Risk Appetite – Infrastructure Assets and Service Delivery

| Risk Appetite | Low | Moderate | High | |
|-----------------------------|--|----------|------|--------|
| Risk Rating versus Appetite |  | | | |
| Risk Ratings | Low | Moderate | High | Severe |

5.1 Risk Appetite Statement

5.2 Council is committed to building and maintaining resilient roading and three waters infrastructure (water supply, wastewater, and stormwater) to ensure community safety and connectivity.

5.3 With limited financial resources, Council's focus is on practical and affordable solutions.

5.4 Council differentiates between critical and non-critical infrastructure, prioritising safety and resilience for essential services, particularly in the face of a changing climate.

5.5 For infrastructure that is not essential for community safety or has low usage, Council will evaluate how it insures these services, how it conducts maintenance and renewals, and consider whether, or how, to continue providing them.

5.6 By addressing problems with infrastructure and improving asset knowledge Council will be able to reduce its appetite for risk over time.

5.7 Associated Key Risks from the Risk Register

5.8 *3Waters Reform and Subsidies for Water and Wastewater Upgrades* – This strategic risk is currently rated *Severe*.

5.9 *Capital Projects Do-Ability* – This strategic risk is rated *High* due to the risk of resourcing constraints, supply chain disruptions, and cost escalation.

5.10 *Waka Kotahi Funding* – This strategic risk is rated *High*, reflecting the uncertainty associated with potential changes to Waka Kotahi funding criteria.

5.11 *Infrastructure Capability* – This strategic risk is rated *High*, as growth puts pressure on infrastructure and facilities.

5.12 *Population Growth* – This strategic risk is rated *Moderate*, relating to the potential misalignment between actual and forecasted population growth.

5.13 Review by the Executive Leadership Team

5.14 No changes recommended. Council continues to work on reducing risk in this area.

6. Draft Risk Appetite – Other Assets and Service Delivery

| Risk Appetite | Low | | Moderate | | High |
|-----------------------------|-----|----------|----------|--------|------|
| Risk Rating versus Appetite | | | | | |
| Risk Rating | Low | Moderate | High | Severe | |

6.1 Risk Appetite Statement

6.2 Council aims to enhance community well-being through its parks, reserves, halls, libraries, swimming pools, and waste transfer stations, ensuring they are accessible and meet evolving community needs, while working within its financial constraints.

6.3 The distribution of assets across the district lowers overall portfolio risk, allowing Council to take more calculated risks with individual assets including the potential to transfer less risk to insurance. Taking community views into account, Council are willing to accept more risk for non-critical assets like halls where alternative facilities exist.

6.4 Council tolerates variances in meeting its objectives for community assets, providing the flexibility to explore innovative and sustainable solutions that ensure our facilities are fit for purpose **within its financial constraints**.

6.5 For critical assets needed in emergencies or for our pensioner housing, Council takes a conservative risk approach to ensure they are well-maintained and reliable.

6.6 Associated Key Risks from the Risk Register

6.7 *Infrastructure Capability* – This strategic risk is rated *High*, as growth puts pressure on infrastructure and facilities.


6.8 *Population Growth* – This strategic risk is rated *Moderate*, relating to the potential misalignment between actual and forecasted population growth.

6.9 *Ageing Population* – This strategic risk is rated *Low*, as the population may age faster or slower than forecast.

6.10 Review by the Executive Leadership Team

6.11 A small change to the risk appetite statement is recommended.

7. Draft Risk Appetite – Environmental Impacts and Resource Consents

| Risk Appetite | Low | Moderate | | High |
|-----------------------------|--|----------|------|--------|
| Risk Rating versus Appetite |  | | | |
| Risk Rating | Low | Moderate | High | Severe |

7.1 Risk Appetite Statement

7.2 Council is committed to reducing the environmental impact of our activities and protecting our natural environment for future generations. We are investing in resilient infrastructure to support sustainable growth and address climate impacts such as flooding, while promoting better waste management and recycling.

7.3 Given its limited finances, Council is focusing on practical and sustainable solutions as it works towards meeting environmental standards, legislative requirements, and community expectations. It acknowledges that full compliance may be financially challenging.

7.4 Council is committed to being transparent with the community about its environmental impact and progress and expects to reduce its appetite for risk in this area over time.

7.5 Associated Key Risks from the Risk Register

7.6 *Non-Compliance with Statutory Requirements (Council as Consent Holder)* – This strategic risk is rated *Severe* and stems from a risk that Council fails to comply with statutory requirements such as the drinking water standards, consent conditions, or other regulatory legislation.


7.7 *Population Growth* – This strategic risk is rated *Moderate*, relating to the potential misalignment between actual and forecasted population growth.

7.8 *Resource Consent Renewals* – This strategic risk is rated *Moderate*, and the risk is that new or renewed resource consent conditions may be altered significantly.

7.9 Review by the Executive Leadership Team

7.10 The risk appetite statement is consistent with Council's active strategies in this area that include not being compliant while we stagger our project delivery with approval/endorsement from iwi, Horizons, and other stakeholders.


8. Strategy Implementation

| | | | |
|-----------------------------|--|----------|-------------|
| Risk Appetite | Low | Moderate | High |
| Risk Rating versus Appetite |  | | |
| Risk Rating | Low | Moderate | High Severe |

8.1 Risk Appetite Statement

- 8.2 Council is committed to implementing its strategic objectives, including housing, growth, and financial strategies, however, also acknowledges the reality of external events, funding constraints, and regulatory limitations.
- 8.3 While the council has strong strategies in place, achieving them requires navigating various challenges, many of which are beyond its control.
- 8.4 Council recognises the importance of establishing processes to measure progress against these strategies and reviewing how it can find new ways to achieve objectives, even in a changing environment.

9. Draft Risk Appetite – District Planning

| Risk Appetite | Low | Moderate | High | |
|-----------------------------|--|----------|------|--------|
| Risk Rating versus Appetite |  | | | |
| Risk Rating | Low | Moderate | High | Severe |

9.1 Risk Appetite Statement

9.2 Council, as a planning authority, is committed to sustainable growth and development.

9.3 The District Plan is the key control for managing planning risks, guiding development to align with strategic goals. Council is reviewing this plan, **as part of a 10 year review cycle**, to incorporate its growth strategy and address future needs.

9.4 Council aims to reduce its risk appetite over time through better aligning the District Plan to strategic objectives.

9.5 **Council will have a continued focus on asset registers including condition and capacity information to ensure decisions made are data based.**

9.6 Associated Key Risks from the Risk Register

9.7 The strategic and organisational level risk registers do not have any risks specifically relating to this risk appetite area.


9.8 However, the District Plan review itself is a key mitigation for several strategic risks including *Climate Change, Natural Disaster, and Population Growth*.

9.9 The District Planning Activity Management Plan identifies *Moderate* risks to the activity arising from the potential for insufficient coordination about infrastructure, non-compliance with the District Plan, and increased demand for resource consents.

9.10 Review by the Executive Leadership Team

9.11 Recommended amendments made as highlighted above.

10. Draft Risk Appetite – Enforcement

| | | | | |
|-----------------------------|---|----------|----------|--------|
| Risk Appetite | Low | | Moderate | High |
| Risk Rating versus Appetite |  | | | |
| Risk Rating | Low | Moderate | High | Severe |

10.1 Risk Appetite Statement

10.2 Council is committed to being a responsible enforcement agency, focusing on legal compliance and fair, practical decision-making to maintain community safety.

10.3 Council's appetite emphasises the need to act as legally required while allowing enforcement officers discretion to make situational decisions based on common sense.

10.4 Associated Key Risks from the Risk Register


10.5 *Inappropriate Enforcement Action* – This operational risk is rated *Moderate*.

10.6 Review by the Executive Leadership Team

10.7 No changes are recommended and the statement aligns well with Council's commitment to allowing enforcement officers to be the decision makers for enforcement actions.

10.8

11. Central Government Relationships


| | | | | |
|--------------------------------|--|----------|------|--------|
| Risk Appetite | Low | Moderate | High | |
| Risk Rating versus Appetite |  | | | |
| Risk Rating | Low | Moderate | High | Severe |

11.1 Risk Appetite Statement

11.2 Council is committed to fostering strong, collaborative relationships with central government to support its strategic goals and community needs.

11.3 Council will pursue opportunities to engage with government and advocate for the District, while acknowledging financial, operational, and reputational constraints in doing so. Council will be adaptive to changes in the political environment.

12. Draft Risk Appetite – Community Relationships

| Risk Appetite | Low | | Moderate | | High | | |
|-----------------------------|--|--|----------|--|------|--|--------|
| Risk Rating versus Appetite |  | | | | | | |
| Risk Rating | Low | | Moderate | | High | | Severe |

12.1 Risk Appetite Statement

12.2 Council is committed to enhancing community engagement through a considered and evidence-based approach that builds trust and improves participation across communities. Council acknowledges the legislative consultation obligations it must meet.

~~12.3 Council takes a conservative approach to its community relationships, and this can lead to reactive decisions in response to outspoken feedback rather than a considered and evidence-based approach.~~

12.4 Council aims to gradually increase its risk appetite in community engagement to become more proactive and inclusive, engaging constructively while improving its reputation.



12.5 Associated Key Risks from the Risk Register

12.6 There is no strategic or organisational level risk register item specifically relating to community relationships. Impacts on community relationships are outlined in the risk consequence –Reputation.

12.7 Review by the Executive Leadership Team

12.8 Recommend removing the above clause as Communications maturity has already increased since this draft risk appetite was written.

13. Draft Risk Appetite – Iwi Partner Relationships

| Risk Appetite | Low | | Moderate | High |
|-----------------------------|---|----------|---|--------|
| Risk Rating versus Appetite |  | |  | |
| Risk Rating | Low | Moderate | High | Severe |

13.1 Risk Appetite Statement

13.2 Council is committed to maintaining strong partnerships with local iwi, focusing on effective management collaboration supported by governance relationships.

13.3 Our relationships emphasise operational delivery and communication as keys to strengthening our partnerships with iwi.

13.4 The council aims to meet its partnership and Te Tiriti obligations and, therefore, takes a conservative approach, leading to its low risk appetite.

13.5 Overall Council maintains a moderate risk attitude to facilitate multi-layered relationships that can achieve meaningful outcomes and take advantage of opportunities that benefit both partners.

13.6 Associated Key Risks from the Risk Register


13.7 *Failure to Maintain and Strengthen Iwi and Māori Partnerships* – This operational risk is rated *High*. This risk and its associated controls are currently being reviewed.

13.8 Review by the Executive Leadership Team

13.9 The ELT endorses a low risk appetite for iwi partner relationships and acknowledges the meaningful outcomes that strong iwi partner relationships bring.

13.10 The ELT assessment of Council Governance in this area suggests we are operating at a moderate risk appetite.

14. Draft Risk Appetite – Key Stakeholder Relationships

| | | | | |
|-----------------------------|--|----------|------|--------|
| Risk Appetite | Low | Moderate | High | |
| Risk Rating versus Appetite |  | | | |
| Risk Rating | Low | Moderate | High | Severe |

14.1 Risk Appetite Statement

14.2 Council values strong management and governance relationships with key stakeholders, such as Horizons Regional Council, **Taumata Arowai**, and Waka Kotahi, that support our strategic objectives and community needs.

14.3 We adopt a conservative risk attitude to ensure a strong and collaborative stakeholder network.

14.4 Our relationships are multi-layered, providing us with a moderate capacity for risk at any one level.

14.5 Given the importance of stakeholder relationships in achieving our strategic objectives, we are tolerant of risk and prepared to leverage this solid base to lobby for Tararua or escalate matters at the governance level.

14.6 We maintain an overall moderate risk appetite towards these relationships.


14.7 Associated Key Risks from the Risk Register

14.8 There is no strategic or organisational level risk register item specifically relating to community relationships. Impacts on community relationships are outlined in the risk consequence –Reputation.

14.9 Review by the Executive Leadership Team

14.10 The addition of our important stakeholder relationship with Taumata Arowai is recommended.

15. Revenue

| Risk Appetite | Low | | Moderate | | High | | |
|-----------------------------|--|--|----------|--|------|--|--------|
| Risk Rating versus Appetite |  | | | | | | |
| Risk Rating | Low | | Moderate | | High | | Severe |

15.1 Risk Appetite Statement

15.2 Council is committed to being financially sustainable while achieving its strategic goals and maintains an overall low risk appetite towards income which it would like to reduce further over time.

15.3 Financial constraints require a careful approach to managing council revenue.

15.4 Council's moderate risk tolerance allows it to explore alternative funding sources and revenue streams.

15.5 Associated Key Risks from the Risk Register

15.6 *Waka Kotahi Funding* – This strategic risk is rated *High*, reflecting the uncertainty associated with potential changes to Waka Kotahi funding criteria.

15.7 *Legislation Changes* – This strategic risk is rated *High* and relates to the risks associated with legislative change.

15.8 Review by the Executive Leadership Team

15.9 No changes are recommended, and it is noted that continued efforts to further mitigate risks associated with debtors is ongoing.

16. Rates Setting

| Risk Appetite | Low | Moderate | High | |
|--------------------------------|-------------|----------|------|--------|
| Risk Rating versus Appetite | <div></div> | | | |
| Risk Rating | Low | Moderate | High | Severe |

16.1 Risk Appetite Statement

16.2 Council is committed to a robust legally compliant rates setting process that includes clear and transparent consultation with the community and aligns with its strategic objectives.

16.3 Strict Local Government Act and audit requirements, including community engagement, mean Council must ensure its rates setting process is accurate and compliant.

17. Expenditure

| Risk Appetite | Low | | Moderate | | High |
|-----------------------------|------------------------|----------|----------|--------|------|
| Risk Rating versus Appetite | <div><div></div></div> | | | | |
| Risk Rating | Low | Moderate | High | Severe | |


17.1 Risk Appetite Statement

17.2 Council is committed to responsible financial management, ensuring its expenditure aligns with strategic goals and community needs, and remains within its financial constraints. Council has a conservative risk appetite for expenditure, with a low tolerance for uncertainty and a strong focus on value for money, financial discipline, and long-term sustainability.

17.3 Council aims to reduce its high-risk tolerance for expenditure objectives by strengthening financial discipline at both the governance and management levels and increasing scrutiny and transparency over expenditure decisions.

17.4 This includes changing attitudes towards carry forwards and capital expenditure to provide greater consideration of long-term consequences and financial sustainability.

18. Draft Risk Appetite – Debt and Interest Rates

| Risk Appetite | Low | | Moderate | | High | | |
|-----------------------------|--|--|----------|--|------|--|--------|
| Risk Rating versus Appetite |  | | | | | | |
| Risk Rating | Low | | Moderate | | High | | Severe |

18.1 Risk Appetite Statement

18.2 Council recognises the importance of debt funding for building and renewal expenditure to support its strategic objectives and community needs.

18.3 Council is committed to managing debt prudently so that it does not compromise long-term financial sustainability.

~~18.4 Council plans to increase its debt ceiling during the period of the 2024-34 Long Term Plan to support essential infrastructure projects.~~

18.5 Associated Key Risks from the Risk Register

18.6 *Interest Rates* – This strategic risk is rated *High*; this recognises that interest rates may be significantly different to forecast.

18.7 *Access to External Funding* – This strategic risk is rated *Moderate* and relates to the risk that Council cannot access funding.


18.8 A number of strategic risks rely on the ability to raise debt as a critical control: *Climate Change, Natural Disaster, NZTA Waka Kotahi Funding, Population Growth, Infrastructure Capability, Inflation, and Resource Consent Renewals.*

18.9 Review by the Executive Leadership team

18.10 Council is no longer pursuing an increase to its debt ceiling as this is not required once 3Waters debt is transferred.

18.11 A reduction of risk appetite from high to moderate is recommended to match the risk appetite statement that debt is managed prudently.

19. Health, Safety, and Wellbeing

| | | | |
|-----------------------------|---|----------|-------------|
| Risk Appetite | Low | Moderate | High |
| Risk Rating versus Appetite |  | | |
| Risk Rating | Low | Moderate | High Severe |


19.1 Risk Appetite Statement

19.2 Council is committed to ensuring the health, safety, and wellbeing of its employees, contractors, visitors, and the public, in alignment with the Health and Safety at Work Act 2015 and relevant regulations.

19.3 Council balances safety with financial constraints, ~~focusing on~~ prioritising the elimination of risks where possible and minimising risks when elimination is not feasible.

19.4 Councils goal is to reduce its ~~moderate risk appetite to a low level~~ over time by fostering a culture of continuous improvement in health and safety management. A low risk appetite means that risk avoidance is prioritised in all critical health and safety decisions, with an expectation that risks leading to severe harm or death are eliminated wherever practicable.

20. Resourcing

| Risk Appetite | Low | Moderate | High |
|-----------------------------|--|----------|--------|
| Risk Rating versus Appetite |  | | |
| Risk Rating | Low | Moderate | High |
| | | | Severe |


20.1 Risk Appetite Statement

20.2 Council is committed to ensuring that its workforce is effectively resourced to meet strategic objectives and community needs.

20.3 Council recognises the need to balance staffing levels with operational requirements and financial constraints.

20.4 Council believes it has the balance right, although some areas may occasionally be under-resourced. Council is prepared to pivot and reallocate resources as needed, understanding that resource needs can change over time. However, Council has a low risk appetite for resourcing shortfalls that impact compliance, enforcement, financial controls, and key community relationships (e.g., iwi partnerships, ratepayer engagement, and stakeholder management).

21. Draft Risk Appetite – Information Technology

| Risk Appetite | Low | Moderate | High | |
|-----------------------------|--|----------|------|--------|
| Risk Rating versus Appetite |  | | | |
| Risk Rating | Low | Moderate | High | Severe |

21.1 Risk Appetite Statement

21.2 Council recognises the critical role of information technology in supporting our strategic objectives and delivering services to the community. Council has an overall moderate risk appetite for IT-related risks, which it aims to reduce over time.

21.3 Council has a moderate risk capacity and a moderate tolerance for variations in meeting IT objectives, reflecting a balanced approach to leveraging technology for operational efficiency and innovation. Its moderate risk attitude signifies a willingness to embrace opportunities while managing associated risks effectively. **the need to ensure business continuity, data security, and system availability.**

21.4 Council acknowledges the importance of cybersecurity and the need for adequate insurance to protect against data breaches and cyber threats.

21.5 Council is committed to enhancing its understanding and capacity to manage IT risks effectively. As artificial intelligence and emerging technologies become increasingly important, Council sees them as potential positive risks that offer significant opportunities when managed appropriately.


21.6 Associated Key Risks from the Risk Register

21.7 *Significant IT Failure that Disrupts the Organisations Ability to Provide Agreed Levels of Service* – This operational risk is rated *High* and is the risk that an accidental or deliberate event results in consequences such as loss of level of service, or disclosure of data.

21.8 Review by the Executive Leadership Team

21.9 A small change above is recommended for the risk appetite statement.

22. Draft Risk Appetite – Records and Data

| Risk Appetite | Low | | Moderate | | High |
|-----------------------------|--|--------------|----------|-----------|--------|
| | Averse | Conservative | Measured | Justified | Open |
| Risk Rating versus Appetite |  | | | | |
| Risk Rating | Low | | Moderate | High | Severe |

22.1 Risk Appetite Statement

22.2 Council recognises the critical importance of records and data management in supporting transparency, efficiency, and compliance with legal, including privacy, obligations. Council has an overall moderate risk attitude in this area, which it aims to reduce over time.

22.3 Council's conservative risk attitude prioritises reducing rework and improving document management, including implementing robust data protection measures, as history shows the importance of maintaining accurate and accessible records.

22.4 Embracing digitisation is a priority to ensure quick access to the right records, and this is reflected in Council's moderate tolerance for meeting objectives as it advances in this area.

22.5 Associated Key Risks in the Risk Register

22.6 *Unauthorised Disclosure of Personal or Confidential Information* – This operational risk is rated *High*.

22.7 There are no other specific information related risks in the risk register and work is required to add them.

22.8 Review by the Executive Leadership Team

22.9 No change to the risk appetite recommended.

Attachments

Nil.



Report

Date : 16 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Stephen Dunn
Risk & Assurance Advisor

Subject : **Assurance Management Report**

Item No : **7.8**

1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 11 June 2025 concerning the Assurance Management Report (as circulated) be received and adopted.*

2. Reason for the Report

- 2.1 To update the Committee on matters related to Assurance.

3. Committee Work Programme

- 3.1 Work programme items outstanding:

- Procurement and Contract Management Internal Audit – an update on this item is provided in the Strategic Risk Register Review and Setting the Internal Audit Programme report.
- Setting the internal audit programme – will be completed this meeting, see separate report.

- 3.2 Work programme items due this meeting:

- Full strategic risk register review – will be completed this meeting, see separate report.

- Insurance strategy monitoring – see the Insurance section of this report for an update.
- Approval of the Committee work programme for the next three years – will be completed this meeting, see separate report.

4. Policy Review Programme

4.1 The following table provides an update on Council's Policy Review Programme for policies that are reported to the Committee.

4.2 Policy review programme status:

| Complete | On hold | On track | Revised but on track | Off track |
|----------|---------|----------|----------------------|-----------|
| | | | | |

| Policy | Comments | Expected Completion | GM | Status |
|--|---|--|--------|--------|
| Strategic Procurement Policy | Draft policy presented to Audit & Risk Committee April 2025. With iwi for feedback | Jul 2025 Sep 2025 | Bryan | |
| Contract Management Policy (new policy) | In progress, reliant on finalisation of Procurement Policy. | Dec 2025 | Bryan | |
| Asset Disposal Policy (new policy) | Initiation complete and engagement with key staff and writing underway. | Apr 2025 Oct 2025 | Peter | |
| Vehicle User Policy & Agreement | Initiation to be scheduled. | Sep 2025 | Bryan | |
| Sensitive Expenditure Policy | Draft reported to ARC July 2025 | Apr 2025 Jul 2025 | Sandy | |
| Health, Safety, and Wellbeing Policy | Initiation completed, input from H&S Committee. Waiting on completion of H&S Strategy. | Apr 2025 Sep 2025 | Sandy | |
| Complaints Policy | Draft reported to ARC November 2025. | Dec 2025 | Sandy | |
| Delegations Policy | Review to be initiated. Capacity constraints mean this is now expected for the October meeting. | Apr 2025 Oct 2025 | Peter | |
| Fraud and Corruption Policy | Due September 2025 – review to be initiated. | Dec 2025 | Sandy | |
| Information Management Policy | Due June 2025 – Scheduled to initiate review September 2025. | Dec 2025 | Kawtar | |

5. Audit New Zealand

5.1 Progress continues to be made on resolving Audit New Zealand recommendations. The following table provides an update on progress – note that it does not include recommendations already addressed.

| |
|----------------------------|
| Audit New Zealand Priority |
|----------------------------|

| | | | | |
|---------------------------|-----------|----------|----------------------|-----------|
| Beneficial | Necessary | Urgent | | |
| | | | | |
| Management actions status | | | | |
| Complete | On hold | On track | Revised but on track | Off track |
| | | | | |

Table of open Audit New Zealand recommendations

| No. | Recommendation | Priority | Actions | Group Manager | Due Date | Status |
|--------|---|----------|--|---------------|--|--------|
| 100049 | Implement one-up approval for purchases. (2016) | | Implement one-up for invoices without a purchase order. Waiting on Esker system changes | Peter | Jun 2025 Sep 2025 | |
| | | | Implement one-up for purchase orders. Waiting on Esker system changes. | Peter | Apr 2025 Sep 2025 | |
| | | | Implement Esker accounts payable software. | | Complete | |
| 100047 | Implement and test organisational business continuity and disaster recovery plans. (2016) | | Implement and test an organisational business continuity plan. | Sandy | Dec 2025 | |
| | | | Implement and test an organisational disaster recovery plan. | Kawtar | Dec 2025 | |
| | | | Implement Covid-19 business continuity plans. | | Complete | |
| 100036 | Update Sensitive Expenditure Policy to reflect best practice. (2021) | | Review Sensitive Expenditure Policy and Guidelines. Complete | Sandy | Apr 2025 Jul 2025 | |
| | Align password parameters to NZISM guidance. (2022) | | Implement recommended password parameters. Liaised with AuditNZ and agreed on settings. In work programme for completion Jun 2025. Complete | Kawtar | Apr 2025 Jun 2025 | |
| | Ensure capital expenditure approved within delegated authority. (2022) | | Update the Procurement Policy and associated processes (See 4 Policy Review Programme). | Bryan | Jul 2025 Sep 2025 | |
| | | | Implement Project Management Framework. | | Complete | |
| | | | Establish Project Management Office. | | Complete | |
| | | | Implement Esker Accounts Payable software. | | Complete | |

| No. | Recommendation | Priority | Actions | Group Manager | Due Date | Status |
|-----|--|----------|---|---------------|-------------|--------|
| | Introduce procedures and instructions for documenting assets in RAMM. (2023) | | Roading assets are documented into RAMM using well established procedures from the Downer Transport Knowledge Hub. Work is required to document a process map for inputting three waters assets into RAMM. | Hamish | In progress | |
| | Introduce a process to independently review documented assets in RAMM. (2023) | | See above response. | Hamish | In progress | |
| | Dedicate resources to undertake the actions in the Infrastructure Strategy Improvement Plan and ensure progress is monitored and reported. Especially develop an asset criticality framework. (2024 LTP) | | Review and update criticality list. (Infrastructure Strategy) | Hamish | Dec 2026 | |
| | | | Develop formal criticality system. (Infrastructure Strategy) | Hamish | Dec 2025 | |
| | | | Implement monitoring and progress reporting for the Infrastructure Strategy Improvement Plan. A progress update will be provided at the end of the financial year. | Hamish | Jul 2025 | |
| | Develop a system to ensure that assets vested to Council are appropriately recognised, disclosed and accounted for. (2024) | | Process improvements are being developed to be in place by the end of this financial year. Complete | Peter | Jun 2025 | |

6. Investigation into Errors with the Direct Debit Process

6.1 The Strategic Advisor has provided an update on progress with the actions arising from recommendations in the Investigation into *Errors with Direct Debit Processes* report.

6.2 Summary of Progress

6.3 Significant progress has been made since the last report presented to April 2025 Committee meeting. However, the implementation of all outstanding tasks from the investigation recommendations is taking longer than expected as some include the reallocation of responsibilities and the documenting of systems and processes.

- 6.4 The priorities for the remainder of this year are the implementation of the Revenue Team structural review, debt management, and system improvements to manage direct debits and customer payments. The intent is to present a close out report to the Committee in November.
- 6.5 Since 9 June 2025, the Rates and Revenue Team have been working extended hours to enable month and year end, the setting 2025/2026 of rates, resetting Direct Debits and informing rate rebate eligible customers of the new management process.
- 6.6 This work has included the processing of subdivisions, water connections, levy adjustments, notices of sale, rate refunds, property amalgamations, rates remissions, land parcel mergers, NZ gazette action, open space covenants, penalty write offs, abandoned land declarations, penalties remittances, rates rebate applications (approved and declined), direct debit adjustments and responding to ratepayer email enquiries.
- 6.7 The following table summaries the status of recommendations – note that items already reported as completed have been removed from the table.

| Management actions status | | | | |
|---------------------------|---------|----------|----------------------|-----------|
| Complete | On hold | On track | Revised but on track | Off track |
| | | | | |

| No. | Recommendation | Actions | GM | Due Date | Status |
|-----|---|---|-------|---|--------|
| 6.1 | Review all ratepayer accounts where a payment arrangement is in place to ensure the regular payments have been reviewed and adjusted. | <p>This review was expanded to ensure no regular payments have been missed:</p> <ul style="list-style-type: none"> Ratepayers with Direct Debits. Ratepayers who missed instalments 1 and/or 2. Existing debtors with DMC. Ratepayers on a TDC plan. <p>A final audit of each group has yet to be undertaken to ensure no-one has been missed.</p> <p>In July, an updated list of rates debtors will be sent to DMC and direct debits will be reset for the new rating year.</p> <p>Ratepayers who have honoured a payment plan will have penalties remitted.</p> | Peter | <p>Mar 2025 May 2025 Sep 2025</p> | |

| No. | Recommendation | Actions | GM | Due Date | Status | | | | | | | | | | | | | | | |
|--------|---|--|-------|---|--------|-------|-------|-------|------|------|-----|-----|--------|-----|-----|-----|-----|-------|----------|--|
| 6.2.1 | Check and clear outstanding enquiries currently in the revenue team’s inbox to bring all actions in this area up to date. | <p>The contents of the inbox continue to be reviewed and prioritised. There has been a positive reduction in unread enquiries.</p> <table><tr><td></td><td>Nov24</td><td>Feb25</td><td>Apr25</td><td>Jul25</td></tr><tr><td>Total</td><td>1200</td><td>1074</td><td>835</td><td>596</td></tr><tr><td>Unread</td><td>500</td><td>523</td><td>262</td><td>133</td></tr></table> <p>Progress continues to be hampered by a lack of experienced staff and the volume of enquiries.</p> <p>Now operating as BAU with 5-day turnaround. Outstanding emails are complex issues only which require speciality expertise.</p> | | Nov24 | Feb25 | Apr25 | Jul25 | Total | 1200 | 1074 | 835 | 596 | Unread | 500 | 523 | 262 | 133 | Peter | Jun 2025 | |
| | Nov24 | Feb25 | Apr25 | Jul25 | | | | | | | | | | | | | | | | |
| Total | 1200 | 1074 | 835 | 596 | | | | | | | | | | | | | | | | |
| Unread | 500 | 523 | 262 | 133 | | | | | | | | | | | | | | | | |
| 6.3 | Review the current management structure, resourcing, processes and accountabilities | A review of the management structure, resourcing, and accountabilities has commenced. | Sandy | Apr 2025 Jun 2025 Oct 2025 | | | | | | | | | | | | | | | | |
| | | The structure review has been finalised, and we are engaging with affected staff. | | | | | | | | | | | | | | | | | | |
| | | The permanent vacancy has been filled. | Peter | Complete | | | | | | | | | | | | | | | | |
| | | Transfer of tasks to the 3 Waters Team. Transfer of some tasks to the 3 Waters Team – penalties, is underway. | Peter | Jun 2025 Nov 2025 | | | | | | | | | | | | | | | | |
| | | The application of penalties has been transferred. The transfer of other tasks is ongoing. | | | | | | | | | | | | | | | | | | |
| | | Transfer of tasks to the Customer Services Team. | Peter | Apr 2025 Jun 2025 Sep 2025 | | | | | | | | | | | | | | | | |
| | | Partially completed. Technicalities with Authority have delayed this process. | | | | | | | | | | | | | | | | | | |
| | | Three of the four tasks have been transferred. Rate Rebate process training scheduled for July 2025. | | | | | | | | | | | | | | | | | | |
| | | Transfer of tasks to the Finance Team is on hold pending outcome of management structure review appointment of new CFO and implementation of structure review. | Peter | Jun 2025 Nov 2025 | | | | | | | | | | | | | | | | |

| No. | Recommendation | Actions | GM | Due Date | Status |
|-------|---|--|-------|--|--------|
| 6.3.1 | Ensure that council has a resilient structure with a plan in place to provide cover and succession planning for key roles within the Rates & Revenue team. | <p>A deliberate succession plan will be implemented once the management structure review has been completed and implemented and new staff trained.</p> <p>The structure review has been finalised, and we are engaging with affected staff.</p> | Peter | Jun 2025 Oct 2025 | |
| 6.3.2 | Ensure that resourcing, and oversight of key tasks and processes, is aligned to Council expectations and policies on revenue collections and administration of Council's revenue policies. | <p>This will occur as part of the management structure review.</p> <p>The structure review has been finalised and we are engaging with affected staff.</p> | Sandy | Apr 2025 May 2025 Oct 2025 | |
| 6.3.3 | Ensure that a master schedule of key tasks and/or processes (including the annual calculation and revision of direct debits) is developed and monitored to ensure tasks are completed and timeframes are met. | <p>A master schedule of the over 80+ tasks currently completed by the Rates Team has been developed.</p> <p>Since June 2024 half of these tasks have been reviewed and Promapp processes updated. The remainder have yet to be reviewed.</p> <p>On hold pending confirmation of additional resources have yet to be identified to continue this process.</p> <p>Implementation of structure review will support completion of this task.</p> | Peter | Jun 2025 Nov 2025 | |
| | | <p>A review has commenced of the direct debit calculation process and improvements are currently being documented including the decision to include or exclude Rates Rebate Applications.</p> <p>Rate Rebates will be excluded from direct debit calculations for the 2025/2026 rating year. Eligible ratepayers to be advised with Instalment 1.</p> | Peter | May 2025 June 2025 Sep 2025 | |
| 6.3.4 | Ensure that accountability for key tasks and controls is clearly outlined. | <p>Accountabilities will be made clear through the management structure review and process mapping.</p> <p>The structure review has been finalised and we are engaging with affected staff.</p> | Bryan | Jun 2025 Oct 2025 | |

| No. | Recommendation | Actions | GM | Due Date | Status |
|-----|--|--|-------|---|--------|
| 6.4 | Develop a detailed annual work programme for the revenue team and ensure key deadlines and pressure points are shared with other departments and with the executive management team. | <p>A high-level work program has been mapped.</p> <p>On hold pending completion of July BAU tasks.</p> | Peter | Apr 2025 Jun 2025 Sep 2025 | |
| 6.5 | Report back to Council to provide assurance that the immediate actions have been actioned and that all ratepayers on direct debits have had their accounts reviewed. | <p>Implementation of postponement policy in the Authority system.</p> <p>CIVICA has commenced preparation for implementation of the postponement policy, however, this will not be completed until all effected ratepayers have selected a resolution pathway ie Postponement Agreement.</p> <p>Postponement Agreements have been loaded into Authority.</p> | Peter | Apr 2025 Jul 2025 | |
| 6.6 | Review the status of debt management within Council to ensure all debts are being actively managed | <p>All rates debt management has been transferred to DMC.</p> <p>Steps to transfer water and sundry debtors to DMC is now underway.</p> <p>An updated list of rates debtors will be sent to DMC in July. Meeting scheduled for the 30 July 2025 to review outstanding debtors.</p> | Peter | Apr 2025 Jul 2025 Nov 2025 | |
| | | <p>A Debtor Report was presented to the Finance and Performance Committee on the 5 March 2025. Complete</p> | Peter | Complete | |
| | | <p>Policy development in progress, expect draft policy for July Committee meeting.</p> <p>The Debtors Management Policy has been completed and has been sent to the ELT for approval.</p> | Peter | May 2025 Jul 2025 Aug 2025 | |
| 6.7 | Report back to Council's Audit and Risk Committee on the final measures introduced to monitor and ensure the risk of a similar issue should not reoccur. This report should provide evidence and assurance on the effectiveness of the | <p>A final report will be presented to the Council's Audit and Risk Committee Council once the investigation recommendations have been fully implemented.</p> <p>Presentation of final report delayed until November 2025.</p> | Bryan | Jul 2025 Nov 2025 | |

| No. | Recommendation | Actions | GM | Due Date | Status |
|-------|--|---|-------|---------------------------------|--------|
| | measures introduced. | | | | |
| 6.8 | Change the quarterly reporting on debtors to: | | | | |
| 6.8.1 | Report debts and debt management to Council's Audit & Risk committee on the basis that this is a key area of Council risk. | Debt and debt management will be reported to the ARC starting from the April 2025 meeting, using the same information prepared for the Finance and Performance Committee (see point 6.8.2.1 below). Improved risk management reporting to be developed for July Committee meeting. Complete. | Sandy | Apr 2025 Jul 2025 | |

7. Rates Debtors at 30 June 2025

- 7.1 Keeping up with debt collection for those ratepayers on agreements and managing large unpaid amounts are our current priority.
- 7.2 Generally, rates debtors have been increasing between years at similar proportions to rates increases and penalties.
- 7.3 Penalties make up a significant portion of changes to arrears balances with two calculations of 10% per year.
- 7.4 The status of debtors are shown below, as at 30 June 2025:
- 17 Ratepayers owe Council more than \$25,000 (inc. GST) on average each. This makes up \$1.07m of the gross rates debt balance of \$3.48m or over 30% of the total (\$1,069,651 of \$3,485,839). Many of these properties are in negotiation or undergoing the abandoned land process.
 - 284 Ratepayers make up \$2.72 m or 78% of the outstanding balance. These are our key focus area for debt collection.
 - Rounding: 1,273 Ratepayers owing council less than \$10 have an average balance of \$0.17 cents totalling \$217 for that group. These skew the average result of \$1,358 noted below. These also correct where and when Direct Debits are recalculated on the first instalment.
 - Each year a provision for doubtful debts is made so as to not overstate reported rates income. For the 30 June 2024 year, this was \$430,513. In addition, there are write-offs that should be done each year under statutory limitation (6 year) rules. This write-off is currently being prepared for the 2024/25 year and will be reported to the Finance & Performance Committee.

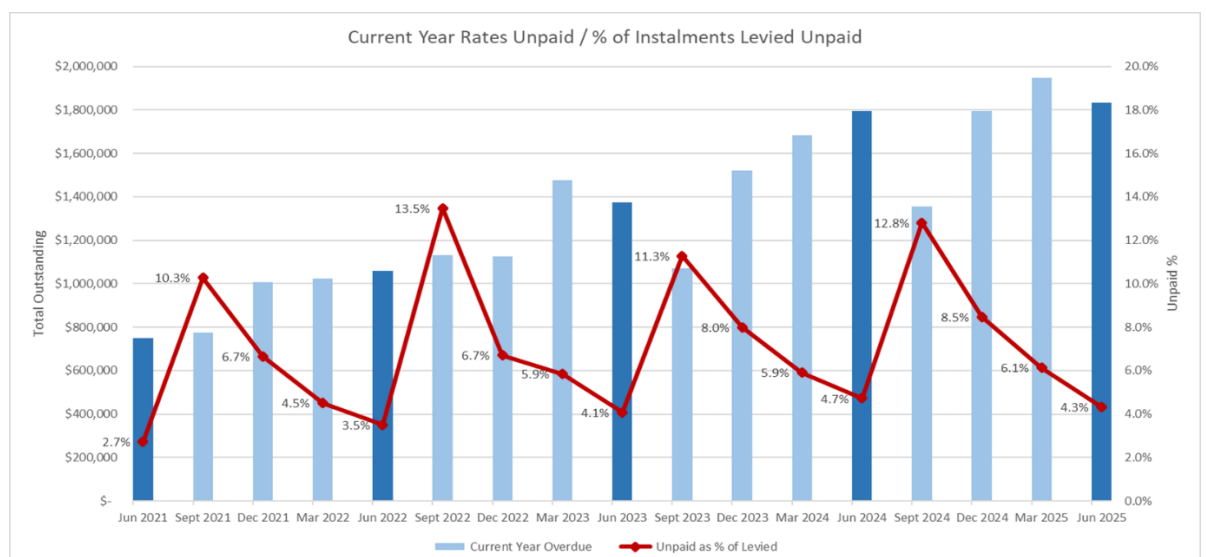
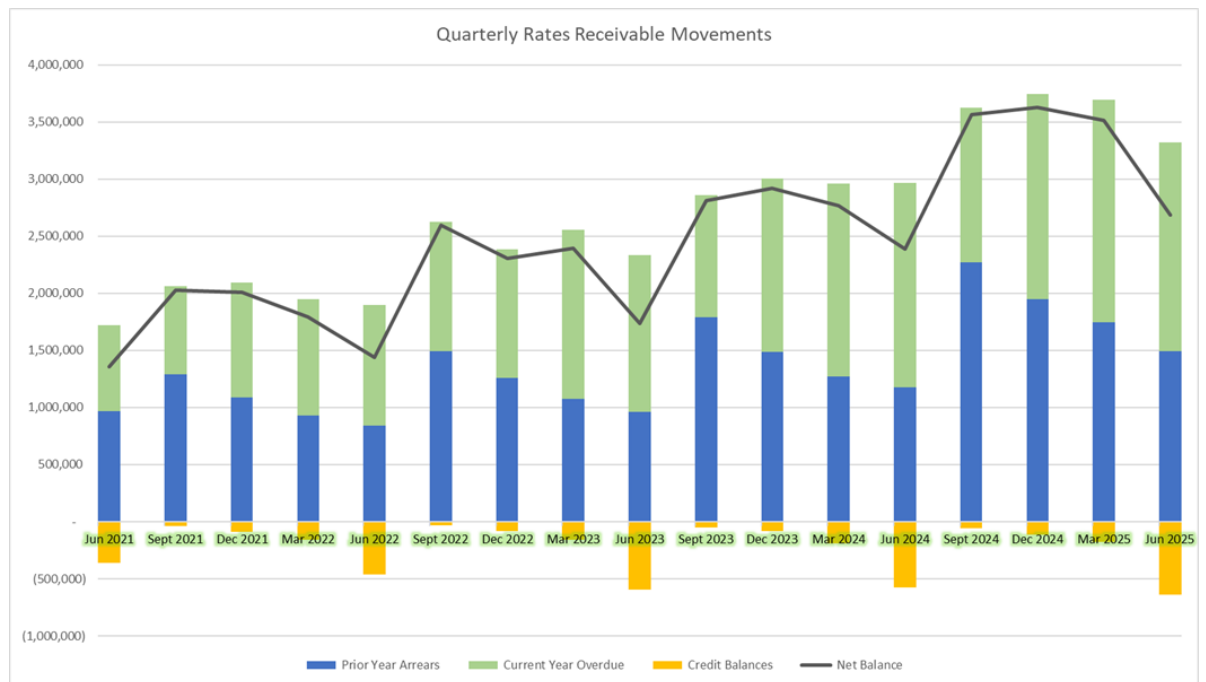
7.5 The following table shows the spread of ratepayers above certain thresholds:

Total of Rates Debt Balances Spreads at 30 June 2025

| | | | | Increase / Decrease from Prior Year: | |
|--|------------------------------|--------------------------------|-------------------------------------|---|--|
| Rates Balances Greater than | No. of Ratepayers | Total Debt in Group | “Average” Rates Owed | No. of Ratepayers | Average Value of Rates in Group |
| = \$0 i.e. no debt | 5,520 | \$0 | | | |
| > \$0 i.e. All | 2,566 | \$3,485,839 | \$1,358 | | |
| > \$10 | 1,293 | \$3,485,622 | \$2,696 | +63 | 12% |
| > \$100 | 1,110 | \$3,474,715 | \$3,130 | +80 | 9% |
| > \$500 | 803 | \$3,396,902 | \$4,230 | +43 | 12% |
| > \$1,000 | 621 | \$3,261,164 | \$5,251 | +72 | 6% |
| > \$2,500 | 284 | \$2,726,911 | \$9,602 | +31 | 10% |
| > \$5,000 | 135 | \$2,183,428 | \$16,174 | +41 | -8% |
| > \$25,000 | 17 | \$1,069,651 | \$62,921 | No change | 155 |

7.6 The following Debtor Graphs show the trends over each quarter of the last four years:

Debtors Graphs



7.7 The following table gives the Rates Reconciliation for the Year.

7.8 This shows that we collected \$82,000 more than we required, before charging penalties.

7.9 A number of ratepayer accounts, 966, are above \$10 in credit averaging \$664 each. This is largely to be expected where there are weekly, fortnightly or monthly direct debits and payments are received over three months. This will be another area of focus as we prepare to calculate the direct debits changes for the first instalment over the coming few weeks for application at the end of August.

| | | Rates \$ Inc. GST | |
|---|-------------------------------------|-------------------|----------------------------|
| Opening Balance 1/07/2024 | | | |
| | Unpaid | \$ | 2,966,882 |
| | In Credit* | \$ | (576,670) |
| | Net Rates Debtor | \$ | 2,390,211 |
| *Some Credits are always expected: DD's Anticipate Next Quarter Invoice | | | |
| Movements 2024/25 | | | |
| Plus | Levied | \$ | 42,329,495 |
| Less | Cash Received | \$ | (41,758,075) |
| | Rebates Received | \$ | (653,535) |
| | Total received | \$ | (42,411,611) |
| Equals | Net Receipts before Penalties | \$ | (82,116) |
| Plus | Penalties | \$ | 536,470 (\$400,000 Budget) |
| | Net debtor increase for year | \$ | 454,354 |
| Closing Balance 30/06/2025 | | | |
| | Net Rates Debtor | \$ | 2,844,565 |
| | Comprising | | Change |
| | Unpaid | \$ | 3,485,839 17% |
| | In Credit | \$ | (641,274) 11% |
| | Net Rates Debtor | \$ | 2,844,565 19% |

8. Internal Audits – Health, Safety, and Wellbeing

- 8.1 Progress continues to be made against recommendations from the 2021 SafePlus Onsite Assessment and Advice Report and the 2021 IMPAC Health & Safety Risk Register Review. The table below provides an update on outstanding items – note it does not include items already cleared.

| Management actions status | | | | |
|---------------------------|---------|----------|----------------------|-----------|
| Complete | On hold | On track | Revised but on track | Off track |
| | | | | |

| No. | Recommendation | Actions | Due Date | Status |
|--|--|--|-----------------------------|--------|
| 2021 SafePlus Onsite Assessment and Advice Report | | | | |
| 64A 64D | Have ELT develop a Health, Safety, and Wellbeing Strategy that includes: <ul style="list-style-type: none"> Goals and objectives. Critical risks and mitigations. Effectiveness of risk mitigations. A work programme. | Finalise the Health, Safety, and Wellbeing strategy document. Expect a draft to the April April October Committee meeting. Draft completed, ELT review complete, H&S Committee review due completed May. (See Health, Safety, and Wellbeing Report for an update on the Strategy) | Jul-2025 Oct 2025 | |
| | | Involve the Health & Safety Committee in developing the Health, Safety, and Wellbeing strategy. On agenda for May H&S Committee | Complete | |

| No. | Recommendation | Actions | Due Date | Status |
|-------------------|---|---|--|--------|
| | <ul style="list-style-type: none"> Due diligence activities. Measurement framework. | meeting. | | |
| | | <ul style="list-style-type: none"> Implement a Due Diligence Plan. Identify critical risks and mitigations. Establish measurable goals and objectives. Adopt measures for chief executive and elected members due diligence activities. | Complete | |
| 64B | Improve Health, Safety, and Wellbeing reporting, using data to provide insights. | Improve reporting for critical risk verifications. Reporting will be improved as each critical risk is reviewed (refer to Health, Safety, and Wellbeing Management Report). | Dec 2025 | |
| | | Improve reporting for health & safety activities. Reporting will be improved as the H&S work plan rolls out (refer to the Health, Safety, and Wellbeing Management Report). | Dec 2025 | |
| | | Report progress of the Due Diligence plan. | Complete | |
| | | Report data for incidents, near misses, and new hazards. | Complete | |
| 66E 68B 68C | <p>Centralise all contractor health & safety data, including inspections and event reports, to track critical risks, best practices, and performance. Ensure assessment tools collect useful data on contractor risks and control effectiveness, providing lead indicators for safety management.</p> <p>Identify staff responsible for contractors and ensure they understand overlapping duties. Assist in developing health and safety assessment tools if needed.</p> | Implement contractor H&S induction and monitoring processes. (See the Health, Safety, and Wellbeing Management Report). | May 2025 Dec 2025 | |
| | | Implement SiteWise contractor H&S pre-qualification. | Complete | |
| 66F | Review how Council manages its overlapping duties in relation to the Tararua Alliance. | Additional H&S reporting to the Committee has been commenced. A review of how Council manages its overlapping duties in relation to Tararua Alliance will be completed this financial year. | Jun 2025 Sep 2025 | |
| 66I | Consider developing H&S standards for | Critical risks reviews are being completed as part of the 2025 work plan. (See the Health, | Dec 2025 | |

| No. | Recommendation | Actions | Due Date | Status |
|--|--|---|--|--------|
| | critical risks. | Safety, and Wellbeing Management Report). | | |
| 66K | Ensure contract managers have the technical knowledge required to assess safety for critical tasks such as excavation, working at heights, and confined spaces. | Develop and implement a Contract Management Policy and processes. (See Section 4 Policy Review Programme) | Dec 2025 | |
| 67D | Review who is responsible for ERoad and escalation processes. | Review Vehicle Users Policy and associated processes. (See Section 4 Policy Review Programme) | On hold Sep 2025 | |
| | | Review staff welfare escalation processes. | Complete | |
| 68A | Ensure consistency in H&S processes across all contractual arrangements. | Update the Procurement Policy and associated processes. (See Section 4 Policy Review Programme) | Jul 2025 Sep 2025 | |
| | | Short form agreement H&S arrangements standardised. | Complete | |
| 69A 69B | Develop a workplace mental health framework with prevention, early intervention, and support strategies. Define clear goals, measure outcomes, and assess available resources. Create guidance to help managers assist struggling staff. | The development of a workplace mental health framework will be considered as part of the critical risk review for fatigue which is part of the H&S work plan. (See the Health, Safety, and Wellbeing Management Report). Initial conversations with the H&S Committee, ELT, and Wider Leadership Group on a potential wellbeing framework are underway however there is not capacity to implement a Framework currently. | On hold | |
| 2021 IMPAC Hazard Register Review | | | | |
| 61A 61B | Streamline the Risk Register into Hazard, Hazardous Activity, and Critical, Generic, and Department-Specific sections, aligning project and operational risks with Water Industry Guidelines where possible. | Critical risk reviews in the 2025 work plan are aligned with industry guidance. (See the Health, Safety, and Wellbeing Management Report). | Dec 2025 | |
| | | Streamline the risk register into critical, generic and department specific sections. | Complete | |
| 62A | Include electricity and live equipment as hazards in the risk register and implement permission to work and lock out tag out requirements. | Electricity is in the register and LOTO is a control for machinery. Permission to work requirements are not centrally implemented yet. Details of where this will be implemented in the work plan are yet to be determined. Partially implemented but requires further review. Included in critical risk review programme. A survey of departments of their | TBA Feb 2026 | |

| No. | Recommendation | Actions | Due Date | Status |
|-----|---|---|-----------------|--------|
| | | current practice in this area has been sent. | | |
| 63A | Review water and wastewater activities to identify where confined space entry is required and implement missing controls. | <p>Confined space entry is not done by Council staff and is done by contractors. Permit to work processes are not currently centralised. Details of where this will be implemented in the work plan are yet to be determined.</p> <p>Now included in critical risk review programme.</p> | TBA Feb 2026 | |

9. Internal Audit – Tararua Alliance Performance Audit 2023-24

- 9.1 Tararua Allaine has provided an update on recommendations from their 2023-24 Performance Audit and all actions are now complete.

| 10. Management actions status | | | | |
|-------------------------------|---------|----------|----------------------|-----------|
| Complete | On hold | On track | Revised but on track | Off track |
| | | | | |

| Recommendation | Actions | Due Date | Status |
|--|---|----------|--------|
| Refresh the metric around key talent – ensure that it matches the intent. | <p>The Alliance Manager is currently working with Downer People & Culture team for this. Once this process is complete, we will change the scope of this KPI for the 25/26 FY. The adjustment to this KPI will match the intent of ensuring our Succession Planning is completed, maintained and the development of staff is focused in the correct areas.</p> <p>Our KPI for Key Talent was not changed for the 25/26 FY. However, Key Talent have now been identified and a Register has been developed. All development actions are noted and in line with our Succession Planning.</p> | Jun 2025 | |
| Consider location of Cadets as a secondary factor, having cadets and developing them needs to be the primary factor. | <p>The word 'local' was removed from the measure of this KPI for the 24/25 FY. However, the scoring still reflects higher if the Tararua Alliance engage locally. But we can still obtain a score without them being local. The term 'local' is very subjective, therefore it will be reviewed during the prep for the 25/26 FY PF which the Performance Manager will be working on in the new year.</p> <p>The scoring for the Cadets/Graduates KPI was reduced for the 25/26 FY. Our top score is now to have one or more cadets</p> | Jun 2025 | |

| Recommendation | Actions | Due Date | Status |
|--|--|----------|--------|
| | rather than three. We have added in 'reside locally' rather than just 'local', given some cadets in the past have originated from other regions and were not included in our scoring. | | |
| Consider other ways of measuring recognition, NZTA's view, other Local Authorities views and engagement etc. | <p>There has been other positive feedback from external sources, i.e: NZTA, other Alliances, other Councils etc. We will endeavour to reword this KPI for the 25/26 FY to allow us to include other outstanding feedback we receive to highlight our industry recognition as well as awards.</p> <p>For the 25/26 FY this KPI has been restructured. The Communication and Stakeholder Management Plan now has a table that stipulates points for Awards Entries, Awards Finalists, Awards Wins, and also for Reputable Endorsements. The points then align with the KPI Scoring.</p> | Jun 2025 | |

11. Issues Monitoring – Resource Consents

- 11.1 The Committee has been monitoring the projects underway to manage Council's water, wastewater, and landfill consents.
- 11.2 All projects are now on track and updates are reported to the Infrastructure, Climate Change, and Emergency Management Committee as required.
- 11.3 As such no new updates have been provided for this report however there is a recommendation for an internal audit in this area covered in the Strategic Risk Review and Setting of the Internal Audit Programme Report.

12. Issues Monitoring – Insurance

In December 2024 and February 2025 officers provided an update on insurance and next steps to progress insurance maturity. The table below outlines the work in progress.

| Management actions status | | | | |
|---------------------------|---------|----------|----------------------|-----------|
| Complete | On hold | On track | Revised but on track | Off track |
| | | | | |

| Action Area | Description | Status | GM | Timeline |
|--|--|-----------------------------------|-------|----------------------|
| Proposal Request to AON for Schedule of Value (SOV) Methodology | Officers requested a proposal from AON for a more robust SOV methodology, including automation from asset registers and annual enhancements. | Awaiting final proposal from AON. | Peter | Apr 2025 Aug 2025 |

| | | | | |
|--|--|---|--------|--------------------------------------|
| Work on 3Waters Treatment Assets Transfer to RAMM | Componentising and recording 3Waters treatment assets in RAMM as part of the Infrastructure Strategy Improvement Plan. | Underway, to be delivered over the first 3 years of the Long Term Plan. | Hamish | 2024-2027 |
| Insurance Review for Council Buildings | Aligns with building rationalisation and risk appetite; demolition-only insurance to be used for low-use, end-of-life buildings. | In progress as part of building rationalisation. | Kawtar | Ongoing |
| Defining Critical Infrastructure for Insurance Refinement | Refining insurance coverage using critical asset project findings; links to criticality framework development as part of Infrastructure Strategy Improvement Plan. | Underway, to be delivered over the first 3 years of the Long Term Plan. | Hamish | 2024-2027 |
| Claims History Summary for the Last 10 Years | Officers requested a 10-year claims summary from AON. | Pending receipt; to be shared with Committee once available. | Peter | Apr 2025 Aug 2025 |
| Initiation of the Insurance Strategy Project | Broader project to guide future insurance decisions, commencing June 2025. | On track for initiation June July 2025 . | Sandy | Dec 2025 |
| Accuracy Review of Insurance Schedules | Will occur once 3Waters RAMM project is complete; AON's proposal expected to enhance accuracy. | Ongoing | Peter | Following completion of RAMM project |
| Risk Appetite Presentation to Audit and Risk Committee | Risk appetite being defined with Elected Members to inform insurance planning. | Ongoing. Presented July 2025 | Sandy | Jul 2025 |

Attachments

Nil.



Report

Date : 14 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Stephen Dunn
Risk & Assurance Advisor

Subject : **Health, Safety, and Wellbeing Management Report**

Item No : **7.9**

1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 11 June 2025 concerning the Health, Safety, and Wellbeing Management Report (as circulated) be received.*

2. Reason for the Report

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

3. Due Diligence Plan 2023-2025

- 3.1 The table below outlines Health, Safety, and Wellbeing due diligence activities.
- 3.2 Institute of Directors training and the Facilities team risk reviews were completed this quarter.
- 3.3 The Health, Safety, and Wellbeing Strategy remains in progress and a detailed update is provided later in the report.

| Complete | On hold | On track | Revised but on track | Off track |
|----------|---------|----------|----------------------|-----------|
| | | | | |

| Scheduled Activity | Comment | Due | Status |
|--|---|---|--------|
| Institute of Directors training for Governance H&S Champion and key staff. | In progress. Complete | Mar 2023 Apr 2025 | |
| Develop H&S Strategy | See separate section in this report for an update on the Health, Safety, and Wellbeing Strategy. | Dec 2023 Jul 2025 Dec 2025 | |
| Risk review – Facilities | Booked for 29 April 2025. Complete. | Apr 2024 Apr 2025 | |
| Safe365 Internal audit report | Delayed until conclusion of the current work programme. | Oct 2024 Dec 2025 | |
| Risk review – Regulatory | Re-schedule from December 2024 | Dec 2024 Oct 2025 | |
| Risk review – Animal control | Re-scheduled from April 2025 | Apr 2025 Oct 2025 | |
| SafePlus Assessment | Re-scheduled from December 2023 | Dec 2023 Dec 2025 | |

4. Health, Safety & Wellbeing Strategy

- 4.1 The development of a Health, Safety, and Wellbeing Strategy is a component of the Due Diligence programme and a continuous improvement recommendation from the 2021 SafePlus internal audit.
- 4.2 While a single strategy document remains in progress this has not held back progress in improvements in health & safety and largely many parts of the strategy have been completed, for example the governance due diligence plan, the governance H&S Champion, improvements to employee participation, measurable goals, and improved reporting to the executive and governors.
- 4.3 The staff H&S Committee has had the opportunity to review and provide feedback on the strategy and has provided proposals for key principles and objectives that will make the strategy more usable.
- 4.4 This bottom-up approach has taken longer than expected, however will provide a significant benefit in staff engagement with the strategy.
- 4.5 We hope to bring a draft strategy to the Committee in December 2025.

5. Due Diligence Risk Review – Facilities

- 5.1 On 29 April 2025 the Committee conducted risk assessment site visits relating to the Facilities team at:

- Mangatera Cemetery
 - Dannevirke Holiday Park
 - Bird Aviary – Lower Domain
 - Wildlife Park – Lower Domain
- 5.2 The Committee was accompanied by key staff and met with contractors and volunteers on site.
- 5.3 The purpose of the visits was to support elected members in meeting their duties under section 44(4) of the Health and Safety at Work Act 2015 by:
- Acquiring and updating knowledge of health, safety and wellbeing (H&S) matters.
 - Gaining an understanding of the operations carried out and associated hazards and risks.
 - Ensuring the Council has and uses appropriate resources and processes to eliminate or minimise risks.
 - Ensuring that appropriate processes are in place for incident reporting, hazard management, and compliance.
 - Verifying that H&S resources and processes are being used effectively.
- 5.4 No significant H&S issues were identified and the Committee noted good relationships between Council and contractors, and a positive H&S culture with staff, contractors, and volunteers.
- 5.5 **Mangatera Cemetery**
- 5.6 The Committee met with the lead contractor and were provided with an overview of work on the site. Most of the work is carried out by contractors and a focus was on the effectiveness of the Council contractor relationship and the contractor H&S culture. The critical risk areas to review were:
- Contractor Management
 - Working Alone
 - Vehicle and Machinery Movements on Site
 - Excavation
 - The Cemetery Redevelopment
- 5.7 Elected Members noted the positive Council contractor relationship and did not note any significant Health and Safety concerns with the site.
- 5.8 **Dannevirke Holiday Park**
- 5.9 The Committee met with the campground manager and were provided with a tour of the site. The campground is managed by the contractor and a focus was on the effectiveness of the Council contractor relationship and the contractors H&S culture. The critical risk areas to review were:
- Contractor Management
 - General Electrical Safety
 - Falling trees/branches and other environmental hazards

- Camper and public behaviour
 - Emergency response and fire safety
 - Vehicle management
 - Campground facilities
- 5.10 There were no significant Health and Safety issues identified.
- 5.11 The Committee was provided with an overview of erosion at the site and Council's response to this is being reported through the Community Development and wellbeing Committee.
- 5.12 **Bird Aviary – Lower Domain**
- 5.13 The Committee met with a representative of the Dannevirke Bird Club and were provided with a tour of the aviary area. Council has a service contract with the Club to manage the aviary and wild birds in the Lower Domain. The Club is not a PCBU under the HSWA so does not have any of the resulting obligations, however Council does have PCBU obligations including a duty of care to workers (including volunteer workers). A focus of the visit was the effectiveness of the relationship between Council and the Club and on the Club's H&S culture. The critical risk areas to review were:
- Contractor Management
 - Biological Hazards
 - Working Alone
 - Working with the public
 - Cage maintenance
 - Bird and pest management
- 5.14 Elected Members did not raise any significant Health and Safety issues.
- 5.15 **Wildlife Park – Lower Domain**
- 5.16 The Committee met with key staff and were provided with a tour of the Wildlife Park. The critical risk areas to review were:
- Working Alone
 - Injuries and health risks from managing livestock
 - Biological hazards
 - Fencing
 - Pond safety and maintenance
 - Biohazards and pest management
- 5.17 Elected Members did not raise any significant Health and Safety concerns.
- 5.18 Elected Members discussed public safety and amenities of the site in general and progress and updates for these matters will be reported through the Community Development and Wellbeing Committee.

6. Due Diligence Risk Review – Pahiatua

6.1 In November 2024 the Committee completed site risk visits to the Pahiatua Water Treatment Plant, Pahiatua Wastewater Treatment Plant, and Pahiatua Transfer Station. The Committee has been monitoring progress of outstanding items from the visit.

6.2 Pahiatua Water Treatment Plant

6.3 Gas/vapour exposure: Remedial plan progressing, see Critical Risks section of this report.

6.4 Fatigue management: See the Critical Risks section of this report for progress.

6.5 Working alone: See the GetHomeSafe Deep Dive section of this report for an update.

6.6 Pahiatua Wastewater Treatment Plant

6.7 Fencing: Remedial plan progressing, see the Critical Risks section of this report for an update.

6.8 Pahiatua Transfer Station

6.9 Incremental improvements are being made within existing budgets where possible.

6.10 The challenges of the site mean meaningful improvements will need to await decisions made in the programmed Section 17A review.

6.11 The current focus is in improving overnight site security and improved signage and a solar trail camera have been installed. These have made no ongoing impact on the high frequency of theft and damage at the site; however, they contributed to arrests which reduced activity for a period.

6.12 At this stage there has been no change for the sole worker at the site including the state and placement of the kiosk, site security, amenities.

6.13 A further verbal update may be available as the team continue to work through these challenges.

7. Key Indicator Reporting

7.1 The following table provides an update on agreed reporting indicators from the 2022-2025 Due Diligence Plan.

7.2 Significant work continues to be invested in completing final stages of change management for staff and contractors around contractor prequalification, and we are now close to having all contractors – including community facilities - prequalified.

| Indicator | Target | Actual | Comments | Type | Status |
|--|------------|------------|--|------|--------|
| Notifiable Incidents | 0 | 0 | | Lag | |
| % H&S new staff inductions completed | 100% | 100% | | Lead | |
| % contractors pre-qualified | 100% | 94% (+5%) | Currently have 3 contractors who are being used for work on Council sites and are yet to submit any H&S documentation for assessment. We are working towards pre-qualifying our community facility providers e.g. swimming pools. | Lead | |
| GetHomeSafe use | 100% | 32% (+10%) | Further information is in the GetHomeSafe deep dive below. | Lead | |
| SafePlus result | Performing | Performing | This is the audit result from 2021. Council did not participate in the 2024 audit. Next audit due end of 2025. | Lead | |
| H&S staff survey | TBA | 67.5% | Action plan to be developed. | Lead | |
| H&S critical risk reviews conducted for 2025 | 6 | 0 | On track. Review of hazardous substances critical risk underway. Staff have reviewed risk analysis, final work now to be completed. | Lead | |
| H&S Committee meetings held for 2025 | 11 | 6 | On track. | Lead | |

8. Incident Investigation and WorkSafe Directive – 2021 Chlorine Incident

- 8.1 In January 2021 a worker was exposed to chlorine gas while changing a drum at the Pahiatua Water Treatment Plant.
- 8.2 The report was not formally brought into the H&S system until July 2024 and following an initial investigation a notification to WorkSafe was completed in December 2024.
- 8.3 The matter was first brought to the Committee's attention at its October 2024 meeting.
- 8.4 The investigation was carried out 'in-house' by the Risk and Assurance Advisor. Finalising an investigation into the event has been challenging due to the time

delay, including factors such as there being no scene to examine and staff changes.

8.5 The focus of the investigation was to establish the facts as best as possible, conduct a root cause analysis to identify organisational factors that may have contributed, and to provide recommendations for improvements that will make the Council workplace safer. The investigation included a review of controls for the relevant hazards.

8.6 It is noted that at the time the Plant was in the commissioning phase so there were shared responsibilities between staff and the project contractor.

8.7 Chlorine is a dangerous chemical that can cause significant health effects or death and in its gas form normally enters the body through inhalation. Chlorine is a requirement for the treatment of drinking water and as such is normally found at water treatment plants. The industry is highly regulated and chlorine handlers and sites must be certified.

8.8 The escape of chlorine gas is a notifiable event with notification required to WorkSafe under the HSWA.

8.9 The following factors or root causes contributed to the incident:

- Failure to use critical PPE.
- Potential configuration issue with the plant.
- Inadequate supervision or oversight.
- Potential that chlorine handler refresher training was not up to date as cannot locate records.
- Inadequate handover or staff induction during the commissioning phase of the plant.
- Inadequate H&S reporting system.
- Industry training standards.
- Resourcing.

8.10 **Changes Already Implemented**

8.11 Increased oversight through restructure of the team.

8.12 Implementation of the Safe365 app H&S reporting and management software.

8.13 **Recommended Actions**

8.14 The ELT have accepted and will action all recommendations as follows:

- Confirm the current chlorine setup meets manufacturer specifications by 31 July 2025.
- Review and update the H&S risk register to include chlorine gas as a specific risk with its own controls by 31 August 2025.
- Review and update Council's chlorine handline SOP referencing WorkSafe and industry standards by 31 August 2025.
- Review chemical handling training and recording referencing WorkSafe and industry best practice 30 September 2025.
- Ensure operators can complete critical tasks across all plants (to cover leave and illness) by 30 September 2025.
- Following the SOP and risk review, conduct and document regular safety audits from 30 September 2025.
- Review and confirm recommended action items contained in the Pahiatua WTP Operations and Maintenance Manual have been completed by 31 October 2025
- Continue to reinforce that reporting health & safety concerns is protected and expected, regardless of perceived fault. Ensure the team has and knows how to use Safe365. Provide training on notifiable events for all people leaders. Make improvements to the H&S reporting process to ensure there is no potential gap for feedback loop to managers. By 31 October 2025.
- Share lessons learned about project commissioning, handover, and staff induction with the Project Management Team by 31 July 2025.
- Continue efforts to fill vacant position and managing ongoing resourcing requirements. Ongoing

8.15 **WorkSafe Directive**

- 8.16 On 13 June 2025 WorkSafe issued a directive letter in relation to the above chlorine notification made in December 2024.
- 8.17 The directive related to the delay in notification between 2021 and 2024 and stated "... Council failed to maintain an effective process to notify WorkSafe New Zealand of a notifiable event as soon as possible."
- 8.18 Council has accepted it did not meet its duty to notify a notifiable event "as soon as possible" under section 56(1) of the Health and Safety at Work Act 2015.
- 8.19 As noted above, since the incident in 2021 Council has implemented the Safe365 app which provides a software based electronic incident reporting and management system.

- 8.20 WorkSafe was satisfied with Council's response and however at the time of writing were yet to complete their review into our investigation.

9. 2025 Health, Safety, and Wellbeing Workplan

- 9.1 The table below summaries the health, safety, and wellbeing workplan for the 2025 calendar year.
- 9.2 Some slippage is occurring and there has been a delay in getting to the contractor management induction and monitoring improvements. Gains are still being made in prequalification and the culture around contractor H&S even though this work has been delayed.
- 9.3 The hazardous substances critical risk review is underway, and the wastewater section is nearing completion. Engagement with staff has taken some time as has reference back to previous internal audits to ensure matters have been addressed. In all it has been a valuable exercise that will help with future reviews.

| Complete | On hold | On track | Revised but on track | Off track |
|----------|---------|----------|----------------------|-----------|
| | | | | |

| Project | Comment | Due Date | Status |
|---------------------------|---|--|--------|
| Critical Risk Reviews | Coordinate reviews of critical risks and controls on a bi-monthly interval. First two reviews are Hazardous Substances and Fatigue. Hazardous Substances review underway. Staff have reviewed risk analysis, final work now to be completed. | First review due Mar 2025 Apr 2025 July 2025 | |
| Policy Review | Conduct a full review of the Health and Safety Policy. Review underway. Strategy to be completed prior to policy to ensure documents talk to each other. | Apr 2025 Jul 2025 Sep 2025 | |
| Contractor Management | Standardise a contractor induction and monitoring process. | May 2025 Dec 2025 | |
| H&S Manual update | Update our current Health, Safety and Wellbeing Manual. | Dec 2025 Feb 2026 | |
| Improved Reporting | Enhance reporting to ELT and the Audit and Risk Committee | Dec 2025 | |
| H&S Committee Development | Strengthen the maturity of the H&S Committee. | Dec 2025 | |

10. Critical Risks

- 10.1 The table below provides an update on critical risks from the Heal, Safety, and Wellbeing Risk Register, specifically highlighting any non-compliance with existing controls. **Only non-compliant controls are shown, compliant controls are excluded from the table.**

| Risk Ratings | | | |
|-----------------------|--------------------|------------------------------|--------|
| Low | Moderate | High | Severe |
| Control Verifications | | | |
| Compliant | Some non-complaint | Key control(s) non-complaint | |

| No. | Risk | Risk Status | Non- Compliant or overdue Controls | Control Status |
|-----|--|-------------|--|----------------|
| 147 | Slipping into Ponds – Pahiatua Wastewater Treatment Plant and Eketāhuna Wastewater Treatment Plant | | <p>Following a H&S incident, a review of wastewater fencing identified significant deficiencies at the Pahiatua and Eketāhuna wastewater plants and some deficiencies at other plants.</p> <p>The fencing project is in Yr1-4 of the LTP. Work on the Pahiatua and Eketāhuna wastewater plants has been prioritised.</p> <p>Eketāhuna – Quotes in. Expect a contractor on site to develop timeline this month.</p> <p>Pahiatua – Expect the fencing contractor to start work this month.</p> | |
| 171 | Pahiatua Water Treatment Plant - Gas/vapour | | <p>Remedial action plan in place. All actions were due for completion by December 2024.</p> <p>Significant progress has been made towards removal of chemicals from the plant. Work is expected to be completed by 30 June mid August, pending contractor availability.</p> <p>In the meantime we are relying on additional administrative and PPE controls to manage the risk.</p> <p>Health monitoring. Complete</p> | |
| 97 | Stress & Fatigue | | <p>The control, utilisation of time in lieu for peaks and troughs workload, is non-compliant for the Water Treatment team although there has been a significant increase in awareness of the issues and fatigue management, resourcing remains an issue.</p> <p>Fatigue is to be reviewed as part of the H&S workplan Apr/May this year.</p> | |

| No. | Risk | Risk Status | Non- Compliant or overdue Controls | Control Status |
|-----|--|-------------|---|----------------|
| 94 | Hazardous Substances | | Controls are complaint however there is an issue at Pahiatua Water treatment Plant - Refer to risk 171 above. A formal review of the Hazardous Substances critical risk is part of H&S workplan scheduled for February – March commenced April 2025. Expected to be complete July 2025. | |
| 152 | Fire Danger/Explosion | | All controls complaint. | |
| 93 | Working Alone or Remotely | | Not all staff are using the GetHomeSafe app when appropriate. Next steps are to review, monitor and escalate. See Deep dive in this report. | |
| 98 | Contractor Management | | Standardised contractor inductions and monitoring is not in place. See 2025 H&S Work Plan for remedial actions. | |
| 99 | Violent, Aggressive or Threatening behaviour | | All controls complaint. | |
| 92 | Operation of Vehicles, including Driving | | Current controls are compliant however policy is due to be reviewed to update and align with current H&S practice. See Policy Review Programme in the Assurance Management Report for details. | |

11. GetHomeSafe App Deep Dive

11.1 Following concerns raised by the Committee at the April 2025 meeting, staff have conducted a 'deep dive' into the status of the GetHomeSafe app (GHS) as a lone and remote worker solution.

11.2 Remote or Lone Worker Policy

11.3 While it has been generally discussed as a requirement, the Policy itself does not require GHS use by lone or remote workers.

11.4 The policy lists GHS as one of a suite of communications options available to staff as shown below:

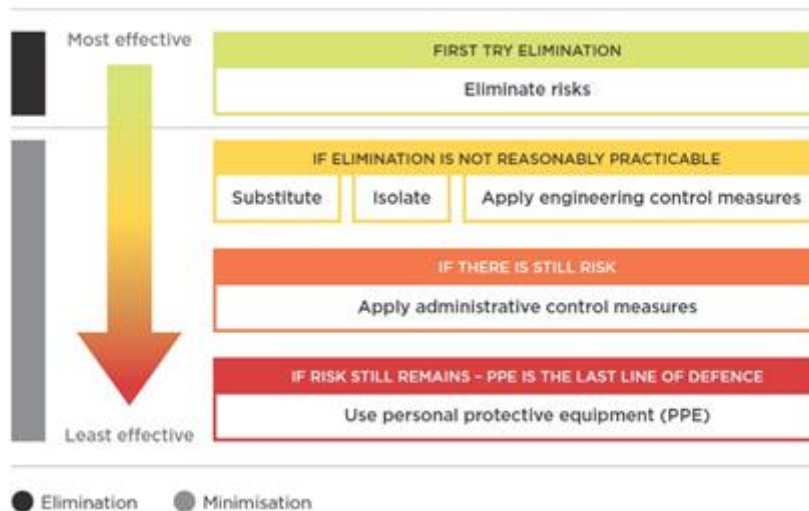
6.3. Communication Options

Council provides multiple communication options for lone or remote working:

- Cell phone
- Physical checks

- *GetHomeSafe app*
 - *Digital radio network*
 - *Guardian Angel system*
 - *Office panic alarms*
 - *E-Roads*
- 11.5 The Policy does require managers to complete a risk assessment for lone or remote workers (see section below).
- 11.6 The policy uses the HSWA2015 regulations to define **remote work** as “Remote or isolated work, in relation to a worker, means work that is isolated from the assistance of other persons because of location, time, or nature of the work.”
- 11.7 **Lone work** is not defined however the Good practice Guide | Remote Working – Government Health & Safety Lead defines a lone worker as: ...those who work by themselves without close or direct supervision; for example, people who work away from their fixed base, (such as maintenance workers); or people who service clients (such as social workers), or those people who work out in the field, (such as inspectors or rangers).
- 11.8 **Lone or Remote Work Risk Assessment**
- 11.9 The Policy implementation required managers to complete a risk assessment for staff who work alone or remotely. These were requested to be completed by 30th September 2024.
- 11.10 The risk assessment required managers to work with their staff member to document hazards and consider the impacts of lone or remote work on those hazards e.g. distance from help.
- 11.11 To date there has been 29 risk assessments completed and filed.
- 11.12 The risk assessments list multiple communication controls they are currently using which include GetHomeSafe. Example, Cell phone, physical checks, ERoad, staff calendar, digital radios, office in/out board.
- 11.13 It’s not clear in the risk assessment the frequency of working alone or remote and how that translated to the control requirements.
- 11.14 **Lone or Remote Work in the H&S Risk Register**
- 11.15 Working Alone or Remotely is a critical risk in the risk register with a **High** residual risk rating. It is a critical risk because it increases the likelihood and severity of risks already on site and reduces the ability to get help.
- 11.16 The HSWA requires PCBU’s to consider controls for H&S risks in the following way:
- 11.17 **Eliminate** the risk.

- 11.18 If elimination is not reasonably practicable then **Substitute, Isolate**, or apply **Engineering Controls** to the hazard.
- 11.19 If there is still a risk apply **Administrative** control measures.
- 11.20 If a risk still remains **PPE** is the last line of defence.



- 11.21 Controls for the risk are:
- Design of work - can your team work in pairs if the task is too risky to complete as a lone worker. (Elimination)
 - GHS app (Administrative)
 - Digital radios (Administrative)
 - ERoads (Administrative)
 - Physical Checks (Administrative)
 - Cellphone (Administrative)
 - Panic alarms - personal and hard wired (Administrative)

11.22 Recent Work to Improve Engagement

- 11.23 Manager Check-in: We are currently working through a review with managers to confirm staff identified as lone or remote workers. We expect this to be completed this month.

- 11.24 Staff awareness: Training pop up sessions on GHS app use have been held for staff. Internal promotion posters and vehicle prompt cards have been put in place in most vehicles.

11.25 Conclusion

- 11.26 In our deep dive we have drawn some conclusions on why GHS engagement is not what we expected. The principal issue appears to be a lack of clarity.
- 11.27 There is currently no policy requirement to use GHS – it is one of a suite of administrative control measures. There is a disconnect between the policy and the direction being provided.
- 11.28 Managers are not always clear on what constitutes a lone or remote worker whether they need to complete the risk assessment or not.
- 11.29 Managers and team leaders are already using a variety of ways to keep in touch with their teams.
- 11.30 More support and training is required to assist managers to complete risk assessments.
- 11.31 **Recommendations**
- 11.32 Recommendations are being finalised for presentation to ELT and will be brought back to the next Audit and Risk Committee meeting.

12. Incident Reporting Trends

- 12.1 We continue to work on how best to share incident and hazard reporting in a consistent way across the organisation from the H&S Committee, to staff and managers, the ELT, and to the Committee.
- 12.2 Feedback is welcome on the reporting below and we are seeking feedback from other groups this information is reported to.
- 12.3 **Incident Reports**
- 12.4 All **new reports submitted since last the last Committee meeting** and a note on their status (open = action or investigation still in progress, closed = investigation and any actions are complete).
- Near miss – exiting a staff carpark (open)
 - Aggression – by member of the public (closed)
 - Near miss – vehicle pulled out in front of Council vehicle (closed)
 - Aggression – by member of the public towards ACO (closed)
 - Near miss – Denmark Street public carpark (open)
 - Near miss – vehicle crossed the centre line in path of Council car (closed)
 - Wellbeing – public entering the staff carpark (open)
 - Near miss – Denmark Street public (open)
 - Environmental - meeting room ventilation – carbon dioxide levels (open)
- 12.5 Year to date reporting trends.



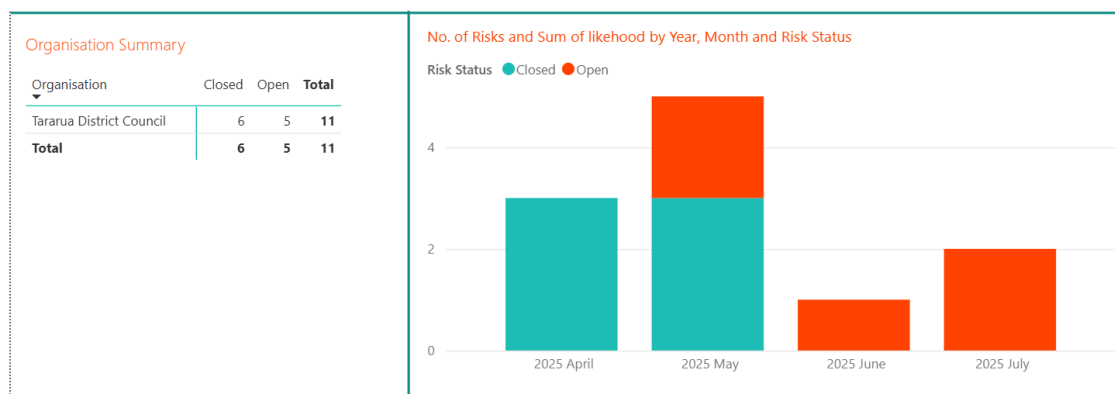
12.6 Earlier Incident Report Still in Progress

- Wellbeing – closing feedback loop
- Wellbeing – closing feedback loop
- Near miss – being reviewed by H&S Committee.
- Near miss – Action plan in place.
- Gradual process injury - risk assessment to complete.
- Minor Injury – Action plan in place.
- Wellbeing – review of new control.
- Near Miss — Action plan in place.

12.7 Hazard/Risk Reports: New since last meeting

- Trip risk (open)
- Ventilation (open)

12.8 Earlier Open hazard/risk Reports



- Electrical Meter Safety – Multiple locations.
- Eye strain and computer use hazard.
- Vehicle movement hazard.

12.9 Further Reporting Improvements

- 12.10 A 'by department' report is being developed but is not able to be generated natively by our Safe365 app and requires additional data manipulation. It is hoped this will be available by the next meeting.

Attachments

Nil.



Report

Date : 17 July 2025

To : Chairperson and Committee Members
Audit and Risk Committee

From : Sandy Lowe
Group Manager - People, Capability and Customer Engagement

Subject : **Drafted Triennium Work Programme 2025 -2028**

Item No : **7.10**

1. Recommendation

- 1.1 *That the report from the Group Manager - People, Capability and Customer Engagement dated 09 July 2025 concerning the Drafted Triennium Work Programme 2025 -2028 be received; and,*
- 1.2 *That the Council notes that the final Audit and Risk Committee Triennium Work Programme 2025-2028 will be presented to the incoming Council by the Chairperson.*

Executive Summary

This report presents the drafted Audit and Risk Committee Work Programme for the 2025–2028 triennium for the Committee’s review. Following this meeting, the Chairperson will seek feedback from members on the Committee’s effectiveness. Any required amendments to the draft programme will be made accordingly. The finalised programme will be reported to the incoming Council following the 2025 elections.

2. Reason for the Report

- 2.1 To enable the Committee to receive and review the draft Work Programme for the 2025–2028 triennium.

3. Background

- 3.1 The current triennium (2023–2025) work programme was adopted in April 2023 and has provided a structured approach to the oversight of risk, and assurance matters. As the new triennium approaches, a refreshed draft work programme has been developed to guide the Committee’s responsibilities and schedule over the next three years.

4. Description

- 4.1 The draft 2025–2028 Work Programme builds on the current programme, with additions including:
- 4.1.1 Clearer sequencing of the Annual Report and Long Term Plan audit processes.
 - 4.1.2 Introduction of an All-of-Government (AoG) Risk Maturity Assessment to support continuous improvement in risk management practices.
 - 4.1.3 Expanded assurance activities, including the addition of the Building Consent Authority (BCA) Accreditation Report, Waste Minimisation reporting, and Tararua Alliance NZTA audits.
 - 4.1.4 Inclusion of the health and safety due diligence plan, so a separate document is not required to be maintained.
- 4.2 There are still gaps in timing for some items, which officers are working through finalising.

5. Significance Assessment

- 5.1 This matter does not trigger the Council’s Significance and Engagement Policy. It is an administrative function to ensure continuity and clarity in governance oversight.

6. Conclusion

- 6.1 The draft 2025–2028 Work Programme reflects the Committee’s ongoing role in supporting the organisation to increase its overall risk maturity. Feedback on the Committee’s effectiveness will help ensure the programme remains relevant and impactful. A final version, incorporating any necessary adjustments, will be presented to the incoming Council following the election.

Attachments

1. [Audit and Risk Committee - DRAFT Triennium Work Programme 2025 - 2028](#)



| Audit and Risk Committee – Three Year Work Programme 2025-2028 | | | | | | | | | | | | |
|--|----------|----------|-------|------|---------|----------|-------|------|---------|----------|-------|------|
| Committee | 2025 | 2026 | | | | 2027 | | | | 2028 | | |
| Workshop | November | February | April | July | October | February | April | July | October | February | April | July |
| Committee Administration | | | | | | | | | | | | |
| Participate in the Committee Induction Programme | | | | | | | | | | | | |
| Confirm the Terms of Reference | | | | | | | | | | | | |
| Approve work programme for following three years | | | | | | | | | | | | |
| Provide feedback on the effectiveness of the committee | | | | | | | | | | | | |
| Corporate Planning | | | | | | | | | | | | |
| Annual Report | | | | | | | | | | | | |
| Receive the AR letter of engagement | | | | | | | | | | | | |
| Receive the letter of engagement for the audit of the debenture trust deed | | | | | | | | | | | | |
| Receive Draft Annual Report Audit Management Report (public excluded) | | | | | | | | | | | | |
| Receive Annual Report Audit Management Report | | | | | | | | | | | | |
| Long Term Plan | | | | | | | | | | | | |
| Receive the LTP letter of engagement | | | | | | | | | | | | |
| Receive indicative draft Financial Strategy | | | | | | | | | | | | |
| Receive indicative draft Infrastructure Strategy | | | | | | | | | | | | |
| Receive draft Assumptions | | | | | | | | | | | | |



| Committee | 2025 | 2026 | | | | 2027 | | | | 2028 | | |
|---|----------|----------|-------|------|---------|----------|-------|------|---------|----------|-------|------|
| Workshop | November | February | April | July | October | February | April | July | October | February | April | July |
| Monitor the Long Term Plan project risk register | | | | | | | | | | | | |
| Receive the LTP audit management report | | | | | | | | | | | | |
| Assurance | | | | | | | | | | | | |
| Set the internal audit programme | | | | | | | | | | | | |
| Review the internal audit programme | | | | | | | | | | | | |
| Monitor the implementation of audit reports recommended actions | | | | | | | | | | | | |
| Monitor the policy review programme | | | | | | | | | | | | |
| Receive the BCA accreditation report | | | | | | | | | | | | |
| Receive the waste minimisation report | | | | | | | | | | | | |
| Tararua Alliance | | | | | | | | | | | | |
| Confirm the Terms of Reference for the internal audit of the Tararua Alliance | | | | | | | | | | | | |
| Receive the Tararua Alliance Performance Audit | | | | | | | | | | | | |
| Receive the Tararua Alliance Financial Audit | | | | | | | | | | | | |
| Receive the NZTA Investment Audit | | | | | | | | | | | | |
| Receive the NZTA Performance Audit | | | | | | | | | | | | |
| Receive the Tararua Alliance Principals Group & Zeroharm Report | | | | | | | | | | | | |



| Committee | 2025 | 2026 | | | | 2027 | | | | 2028 | | |
|---|----------|----------|-------|------|---------|----------|-------|------|---------|----------|-------|------|
| Workshop | November | February | April | July | October | February | April | July | October | February | April | July |
| Risk Management | | | | | | | | | | | | |
| Set the risk appetite | | | | | | | | | | | | |
| review the risk appetite | | | | | | | | | | | | |
| Receive the Environmental scan | | | | | | | | | | | | |
| Receive the Emerging risks | | | | | | | | | | | | |
| Receive the Top 10 Strategic, Operational and Health and Safety Risks | | | | | | | | | | | | |
| Review / Confirm the Risk Management Framework | | | | | | | | | | | | |
| Approve the Insurance Strategy | | | | | | | | | | | | |
| Monitor the Insurance Strategy | | | | | | | | | | | | |
| Complete the AoG Risk Maturity Assessment (align to risk framework review). | | | | | | | | | | | | |
| Health and Safety Due Diligence | | | | | | | | | | | | |
| Policy & Planning | | | | | | | | | | | | |
| Endorse Due Diligence Plan and confirm activities | | | | | | | | | | | | |
| Review and endorse the H&S Governance Charter | | | | | | | | | | | | |
| Appoint Governance H&S Champion | | | | | | | | | | | | |
| Annual Health and Safety Activity Plan for Continual Improvement | | | | | | | | | | | | |
| Review & Monitoring of the H&S Strategy | | | | | | | | | | | | |



| Committee | 2025 | 2026 | | | | 2027 | | | | 2028 | | |
|---|----------|----------|-------|------|---------|----------|-------|------|---------|----------|-------|------|
| Workshop | November | February | April | July | October | February | April | July | October | February | April | July |
| Delivery | | | | | | | | | | | | |
| Health and Safety Induction for Elected Members | | | | | | | | | | | | |
| Health and Safety Governance Training (online) | | | | | | | | | | | | |
| IoD Advanced H&S Governance Training for Champion | | | | | | | | | | | | |
| Monitoring | | | | | | | | | | | | |
| Risk Review Site Visits | | | | | | | | | | | | |
| Health and safety management reporting | | | | | | | | | | | | |
| Review | | | | | | | | | | | | |
| SafePlus Assessment report to Audit and Risk | | | | | | | | | | | | |
| Safe365 Internal Audit Report | | | | | | | | | | | | |