

Audit and Risk Committee

Notice of Meeting

A meeting of the Audit and Risk Committee will be held in the Council Chamber, 26 Gordon Street, Dannevirke on **Tuesday 24 January 2023** commencing at **9.30am**.

Bryan Nicholson Chief Executive

Agenda

- 1. Welcome
- 2. Apologies
- 3. Notification of Items Not on the Agenda
- 4. Reports
- 4.1 Risk and Assurance Management Report
- 4.2 Policy Development Framework
- 4.3 ICT Acceptable Use Policy
- 4.4Privacy Policy2174.5Fraud and Corruption Policy2274.6Protected Disclosures Policy241
- 4.7 Health and Safety
- 5. Closure

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Report

Date	:	18 January 2023
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Stephen Dunn Risk & Assurance Advisor
Subject	:	Risk and Assurance Management Report
ltem No	:	4.1

1. Recommendation

1.1 That the report from the Risk & Assurance Advisor dated 11 January 2023 concerning the Risk and Assurance Management Report (as circulated) be received.

2. Reason for the Report

2.1 To provide an update on matters relating to risk management and internal audit.

3. Audit and Risk Committee Terms of Reference

- 3.1 The Audit and Risk Committee Terms of Reference sets out the purpose of the Committee to check and ensure continuity of business, enhance the governance framework, risk management practices and controls used to monitor Council's achievements (A copy of the Terms of Reference for the Audit and Risk Committee is attached).
- 3.2 The Committee receives the Audit New Zealand audit report and monitors the implementation of recommended actions in relation to the internal control environment, internal reporting, and external reporting and accountability.
- 3.3 The Committee also provides an oversight of Council's approach to risk and compliance.
- 3.4 The Committee makes recommendations to Council in relation to:

- The robustness of the internal control framework and financial management practices.
- The integrity and appropriateness of internal and external reporting and accountability arrangements.
- The robustness of risk management systems, processes, and practices.
- Monitoring sector best practice and guidance in relation to audit and risk matters.
- 3.5 Note that Annual Plan and Long-Term Plan responsibilities previously part of the Audit and Risk Committee Terms of Reference have moved to the Finance and Performance Committee.

4. Audit and Risk Committee Work Programme

- 4.1 The Committee three-year work programme through to October 2023 is attached and a summary of variances is listed below. Note that the Annual Plan and Annual Report workstream is now captured in the Finance and Performance Committee Terms of Reference.
- 4.2 The item Setting of Risk Appetite due for completion last term, is now scheduled to be workshopped in July 2023.
- 4.3 The item Confirmation of the Internal Audit Programme scheduled for June 2022 is included in this report.
- 4.4 The item External Audit Reporting / Monitoring of Improvement Programme progress due in October has been delayed along with the Annual Report and will be reported in July 2023. A copy of the Monitoring Report for audits up to year end 2021 is attached.
- 4.5 The item Treasury Risk Workshop presentation by PWC scheduled for October 2022 is now scheduled to be part of an Annual Plan workshop.
- 4.6 The item Review of the Performance and Effectiveness of the Audit and Risk Committee was due to be completed for the last triennium. This was a recommendation of the 2019 Audit and Risk Committee Post Implementation Review. A copy of the review's management plan is attached for information. It is recommended that rather than focus on the last triennium resources are utilised to develop the work programme and in development for the Committee.
- 4.7 An updated work programme considering the new Terms of Reference, and a work programme for the three years from November 2023 will need to be developed. It is recommended this be completed at a workshop prior to the next Committee meeting.

5. Risk Management Framework

5.1 The Risk Management Framework (attached) sets out Council's risk management policy and processes.

- 5.2 The Committee is responsible for providing oversight of the Council risk management policy, framework, and associated procedures (refer Terms of Reference).
- 5.3 The Framework was developed in 2018 using recommendations from an internal audit on Council risk management practices and is based on the New Zealand ISO 31000 Risk Management Standard. It has been reviewed and updated on three occasions since implementation.
- 5.4 The Framework outlines the responsibilities of Council and the Committee (Page 6). It sets out the risk management process, risk assessment matrix and risk ratings, and provides a table of consequence ratings. Appendix C of the Framework details the escalation process for the reporting of risks to the Committee.

6. Risk Management and Monitoring

6.1 Strategic Risk Register

- 6.1.1 Council maintains a Strategic Risk Register that incorporates strategic and organisational level risks and controls. There are currently 28 risks being monitored at the organisational level. Each risk is owned by a member of the Executive Leadership Team. The Register is maintained in the Promapp software application and a snapshot as of 21 December 2022 is attached.
- 6.1.2 An improved method for reporting to the Committee in a more user-friendly way is in development, and this is expected to be available for the March 2023 Committee meeting.
- 6.1.3 The current top ten risks are listed below, and details of the risk description and controls are in the attached Strategic Risk Register:

Risk Description	Risk Rating
Three waters renewals	Severe
Capital works programme not delivered within acceptable tolerance levels (time and budget)	Severe
Staff resources are inadequate to successfully deliver Council strategic objectives	Severe
Waka Kotahi funding	Severe
Climate change	Severe

Infrastructure compliance cost increases	Severe
Non-compliance with statutory requirements	Severe
Three waters reform programme	Severe
Failure to maintain and strengthen iwi and Māori partnerships	High
Health and safety notifiable event	High

6.2 Dannevirke Impound Supply - Update

- 6.2.1 A report on the Dannevirke Impound Supply Financials and Planning was made to the 28 September 2022 Council Meeting. Three options for progressing the response were presented and Option Three was recommended.
- 6.2.2 Option Three recommendation:
- 6.2.3 Progress planning of permanent repairs and functional improvements, as well as planning for water pre-treatment and supplementary water source solutions.
- 6.2.4 This is the most expensive option but will provide additional resilience while the dam is being repaired as well as into the future. Further Council decisions will be required once all the relevant information and investigations into the final design risk mitigations and solutions are completed. Additional funding at this stage is only sought for the contractor and consultant costs to identify and investigate the best process and solution to repair and add resilience into Dannevirke's water supply
- 6.2.5 Council resolved the following:
- 6.2.6 That Council approves option 3 to progress planning of permanent repairs and functional improvements, as well as planning for water pre-treatment and supplementary water source solutions, and
- 6.2.7 That Council approves funding of \$1,085,000 to progress the planning of permanent repairs and functional improvements, as well as planning for water pre-treatment and supplementary water source solutions, and
- 6.2.8 That Council through the Chief Executive will be provided with regular updates as to progress on the above, and
- 6.2.9 That any further decisions relating to the construction of the pre-treatment option and repairs to Dannevirke's Impounded Supply will be brought back to Council for a decision to proceed.

- 6.3 Some planning progress has been made with the primary focus the securing of a programme manager to lead the planning.
- 6.4 Work also continues with preparations for dry summer weather. The Infrastructure Group is making progress with installing a temporary pumping solution on the Impound Supply roof. There were setbacks, but these were resolved in December. The pumps will be in by middle January. The reservoir is at good capacity, and the risk is currently in hand.

6.5 **Debt Headroom**

- 6.5.1 Council has a Financial Strategy (2021-31 LTP) that enables Council to progress its objectives in the Long-Term Plan (particularly growth), with an increased focus on creating financial resilience to manage the financial implications of the unknown. The six key initiatives in the Financial Strategy aims to enhance financial resilience in the following areas:
 - Debt headroom
 - Rates headroom
 - Asset renewals
- 6.5.2 The focus in this section is the Debt headroom
- 6.5.3 Council maintains capacity within its borrowing limits so it can increase borrowing as a solution to unplanned events such as a natural disaster or major infrastructure failure ("headroom"). Note that there are other mitigations for unplanned events including reserves, insurance, and altering the capital works programme or levels of service.
- 6.5.4 Details of Council's borrowing limits are set out in the Financial Strategy in the Long-Term Plan, and in the Treasury Risk Management Policy (attached). This is within the Local Government Funding Agency (LGFA) lending policy covenant of Net Debt as a Percentage of Revenue of 175%

Policy statement

Council will manage its debt in accordance to Council's borrowing limits and external lender covenants.

Debt will be managed within the following limits:

Item	Council Borrowing Limit	LGFA Covenants
Net external debt as a	<150%	<175%
percentage of total revenue		
Net Interest on external debt as	<7%	<20%
a percentage of total revenue		
Net Interest on external debt as	<10%	<30%
a percentage of annual rates		
income (debt secured under		
debenture)		
Liquidity (External debt +	>110%	>110%
available committed bank		
facilities + cash and cash		
equivalents to existing external		
debt)		

- 6.5.5 In the 2021-2031 Long Term Plan Council increased its borrowing limit (net debt as a percentage of revenue from 100% to no great than 150% to reduce pressure on headroom while facilitating the objectives of the capital works programme. To support this Council introduced a programme of debt repayment at 2% of rates per year.
- 6.5.6 The debt repayment was temporarily reduced from 2% or rates to 1% of rates for the 2021/22 Annual Plan to reduce the overall impact of rates.
- 6.5.7 Headroom is among controls for Strategic Risk Register risks *Climate Change* risk rating **severe**, *Three Waters Renewals* risk rating **severe**, *Waka Kotahi Funding* risk rating **severe**, *Inflation* risk rating **moderate**, *Economic Shock* risk rating **moderate**, and *Population Growth* risk rating **moderate**.

6.6 **Cyber Security Update**

6.6.1 In February 2021 the Council had a security audit carried out using the ALGIM Local Government Cybersecurity Framework. There were a range of recommendations made to mitigate risks to Council's digital environment. Covid-19 restrictions made it challenging to progress with these recommendations, however some changes were made. Multi factor authentication was introduced, software was installed to help staff deal with email phishing scams and attacks, laptops have been encrypted, Sophos software protects Council from malicious code on USBs, and the ICT Acceptable Use policy has been redeveloped and communicated to staff. Further work has now begun on addressing other recommendations, which will continue through 2023 in line with the draft Information Services Strategic Plan 2023-24.

- 6.6.2 Council has contracted a security company to carry out a vulnerability scan of internal and external assets and internal penetration testing in January 2023. This may highlight other more technical recommendations to further mitigate any risks.
- 6.6.3 Staff are now regularly being made aware of the cyber security risk to our environment, through the internal newsletter and email, and this will continue indefinitely.
- 6.6.4 Council's security software systems are working as expected and no security breaches have been detected.
- 6.6.5 Cyber security is currently captured in the Strategic Risk Register item Significant IT Failure that Disrupts the Organisations Ability to Provide Agreed Levels of Service and has a residual risk rating of **high**.

6.7 Environmental Scan

- 6.7.1 Environmental scanning is the process of gathering information about events and their relationships to an organisation's internal and external environments. It assists management in informing the governance team of known and possible future trends.
- 6.7.2 The Committee receives regular environmental scans to help it understand external influences and pressures (refer Terms of Reference).
- 6.7.3 The latest Council environmental scan was completed on 7 December 2022 to support Annual Plan and Long-Term Plan development and is attached.
- 6.7.4 The scan identifies five key risks which are summarised below:
- 6.7.5 **Inflation and economic activity:** The risk of recession is building, along with a significant decline in property and other asset prices. Tararua business and development activity is still positive but is not immune to the wave of cost increases hitting New Zealand and much of the developed world. Council is facing large cost increases across all activities.
- 6.7.6 **Growth and demographics:** Growth is easing again, and this will impact on growth and infrastructure considerations.
- 6.7.7 **Government policy and structural change in local government:** Political debate around 3Waters and the climate change pricing of emissions is creating major uncertainties for Council and the community. While some changes will take functions away from Council, others may lead to more costs and additional requirements for Council.
- 6.7.8 **Climate Change:** The report summarises several factors relating to climate change including the impacts of more frequent and severe weather events, sea level rise,

insurance costs, land use change, emissions pricing, and climate related legislation.

6.7.9 **World geopolitics and trade:** The World has become less interconnected and less open in 2022. Trade factions and barriers are increasing. For a small and remote country reliant on trade for prosperity this is not ideal. At this stage access to markets has been maintained (except for Russia) and prices are good. The lower NZD has largely offset any declines in world product prices. Slowing growth in China is the biggest risk as our largest trading market.

6.8 **Review into the Future for Local Government - Update**

- 6.8.1 The Government has commenced an independent review of local government -Review into the Future for Local Government. The scope of this matter comprises what local government does, how it does it, and how it pays for it. The scope includes, but is not limited to, a future looking view of the following:
 - Roles, functions, and partnerships
 - Representation and governance; and
 - Funding and financing.
- 6.8.2 The overall purpose of the Review is, as a result of the cumulative changes being progressed as part of the Government's reform agenda, to identify how our system of local democracy and governance needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership.
- 6.8.3 The draft report was released in late October 2022, final report now due June 2023. Submissions to the report close 28 February 2023. The briefing document from Taituarā to assist in submissions is attached
- 6.8.4 It is important to note that this is the Panel's report and is not a draft of its final recommendations to the Minister. Along with draft recommendations it asks several questions. At this stage there isn't a concrete comprehensive proposal for the future for local government.
- 6.8.5 In February 2023 the review Panel are having webinars to discuss the draft report and recommendations. These webinars are targeted at different audiences and local government itself is not one of them.
- 6.8.6 The draft report poses recommendations and key questions to shape a more community-focused, citizen-centred local governance system.
- 6.8.7 The report looks at how democracy can be strengthened; the roles, functions and structures of local government; the creation of stronger partnerships between central and local government and iwi Māori; and enabling local solutions to local problems.
- 6.8.8 The draft report focuses on the following:
 - Strengthened local democracy

- Authentic relationships with hapu, iwi and Maori
- A focus on wellbeing
- Genuine partnership between central and local government
- More equitable funding
- 6.8.9 *The Future for Local Government Review* is recorded as a strategic risk in Strategic Risk Register and has a risk rating of **moderate**.

6.9 **Resource Management Reforms Update**

- 6.9.1 The Government is pushing on with replacing the RMA with 3 new pieces of legislation. How this all impacts the District Plan review is still not clear, but more regional type plans are proposed that may reduce Council involvement and responsibilities for resource management. The Natural Built and Environments Bill (NBA) and the Spatial Planning Bill have now been introduced to parliament. This will replace much of the RMA.
- 6.9.2 The aim is for the NBA and Spatial Planning Act (mandating regional spatial planning) to be passed into law before the 2023 central government election. The other new Bill will be the Climate Change Adaptation Act introduced in 2023.
- 6.9.3 Submissions on the Natural and Built Environment Bill and the Spatial Planning Bill close on 5 February 2023. Taituarā briefing on these Bills here Attachment (taituara.org.nz)
- 6.9.4 The impacts of the legislation are likely to be the following:
- 6.9.5 Natural and Built Environments Bill (NBA) requiring local government and mana whenua to form joint, regional planning committees to develop one NBA plan for each region replacing over 100 district and regional plans with up to 15 NBE plans that aim to provide an integrated framework for use and development within environmental limits. These plans will replace existing regional policy statements, regional plans, and district plans.
- 6.9.6 The Natural and Built Environment Bill is the main replacement for the Resource Management Act 1991 (RMA).
- 6.9.7 The Bill also provides for environmental limits and targets (to improve, including "minimum level targets") and management units. This has proven difficult (if not unworkable) at the regional level and will need to be carefully worked through if previous issues with national direction are to be resolved.
- 6.9.8 The legislation is touted as moving away from effects-based management to managing for outcomes.
- 6.9.9 The Bill introduces a National Planning Framework (which will be a regulation under the Act) to give consistent and stronger national direction to the plans and a framework for allocating resources.

- 6.9.10 There is a lot of detail still to come. The general thrust is significantly more direction from central government that will result in more consistency across the regions.
- 6.9.11 Spatial Planning Bill (SPA) requiring local government, mana whenua and central government agencies to form joint committees to develop one long-term Regional Spatial Strategy for each region. Central government will be at the table, with councils and iwi, hapū, and Māori (a minimum of two Māori appointments). All councils can be represented (at least one appointment per council). There are concerns that this will not be sufficient to ensure democratic accountability.
- 6.9.12 The Regional Spatial Strategy will set out the vision, objectives, strategic direction, and priority actions for each region for at least 30 years.
- 6.9.13 The Strategies must consider areas that require protection and enhancement, areas that are appropriate for development, resource use and land use change, areas that are vulnerable to hazards and climate change, areas of cultural heritage, areas with resources that are of significance to Māori and key infrastructure including the co-ordination of infrastructure between providers.
- 6.9.14 Each strategy will be accompanied by an agreed implementation plan and will influence regional land transport plans and future local government long-term plans.
- 6.9.15 Both the Spatial Planning Bill and the Natural and Built Environment Bill provide a greater, more strategic role for Māori participation as well as requiring decision makers (and the strategies and plans in the Bills) to give effect to the principles of Te Tiriti o Waitangi.
- 6.9.16 The extent of Council involvement in planning, spatial planning and the adoption of the District Plan is likely to be reduced.
- 6.9.17 It's proposed that Statements of Community Outcomes (SCO) and Statements of Regional Environmental Outcomes (SREOs) are developed by Councils, their communities and iwi/hapū.
- 6.9.18 One of the Better Off funding projects (Future Community Urban Design), includes a section on taking the outcomes of the project and District Plan Review work and preparing a Spatial Plan for Tararua. This can then be used to input into the Regional Spatial Strategy.
- 6.9.19 *Resource Management Act (1991) Reform* is recorded in the Strategic Risk Register as a strategic risk and has a risk rating of **high**.

6.10 **3Waters Reform Update**

6.10.1 The Department of Internal Affairs continues to actively prepare for the transition of three waters into new Water Services Entities. Its National Transitional Unit is

split into multiple workstreams, and Council now has direct input into the five main areas of work, these being:

1	Asset Management, Operations, Stormwater
2	Customer & Digital
3	Finance, Commercial, Legal
4	People & Workforce
5	Emergency Management

- 6.10.2 In addition, Council has internal tasks on Funding matters (Grants Better Off and Transition) and Policy /Legislative matters: Council submitted to the Finance and Expenditure Select Committee on the Water Services Entities Bill and this was reported at the Strategy and Policy Committee Workshop on 10 August 2022. There are two new Bills currently being consulted upon, both with deadlines of 12 February.
- 6.10.3 Recent Inputs to the major workstreams by Tararua District Council have been:

NTU / Workstream	Activity	Due Date
Policy	Water Services Entities Act 2022	Aug 2022
Customer & Digital	Digital Workshop	Tue 15/11/2022
Asset Management, Operations, Stormwater	Capital Expenditure Forecast 30 Year Unconstrained - Spreadsheet	Thu 17/11/2022
Asset Management, Operations, Stormwater	AMP information workshop	Thu 17/11/2022
People & Workforce	Human Resources - Spreadsheet	Mon 12/12/2022
Asset Management, Operations, Stormwater	Operating Expenditure 10 Year Unconstrained - Spreadsheet	Fri 16/12/2022
Finance, Commercial, Legal	NTU Operational Stocktake	Tue 20/12/2022

6.10.4 Key Upcoming Transitional Activities

Council has received funding for managing transitional issues and to back-fill resources. The next few months will see an increase in demand for information and updating of preliminary stocktake and plans.

Overview of key activity (things we	e need to do)	
NTU / Workstream	Activity	Due Date
Policy	Provide feedback on the Draft Guidance on Monitoring and Oversight Process	Tue 24/01/2023
Policy	Water Services Legislation Bill	Sun 12/02/2023
Policy	Water Services Economic Efficiency and Consumer Protection Bill	Sun 12/02/2023
Finance, Commercial, Legal	Provide feedback on the Draft Transfer Principles	Fri 31/03/2023
Finance, Commercial, Legal	Complete Legal Transfer Questionnaire	Fri 31/03/2023
	AMP:	
Asset Management, Operations, Stormwater	High Level Worksheet	Now Due
Asset Management, Operations, Stormwater	Detailed workplan	Thu 02/02/2023
Asset Management, Operations, Stormwater	Unconstrained CAPEX - 2nd CAPEX investment forecasts - refining cost assumptions	Fri 31/03/2023
Asset Management, Operations, Stormwater	OPEX forecast	Jan/ Feb
Asset Management, Operations, Stormwater	Non-financial information	TBA
Funding	Better off Funding application	Tue 28 Feb 2023
Funding	Better off Funding 1 st 6-monthly report	Wed 25 Jan 202
Funding	2nd Invoice and Report	Now Due
Customer & Digital	Data & Digital: Preparation for data migration	Jan/Feb/Mar
Asset Management, Operations, Stormwater	Operations: completion of stocktake workshops	Tue 01/11/2022
Overview of things we need to be	aware of	
Finance, Commercial, Legal	Review settlement accounts V1 & agree plan	
Finance, Commercial, Legal	Review by NTU Version1	Feb/Mar 2023
Finance, Commercial, Legal	Agree joint plan to resolve material issues	By 30 June 2024
Finance, Commercial, Legal	Review funding and pricing plan	March/April 202
Finance, Commercial, Legal	Confirming FY22 debt	Fri 31/03/2023
Upcoming Matters / Evolving Issue	25	
Finance, Commercial, Legal	Constitutions: Involvement in development of WSE constitutions?	
People & Workforce	People & workforce: feedback on WSE organisational design	From early 2023
Asset Management, Operations, Stormwater	Bylaws	
Asset Management, Operations, Stormwater	Stormwater - Transitional Guide for Growth & Land Development	March
Asset Management, Operations, Stormwater	Wastewater - Trade waste - existing bylaws, permits & agreements	Feb-Jun 2023
Special Items of Involvement		
Special Items of Involvement	Emergency Response Management Working Group	Mon 21/11/2022

6.10.5 *3 Waters Reform Programme* is recorded as a strategic and operational risk in the Strategic Risk Register and has a risk rating of **severe**. With the Water Services Act and Bills before Parliament, the risks and mitigations are becoming clearer. The risk register items (operational and strategic) for the transitional period leading up to transfer on 30 June 2024 can now be prepared.

6.11 Insurance Update

6.11.1 Council is currently working with AON on the annual insurance renewal process and we expect to provide an update on this at the next Committee meeting.

6.12 **Provincial Growth Fund**

6.12.1 Staff are currently working through a review of expenditure for projects initiated using the Provincial Growth Fund and expect to provide an update on this at the next Committee meeting.

7. Internal Audit Programme – 2022-2024

- 7.1 The Committee is responsible for making recommendations to Council on the robustness of the internal control framework and financial management practices, and the robustness of risk management systems, processes, and practices (refer Terms of Reference).
- 7.2 To support this responsibility the Work Programme includes setting the Internal Audit Programme.
- 7.3 The Committee did not set any specific additional items for the internal audit programme for 2020-21 and 2021-22 primarily due to internal and external constraints during the covid-19 response.
- 7.4 Regular scheduled internal audits and reviews for the period were completed including the 2021 SafePlus Health and Safety Audit, 2021 IANZ Building Consent Authority Accreditation Assessment (and again in December 2022 report to come to next Committee meeting), 2021 Filtar Alliance Progress Report, 2021 Tararua Alliance Financial Report, and the 2021 Information Services ALGIM Security Framework and Security Audit.
- 7.5 The internal audit programme being recommended is for the balance of the 2022-23 financial year, and the 2023-24 financial year.
- 7.6 The internal audit programme provides the Committee with assurance and allows it to focus on higher risk areas to test the robustness of the internal control framework and financial management practices, and risk management systems, processes, and practices.
- 7.7 Management recommends the following as priority areas for the 2022-2024 Internal Audit Programme:

7.7.1 Procurement and Contract Management Framework Assessment

- 7.7.2 Procurement is the process used to acquire and manage goods and services, and contract management describes activities that take place once goods and services have been sourced and the final delivery of those goods and services (Office of the Auditor General)
- 7.7.3 Public organisations need to carry out their procurement in a transparent, accountable, impartial, and equitable way. Public organisations need to monitor and manage a supplier's performance to assess whether the public organisation is getting the full value that was identified during the procurement of the goods or services. It should determine how much monitoring and managing to do based on its assessment of risk and the costs and benefits of that monitoring and managing. Monitoring and managing supplier performance should be a priority when the value and the risks associated with the procurement are high (Office of the Auditor General).

- 7.7.4 An effective procurement and contract management framework are among controls for Strategic Risk Register risks *Capital Works Programme not Delivered Within Acceptable Tolerance Levels* risk rating **severe**, *Conflict of Interest* risk rating **high**, *Fraud* risk rating **high**, and *Health and Safety Notifiable Event* risk rating **high**
- 7.7.5 In recent years Council has undertaken significant development in capability, capacity, policy and process development in this area. This included implementing a Project Management Office and Project Management Guidelines, implementing a Procurement Office and Strategic Procurement Policy, implementing new contractor health and safety processes.
- 7.7.6 There is now an opportunity to review Council's overall procurement and contract management framework in light of these changes, and this is recommended for the 2023-2034 internal audit programme.

7.7.7 Fraud Risk Assessment

- 7.7.8 The Committee is responsible for monitoring the internal control framework in relation to the appropriateness of systems, processes, and controls in place to present, detect and effectively investigate the risk of fraud (refer Terms of Reference). Fraud is also an item in the Strategic Risk Register.
- 7.7.9 The Office of the Auditor General outlines that the main way fraud is detected is through an organisation's internal controls and recommends controls are reviewed regularly annually or every two years.
- 7.7.10 Council last undertook an independent fraud assessment in 2018 using MWLASS, and the results were subsequently reported to the Committee. The review looked at Council's fraud risk assessment and fraud risk framework and was primarily focused on the finance department.
- 7.7.11 Many of the recommendations from the review have been implemented such as updates to the Fraud Policy, Code of Conduct, Staff Handbook, and Sensitive Expenditure Guidelines, and implementation of an electronic purchase order system.
- 7.7.12 Staff are currently working through a systematic review of the recommendations to ensure they have all been actioned and the outcome of this will be reported to the July 2023 Committee meeting.
- 7.7.13 While Audit New Zealand do not specifically focus on fraud during their annual audit they do treat fraud as a risk for every audit. In their draft 2021 audit report they note "There is an inherent risk in every organisation of fraud resulting from management override of internal controls... from our testing we did not identify any issues that indicated management override or need to be brought to your attention...".

7.7.14 An updated independent Fraud Risk Assessment with a broader view across Council is recommended for the 2023-2024 internal audit programme.

7.7.15 Health and Safety internal audit

7.7.16 The bi-annual independent Health and Safety audit is planned for October 2023 in line with the MWLASS programme.

7.7.17 Tararua Alliance Financial and Non-Financial Audit Reports

7.7.18 The 2022 reports are in draft at present and expected to be available for the next Committee meeting.

8. Internal Audit Reports Completed

8.1 Waka Kotahi Investment Audit – November 2022

- 8.1.1 Attached is the latest Waka Kotahi Investment Audit issued November 2022 for a review of the three financial years ending 30 June 2021.
- 8.1.2 The objective of the audit is to provide assurance that the New Zealand Transport Agency's investment in Tararua District Council's land transport programme is being well managed and delivering value for money. It also seeks assurance that the Council is appropriately managing risk associated with the Transport Agency's investment.
- 8.1.3 Waka Kotahi Funding is a Top 10 risk in the Strategic Risk Register and the audit can be one useful indicator of the relationship. It is not expected that the audit result will have any material impact on funding
- 8.1.4 The audit report provides an overall rating of "Some Improvement Needed" (previous audit in 2019 was "Effective") and provides eight recommendations that are detailed in the table below.
- 8.1.5 As per the management comments, almost all the recommendations had been actioned and implemented before the audit had been finalised. The implementation date could not be back dated to a prior date hence showing June 2023as the implementation date.

8.1.6 Waka Kotahi Investment Audit Recommendations and Management Comments

Ref	Action/Recommendation	Status	Due Date	Management Comment
1	Ensures the final TIO claim submission is from a reconciled General Ledger.		30/06/23	
	Reviews and documents a clear process for checking that financial information correctly correlates between the two financial systems (Tararua District Council (TDC) and the Alliance).	In progress		Council is reviewing and updating documentation relating to the process for checking financial information correctly correlates between the two financial systems as part of the monthly TIO claim.
	Reviews and documents a clear process identifying Waka Kotahi funded transactions so there is a clear audit trail and documentation substantiating amounts claimed.	This is the current process		This is completed as part of our TIO monthly claim process, with supporting documentation saved as part of the claim.
	Ensures the cost of work qualifying activities for WC140 (Minor Events) do not exceed the \$100k cap per event per approved organisation.	Complete		Noted. All works over \$100k will form part of a separate funding submission within TIO.
	Seeks prior written approval from Waka Kotahi for each variation carried forward to the new strategy and keep a letter of approval on file.	Complete		Completed and will also be completed for the new strategy once finalised.
	Submits a revised Procurement Strategy within 40 days prior to the expiry date 21 March 2023.	In progress		Council is currently working on this and will have this submitted 40 days prior to the expiry of the existing procurement strategy.
	Publishes its Procurement Strategy in the Council`s website.	In progress		Council will publish the updated procurement strategy to its website
	Updates the Low-cost/Low-risk Improvements Activity List by the 31st of August of each year.	Complete		This was being undertaken alongside the audit.
	Reviews the professional services costs and applies the actual costs for the administration of the financially assisted activities.			All the overheads are clearly documented in the Alliance claims.

Attachments

- 1. Terms of Reference Audit and Risk Committee 2022-25
- 2. Audit and Risk Committee Three Year Work Programme 2021 2023
- 3. Post Implementation Review of the Audit & Risk Committee Recommendations

- 4. Audit Recommendations Management Report Snapshot as at 16 January 2023
- 5. Risk Management Framework November 2022
- 6. Strategic Risk Register Snapshot as at 22 December 2022
- 7. Treasury and Risk Management Policy May 2020
- 8. Environmental Scan December 2022
- 9<u>U</u>. He mata whāriki, he matawhānui Future for Local Governement draft report A briefing for Taituarā members December 2022
- 10. Spatial Planning Act (SPA) and Natural and Built Environment Act (NBA) Taituarā overview for members November 2022
- 11. Waka Kotahi Investment Audit Report November 2022



Terms of Reference

Audit and Risk Committee

Purpose

To check and ensure continuity of business, enhance governance framework, risk management practices and the controls used to monitor Council's achievements.

Key Responsibilities

The Audit and Risk Committee will have the responsibility to receive the external audit report(s) and monitor the implementation of recommended actions to be taken by management on significant issues and audit recommendations raised in relation to:

- (a) Internal Control Framework
 - (i) Maintaining an effective internal control framework that is sound and effective
 - (ii) Embedding a culture that is committed to probity
 - (iii) The appropriateness of systems, processes and controls in place to present, detect and effectively investigate the risk of fraud
- (b) Internal Reporting
 - (i) The processes for ensuring the completeness and quality of financial and operational information being provided to the Council
- (c) External Reporting and Accountability
 - (i) The appropriateness of the Council's existing accounting policies and principles
 - ii) Monitor external factors that contribute to Council's risk profile.
 - iii) Receive regular environmental scans to help the committee understand external influences and pressures

The Audit and Risk Committee will provide oversight of Council's approach to risk and compliance.

(d) Risk Management

Terms of Reference 2022-25 Triennium Adopted by Council 16 November 2022 (i) Review the risk management policy, framework and associated procedures for effective identification and management of the Council's significant risks and matters of compliance

The Audit and Risk Committee will make recommendations to Council in relation to:

- 1. The robustness of the internal control framework and financial management practices
- 2. The integrity and appropriateness of internal and external reporting and accountability arrangements
- 3. The robustness of risk management systems, processes and practices
- 4. Monitoring sector best practice and guidance in relation to audit and risk matters

Delegated Authority

Committee delegated authority to act on all matters within its Terms of Reference (except those excluded by Clause 32(1) Schedule 7, Local Government Act 2002).

Membership

Chairperson: Mr Kevin Ross (independent member)

Deputy Chairperson: Her Worship the Mayor

Members: All Councillors

Quorum

6 members of the committee

Meeting Cycle

Meetings held quarterly

Executive Support

Chief Executive and Group Manager – People and Capability



Audit and Risk Committee three-year Work Programme

Key o Workshop Item • Com	mittee Item		2021				2022				2023	
Workstream	March	June		October	March	June		October	March	June		October
	March	June	August	October	March	June	August	October	Warch	June	August	October
Risk Management												
Health and Safety due diligence reporting	•	•	•	•	•	•	•	•	•	•	•	•
Risk Register update on any significant changes	•	•	•	•	•	•	•	•	•	•	•	•
Senior Leadership Team – key concerns	0	0	0	0	0	0	0	0	0	0	0	0
Emerging risks overview	0	0	0	0	0	0	0	0	0	0	0	0
Deep Dive into topical risks			0				0				0	
Risk Management Framework and Policy				•				•				•
Full strategic risk register review	•				•				•			
Setting of risk appetite				0						0		
Audit and Improvement Programme Updates												
Confirmation of 2021/22 Internal Audit Programme		•				•				•		
Internal Audit Reporting / Monitoring of Improvement Programme progress	•			•				•				•
Confirmation of 2021/22 External Audit Programme		•				•				•		
External Audit Reporting / Monitoring of Improvement Programme progress	•			•				•				•
Key Financial Risks - Insurance / Treasury			I		-					1		
Insurance Risk Profiling with Aon	0											
Insurance Risk Strategy		0			0				0			
Treasury Risk Workshop presentation by PWC				0				0				0

Annual Plan and Annual Reports									
Annual Report Audit Plan	•			•				•	
Interim Management Report			•			•			•
Final Management Report •				•			•		
Long Term Audit Plan and Fee Proposal								•	
Adopt Draft Long Term Plan/Annual Plan •				•			•		
Adopt Final Long Term Plan/Annual Plan	•			•				•	
Adopt Draft Annual Report		•			•			•	
Adopt Final Annual Report			•			•			•
Tararua Alliance									
Performance Audit •				•			•		
Financial Audit •				•			•		
Other									
Confirmation of Terms of Reference for the Committee							0		
Health and Safety elected member induction							0		
Risk Framework elected member induction							0		
Review of draft work programme for following three years								•	
Review of performance and effectiveness of the Audit and Risk Committee at the end of the triennium						•			

Dorommondation	Accion	Assigned to Desolution		Date completed
2. Attendees				
is done, considering each staff position separately, regarding the value ind efficient operations of TDC, of the attendnace of the various staff roles	Looking back through the minutes it does not appear that staff in attendance have reduced, however the staff Sandy that do attend do so either because they are presenting or because this is of note to their role.	Confirmed	Confirmed & Complete	Dec-20
3. Composition of the Committee including Chair				
ind conditions of the role of Chair, be agreed by	Confirmed & Complete Raj	Confirmed	Confirmed & Complete	Jul-20
	Confirmed & Complete Raj	Confirmed	Confirmed & Complete	Jul-20
members.				
 Workplan That the content of the workplan form part of a discussion, document undating and induction 	Work program me feedback has been sought, with adoption expected in March 2021. The programme			
	outlines the work programme review to be completed upon the new triennium	Confirmed	Confirmed & Complete	Mar-21
recent copy of the workplan be included on all Committee meeting agendas as a	This will be included from now on and form the majority of the agenda from 2021 onwards Sandy	Confirmed	Confirmed & Complete	Nov-20
5. Agenda Content				
Time to discuss the agenda before each meeting, whether by telephone or face to face, is included in the diaries of the Mayor and the Chair or between the Mayor, the Chair and the CE if more convenient for all parties	Discussion to take place with Mayor Tracey, Kevin and Bryan.	Confirmed	Confirmed & Complete	Mar-21
That the existing work with respect to an increasing focus on risk by the Committee, continues	A breakdown of the risk framework and several deep dive sessions on critical/emerging risks were completed Sandy in the 2020 workshops. This will continue.	Confirmed	Confirmed & Complete	Jan-20
Recognition contine that resources are not unlimited and a balance needs to be found between what is desireable and what is possible. It is recommneded that prioitising exercise be included as part of a discussion, document updating and induction process of new Committee members	The work programme covers this and any additional assurance required external resources can be budgeted Sandy for	Confirmed	Confirmed & Complete	Nov-20
6. Workshops The timing and purpose of workshops for the next 12 months form part of the preparation of the annual work plan and be included as part of a discussion, document updating and induction noncess of new committee members	The work programme has been split between workshops and committee to clearly identify what will be covered in the workshop sections.	Confirmed	Confirmed & Complete	Mar-21
nd risk related policies, including those in draft form, be	A full review of policies and how they relate to the whole of council is being conducted. This will ensure all policiles are seen and reviewed by the appropriate people/committees		Confirmed & Complete	Mar-22
	as per above Raj/Peter		Confirmed & Complete	Mar-22
rina: (rite policies) are regularly reviewed and upprated when the need to do so is identified by the review review 8. General Communications	as per above Raj/Peter		Confirmed & Complete	Mar-22
That as part of the induction process of the new Committee that the lines of communications between the parties are identified, captured in writing, and where applicable, diarized for the next Discussion to take place with Mayor Tracey, Kevin and Bryan. 12 months. This may include setting time aside for informal updates	Discussion to take place with Mayor Tracey, Kevin and Bryan.	Confirmed	Confirmed & Complete	Aug-22
9. Induction The induction process for 2019 incorporates the aspects of the 2016 that were found to be informative and add value supersitions generated from our inquiries be included in the induction of the That the following supersitions generated from our inquiries be included in the induction of the				
next commeittee or form part of a workshop shortly afterwards:				
The terms of reference of the Audit and Risk Committee	This was reviewed and accepted alongside the triennial appointment of the Chair and is scheduled in the work _{Raj} programme to be reviewed in conjunction with this occurance every three years	Confirmed	Confirmed & Complete	Jul-20
The Audit and Risk Work Programme	Draft has been implemented for the next three years.	Confirmed	Confirmed & Complete	Mar-21
The section on Audit and Risk Committees in the March 2017 TDC Local Governance Statement	At the commencement of the term of workshop was needed in the terms of reference (which is what is set Richard and this included committee members expectations in fulfilling the terms of reference (which is what is set Richard out in the Local Covernance Statement).		Confirmed & Complete	2019
The policies relevant to audit and risk notential workshop to the next 12 months	as per point 7. Covered by work programme Sandy		Confirmed & Complete Confirmed & Complete	Mar-22 Mar-21
potential molection topics for the next 14 months			o comprete	- The second sec

4.1 Risk and Assurance Management Report Attachment 3 Post Implementation Review of the Audit & Risk Committee Recommendations

	Audit New Zealand Recommendations / Action Register Last entry: 16/01/2023								-		
No.	First Raised	Action point	Description	Owner / responsibility	Status	Priority	Has Recommendation been Implemented	Due date	Date closed by Audit	Auditors' Comments on current status (as at June 2022)	N
1	Jun 2014	Carry-over of capital projects	We recommend that the District Council continue to monitor the level of carry forwards and reduce these where possible.	Tina	Ongoing	Beneficial	Yes	30/06/2021		In Progress: We acknowledge Council's efforts in managing the level of carry overs year on year. This year, the Council spent \$24m out of its combined Annual Plan and carry overs budget of \$34m. This represents a 29% underspending in the capital budget, predominantly for renewals.	We have improved our process around project man- delayed. This has affected our potential carry overs of these projects before year end. PMO with the he processes, including finance components to identify be applied during the 20/21 financial year. Further v projects across Council. Update August 2020: Council completed 82% of its planned capital programme With unplanned emergency works of \$4.1million included Update November 2020 Annual Plan capital project carried forwards currently be report. 10 year capital programme for LTP are currently be 90% certainty year 2, and 50-80% certainty year 3. Update March 2021 Years 1-3 LTP capital programme all scoped, with project of start date to ensure active planning for delivery. A total of 43 out of 144 projects in the annual plan have t (exists as part of the documented capital programme). 27 of the financial year, due to being renewals that are ongo As at the end of January 2021, there was a budget of \$18 project), other footpaths and roading (still in the middle of completed June 2021). Update January 2023 Councils focus of improving capital programme delivery of lockdowns, contractor availability, supply chain issues, init total carry forward) is already in the delivery stage, includ strengthening projects combined total at \$0.8 million.
2	Jun 2017	Age of rates debtors	We recommend that outstanding rates debtors are reviewed on a regular basis and that outstanding rates are reviewed for recovery or write off.	Raj	Ongoing	Necessary	Yes	30/06/2021		In progress: We continue to see a decline in rates debtors from prior years. We will continue to monitor this in next year's audit.	Covid had impacted the original for plan for the abandom plan in our 3rd Quarter Performance Report to Council. Council has a dedicated resource for managing debtors a agency). Management continues the focus on reducing the amour It is a work in progress, however we have ensured outsta outstanding debtors driven from active management. Update November 2020 Have reengaged with MWLASS to progress the rating sale plan to manage the various categories. Update March 2021: Council has began legal proceedings to issue formal demi in full. Council also has 11 Abandoned Land rating units o Earthquake of 1931) Council will be approaching Land Infi to sell the rating units. Council is working with DMC to ge Update January 2023 Continue to report quarterly on debtors and use Debt Ma 1,358, clearing their arrears by 30 September 2022 leavin July 2022 to 30 September 2022 was \$0.41 million leaving
3	Jun 2017	Alliance agreement	We recommend that the performance framework for the Alliance be updated to include specific measures across roading, water and asset management to enable the District Council to assess performance of the Alliance across the different services delivered.	Raj	In Progress	Necessary	No	30/06/2021		Open: We understand that management was working towards ensuring Council has the framework in operation for the 2021/2022 financial year. We will review this in next year's audit.	Workshops with the Alliance Management team complet Principal Group thereafter to the Work Liaison Committee August Update: The impact of Covid has pushed out the t Update November 2020 With David Geary onboard, he is leading this project. As y June 2021 deadline. this will ensure that we have a frame Update January 2023
4	Jun 2017	Expenditure approval	One up approval for purchase orders is not in place. Current mitigations include review of invoice when input and review during expenditure payment by an accountant and CFO. When the District Council moves to electronic PO they will look to include further data analysis.	Raj	In Progress	Beneficial	No	30/06/2021		Open: There has been no change to the approval procedures.	The project was put on-hold due to the software solution project scheduled to start in FY 2019/20. In the meantime We are starting the FIMS upgrade project in the next yea electronic PO system. August 2020 Update: With Covid-19 requiring a change in business process froi project is to investigate a procure to pay system (OLR wit March 2021 Update: Management have begun initial investigations into the el With ongoing changes/improvements made to the paym comfortable with how this project is progressing. Update January 2023 We have implemented Esker (an elctoronic committmen

4.1 Risk and Assurance Management Report Attachment 4 Audit Recommendations Management Report - Snapshot as at 16 January 2023

Management comments
nanagement. Due to COVID-19 lockdown some planned works had to be ers for 20/21 year. However, there is effort being made to complete some help of the IT Business Analyst are currently documenting end to end tifly areas for improvement. Enhancements to this process is expected to er work is being done on building a coordinated view and understanding of
nme despite Covid significantly disrupting the delivery of the capital programme. uded, Council spent \$27.1 million against a budget of \$27.9 million (97%).
being assessed with managers by the PMO. This will feed into the quarterly tly being proactively scoped to ensure 90-100% certainty for year 1 projects, 80-
iect management plans being developed for all. These will be completed in priority
ve been completed with 40 either abandoned or deferred into Year 1 of the LTP). 22 projects are renewals that will only be set at a status of completed at the end ingoing. S18M yet to be spent. This is predominantly made up of Route 52 (multi year
de of construction season) as well as Pahiatua Main Street Upgrade (due to be
rry over the past three years has been significantly affected by Covid-19 rules, s, inflation and increased material cost. It shouldbe noted that \$8.1 million (of the cluding Route 52 at \$5 million (a multi year project) and the Earthquake
doned land process. We had to revisit the plans and communicated the reviewed il.
rs and works actively with the MZLASS Debt Management Central (debt collection
ount of outstanding rates debtors tstanding debtors are reviewed regularly and have noted a decrease in
sales, mortgagee demands and abandoned land properties. Developing a focused
emands which it will then look to progress to a rating sale if payment is not made ts of which 6 have no record of title (records were destroyed in the Napier I Information to see if they can assist Council in obtaining titles in order for Council o get the remaining 5 units sold under the Abandoned land process.
t Management Central. Council had 1,887 rating units in arrears 1 July 2022 with aving 529 with an arrears balance. Total collected and approved write-off from 1 wing a balance of \$1.5M in arrears
pleted. Draft framework is being developed and expected to be presented to the ittee in August.
he timeline.
As we are already well into the financial year, David is working towards the end amework in operation in the 2021/22 Financial Year.
tion not meeting our business requirements. With staff changes and resourcing, time process and controls improvements are being undertaken. year where we explore automating the accounts payable process including the
from paper to electronic, the focus has been on this change. the next phase of this with AP workflow), with a project currently being initiated for this financial year.
e electronic purchase order system, this is however dependant on staff availability. yment approval process which begun during lockdown, management is
nent system) and once inbeded will look to implenent one-up approval for POs.

5	Jun 2017	Update and test organisational business continuity and IT disaster recovery plans	We recommend that the council finalise and test its IT Disaster Recovery (DR) Plan. We continue to recommend that IT Disaster recovery plans and organisational business continuity plans be updated and tested.	Raj	In Progress	Necessary	No	31/07/2019		In progress: Continuity plans for Covid 19 were developed in 2020 and council were able to successfully maintain services during the lockdown.	
6	Jun 2018	Removal of users access	We recommend that management reinforce the requirement for user access to be removed promptly once the person has ceased employment with the District Council. We continue to recommend that HR and managers advise IS prior to, or as soon as a staff member or contractor is leaving so that access can be removed promptly.	Sandy	In Progress	Necessary	Yes	30/12/2018		In progress: Some improvements are starting to be made to procedures for advising IT when staff and contractors leave. However, we noted during our review of users in the payroll system that staff who have left still have access. We continue to recommend that managers within the business and HR ensure effective processes are in place for advising IT of staff and contractors leaving.	Completed Dec 2018: The following actions have been undertaken: - IT procedures reviewed and updated -User accounts will be disabled in systems as soon as th - Accounts are permanently removed upon receipt of fo Council is working on a series of checks that will tighten temporary/casual staff accounts. Update March 2021: Council is working on a series of checks that will tighten forms be part of our internal intranet system to streaml contractor and temporary/casual staff accounts.
										Access to the payroll system should be removed as soon as a staff member leaves.	Update January 2023 The need to develop better onboarding and exiting proc this will be run as a project in 2023.
7	Apr 2017	Staff Handbook and Sensitive Expenditure Policy	Finalise the staff handbook (sensitive expenditure) as soon as possible, reviewing it against best practice, such as those set out in the OAG's Guidelines as applicable. Ensure that sensitive expenditure is approved as required by the policyto provide enhanced control and judgements for sensitive expenditure that can withstand public scrutiny	Sandy	Complete	Necessary	Yes	30/11/2020		In progress: We were advised that the sensitive expenditure policies have not been updated since prior year. An updated policy is drafted, but yet to be finalised and adopted.	Update November 2020 Management have separated the sensitive expenditure expectation is that an updated policy will be completed Update March 2021: This has been drafted and will be submitted to the ARC of the policy and guidelines The staff handbook is currently being updated. Update January 2023 Sensitive expenditure was removed from the Staff Hand 2021. The staff Code of Conduce refers to the Sensitive I
8	Apr 2020	Sensitive expenditure	Update the sensitive expenditure policy to reflect best practice and the OAG guidance	Sandy	Complete	Necessary	Yes	30/11/2020		In Progress: We were advised that the sensitive expenditure policies have not been updated since prior year. An updated policy is drafted, but yet to be finalised and adopted. We found issues during our review of sensitive expenditure. See section 5 of this report.	Update March 2021: Policy has been updated and Council has ensure it is cor Audit & Risk Committee Meeting (March 2021) for discu Update January 2023 As above, these were compelted using OAG and best pr
9	Jun 2019	Formal monitoring of alliance agreement for IT Services	We recommend that the Principals Group finalise and monitor the project schedule	Raj	Complete	Necessary	N/A	30/06/2021		In progress: Only one meeting of the Principals Alliance has been held. This was held earlier this year to review the contract and for council to commence a process to consider whether the contract meets councils needs We continue to recommend that formal schedules of work and monitoring of the IT alliance agreement be established. Responsibility for regular monitoring and reporting on the achievement of the third-party and internal service-level performance criteria should be assigned. All council suppliers should be periodically reviewed against their overall performance, compliance to contract requirements, and value for money, and address identified issues.	Alliance service provision undertaken. The IT Alliance Manager is currently working with the G Governance of the current service while the review is u Group Manager up to the Executive Leadership Team w
10	Apr 2020	Impact of the COVID-19 pandemic on the financial statements	Prepare an assessment of the impact of COVID-19 on the District Council's financial statements.	Raj	Closed	Necessary	Yes	30/09/2020	9/12/2020	Closed 2021: A COVID-19 impact assessment was undertaken and appropriate disclosures were made in the financial statements	As part of the Annual Report, Management are conduct statements. The impact on Council has mainly been in th pandemic supplies largely in stock from prior preparatio drought had a larger financial impact than Covid-19.
11	Apr 2020	Bank reconciliations	Ensure that reconciliations are signed and dated by the preparer and reviewer within a month of being prepared.	Raj	Closed	Necessary	Yes	30/09/2020	14/06/2022	Closed 2022: We did not identify any timeliness issue during our review.	We will ensure bank reconciliation are reviewed in a tim <u>Update January 2023</u> With staff absences due to Covid, leave, resignations an in a timely manner. However, with team almost at full c
12	Mar 2021	Recording of complaints not in line with DIA guidance	Review and amend the process of recording in CRM the complaints received to ensure completeness of records and compliance with DIA guidelines. Implement monthly reconciliations of records received from PNCC (evidenced with a dated signature) to ensure all "Jobs Logged" on the PNCC spreadsheets: • The appropriately broken down into the correct category and have been classified correctly to the CRM system; and • The supporting request for service (RFS), Follow up any issues to be resolved between PNCC and the District Council in a timely manner.	Raj	In Progress	Urgent	Yes	30/06/2021		In progress: See section 3 of this report.	Council has been working on this issue since discovering regards to RFS received from afterhours. Council is logg this is a time consuming process for customer services. reconciliation process for the afterhours calls. Update January 2023 Update Pending

4.1 Risk and Assurance Management Report Attachment 4 Audit Recommendations Management Report - Snapshot as at 16 January 2023

underway with system infrastructure recovery tests planned for later in the year
d a plan developed in 2022. We have a draft DR plan but it needs to be reviewed, end of 2023. Organiastional business continuity plans were developed for covid- s.
he IT alliance is notified of the staff member leaving the organisation formal notice from HR n control in this area, this will include regular checking of contractor and
n control in this area which include working with IT Alliance to have the IT Exit nline the notification process. Management will also include regular checking of
ocesses has been identified as part of the Information Services Strategic Plan and
re policy from the staff handbook. Efforts have been focused on the LTP but d by the March 2021 meeting.
C workshop (March 2021) for discussion before finalising and providing training on
ndbook and instead incorporated into a policy and guidelines both implemented in e Expenditure Policy.
onsistent with OAG guidance. Management have the draft policy going to the next cussion prior to being adopted.
practice guidence.
the IT Alliance operation. This will be split between reporting back to the cutive Leadership Team.
uutive Leadership Team. uncil has started a corporate restructure, the Tararua IT Alliance now sits under
cutive Leadership Team. uncil has started a corporate restructure, the Tararua IT Alliance now sits under membership of Principals Group is being reviewed and a full 17a review of the IT Group Manager Corporate to introduce a detailed level of reporting and undertaken. Reporting will be undertaken through a operational report to the
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cutive Leadership Team. uncil has started a corporate restructure, the Tararua IT Alliance now sits under membership of Principals Group is being reviewed and a full 17a review of the IT Group Manager Corporate to introduce a detailed level of reporting and undertaken. Reporting will be undertaken through a operational report to the while governance will be undertaken via the Principals Group. cting a detailed assessment of the impact of COVID-19 on the Councils financial the area of service performance and capital delivery due to the lockdown, with ions. The water crisis and resulting works to ensure water delivery during the mely manner and are dated und parental leave, there has been delays in reviewing and siging off the bank recs capciaty, timley reveiws and sign off are in place. Ing it during the 2019/2020 Annual Report. Council is retaining all support with ging all calls into its system (other than those not required ie. Staff call in sick),

13	Mar 2021	Leave Support Scheme (LSS) eligibility and refund	Review Council's eligibility for the Leave Support Scheme and confirm with the Ministry of Social Development whether any refunds are required.	Raj	Closed	Urgent	Yes	30/06/2021	14/06/2022	Closed 2022: Sighted evidence that a refund to MSD has been made.	Council has been in touch with an external tax adviser a Update January 2023 Issues closed.
14	Mar 2021	Roading Valuation - improvement points	•Review the index used to inflate unit rates (where first principles could not be applied); •Review the unit rate used to revalue the assets to ensure that these are not understated; and •Perform a QA over the valuation report to ensure there is consistency internally and with the actual valuation method used. The valuation report should provide a variance explanation and analysis over significant movements against the pre-valuation carrying values.	Raj	Complete	Necessary	Yes	30/06/2021		Open: We found the same issues during our review of this year' roading revaluation: • Inflation rate used was from Statistics Civil Construction, Pipelines, and Earthmoving and site work indices. We previously recommended use of BERL indice: as more appropriate for roading revaluation. • Some of the actual unit rate applied to the valuation is the average of the past 2-3 years of unit rates. We previously recommended that the replacement cost should reflect what it would cost to replace the assets in today's dollars, which, in the absence of first principles valuation, would be an inflation adjustment. • We identified an error in the unit rates used (was using 2020 instead of 2021 rates) that lead to an adjustment of the DRC increasing it by \$37.5m. We expect that a QA on valuation report and the valuation worksheets would have identified this error before audit review. We continue to recommend improvements to the roading valuation.	Council agrees with the recommendations raised and is Update January 2023 Recommendations made regards to Inflation rates and i valuation peer review (an external consuktant) to provi
15	Mar 2021	Inventory of forestry assets	Carry out an inventory exercise over the forestry assets in line with the Valuer's recommendations.	Raj	Complete	Necessary	Yes	30/06/2021		Open: No inventory carried out during the year. We understand that Council decided to hold onto the Birch North Forest as the log prices dipped and the timing to go out to market was not right. Council is developing a silviculture plan to maintain the value of the forest.	
16	Mar 2021	No central register of all contractors and non-staff people working for council	Develop procedures for recording and advising IT of the commencement and end dates of all non-staff personnel working for Council so they can be immediately removed.	Raj	In Progress	Necessary	Νο	30/06/2021		Open: No central database of contractors is in place. IT are taking proactive action to check with the main council suppliers (e.g. Downer) to check that staff still require access to council systems. This should be the responsibility of the manager who manages the external supplier contract. We continue to recording and advising IT of the commencement and end dates of all non-staff personnel working for council. Where a person ceases their contract early, IT should be advised so that access to council systems can be immediately removed. If management wish to re-engage a staff member who has left, IT access should be removed and reinstated at a time when the person is re-engaged. Managers at the council who look after external supplier: should be checking with those suppliers that access is stil appropriate.	Update January 2023 DRAFT: Managers are responsible for recording and adv solution is in place for this in the Council intranet site ar
17	Mar 2021	Consolidation of Tararua Aquatic Trust	We continue to recommend that TACT is consolidated into the financial statements of the District Council going forward.	Raj	Ongoing	Necessary	No	30/09/2021		New recommendation	This remains in dispute. We have sought Indepenent ac General. The Trust is also reviewing its Trust Deed to cl Update January 2023 This issue continuees to remain in dispute. Managemen
18	Mar 2021	Verbal Recommendation: Payroll Reconciliations	We also verbally raised the following recommendations with management: *that payroll reconciliations be independently reviewed and evidenced with a dated signature, to ensure that variances are resolved in a timely manner; and *that payroll reports be independently reviewed and evidenced with a dated signature to ensure that only appropriate payments are made.	Raj	Closed	Necessary	Yes	30/06/2021		New recommendation	A reconciliation process is in place. There is a two-step I Corporate before being processed by Datacom. Once processed, the Finance Manager downloads a CSV The payroll reconciliation worksheet is updated at the s Accountant for review. Payroll reports are reviewed and approved by the Grou Update January 2023 Issue is considered closed.

4.1 Risk and Assurance Management Report Attachment 4 Audit Recommendations Management Report - Snapshot as at 16 January 2023

r and as a result will refund the balance of what was received.
is factoring these in while completing the valuation for 1 July 2020.
d unit rates have been resolved. We have increased the scope of review for opur ovide more confidence in your annual valuation process.
th forest is made.
ory of Birch North.
of users, and when they hear of a person leaving they disable access, however rmal notification from HR and managers in the Council. rking with IT to have these forms part of our internal intranet to streamline the
dvising IT of the commencement and end-dates for contractors. An interim and more work is needed to further develop the process.
advice and it is contrary to the opinion of Audit NZ and the Office of the Auditor clarify that there is no control by Council over its activities.
ent will aim to resolve this issue by 30 June 23 . p process that is in place. All payroll authorisations are approved by the GM –
SV file from Datacom with the payroll coding, and processes the payroll journal. e same time to identify any variances. This is then sent to the Senior Financial
oup Manager - Corporate prior to their authorisation with our payroll provider



Risk Management Framework



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Risk Management Policy

Introduction

Tararua District Council operates across a wide range of activities delivering services typical of local government. The Council is exposed to many risks on a daily and on-going basis. The Council is committed to managing risks that may impact on the delivery of its activities and services and/or have implications in meeting the Council's strategic objectives.

Risk is inherent across all areas of activity in the Council's operations, project delivery and strategic planning.

The Council is committed to keeping its risk management framework relevant and applicable to all areas of operation by using the AS/NZ ISO 31000:2009 Risk Management Standard as its basis. Furthermore, the Council's framework will be updated to reflect expected practice and can incorporate other frameworks, tools and practices.

Managing risks through culture, discipline and process, greatly enhances our ability to achieve objectives, deliver service, and create value and positive outcomes for the Council and people of Tararua.

For risk management to be effective within the Council, it must foster and maintain ownership at all levels. Risk management is an integral part of day to day operations and not a separate function.

Definitions

(Source AS/NZS ISO31000:2009)

Risk – effect of uncertainty on objectives.

Risk Management – coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process – systematic application of management policies, procedures and practices to activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risks.



Amendments and Revisions

Subject	Authorised by	Date
Minor Update to Risk Assessment Matrix (numbering)	Stephen Dunn	November 2022
Risk Assessment Matrix and associated updates	Stephen Dunn	June 2022
Risk Framework Review	Sandy Lowe	November 2020
Risk Framework Review	Sandy Lowe	August 2019
Risk Framework Implementation	Craig Lunn	May 2018

Distribution

This document is accessible via council's electronic records management system and available on the council intranet, and councillor hub.



Objective

The Council's risk management policy aims at enhancing opportunities and minimising threats, as risk is inherent in the Council's operations. The main objective of the Council's risk management policy is to:

- Support the achievement of council's vision, purpose, strategic goals and objectives, and strategies;
- Safeguard assets, people, finances, property and reputation of the Council;
- Integrate and align risk management with our strategic, operational and project planning approaches;
- Provide an organisation-wide systematic structured and timely approach to enabling all staff to identify, and appropriately manage, monitor, report on and respond to risks;
- Create a culture and provide the tools and support required for all staff to take responsibility for managing risks;
- Ensure a common and consistent understanding of risks, risk management process and risk related concepts and terminology
- Improve performance and service delivery to maximise resource utilisation.
- Aid decision making and encourage innovation.

Methods of Implementation

The Council's ability to conduct effective risk management is dependent upon having an appropriate risk governance structure and well-defined roles and responsibilities.

The Council's risk management policy is applicable to all council staff. It is of paramount importance that each individual staff member is aware of his/her collective risk management responsibilities.

To create a risk aware culture within the Council, the Council is committed to actively managing its risk management practices and processes by utilising the following risk management tools:

- Education as part of the Council's risk management programme, all staff at different levels will receive appropriate risk and compliance training and support so they can take ownership and adequately deal with risks as they are identified.
- **Risk register** The physical risk register records information about the Council's identified risks. This is a living document that is updated continually and is part of the overall compliance process of the Council (refer to Strategic Risk Register in Promapp).
- **Ownership** Staff who have responsibilities specific to identified risks are assigned as the risk sign-off. These staff have ownership over the review, update and sign-off for identified risks.
- Identification tools Additional analysis, advice and opinions may be sought from experts outside of the Council's specialised fields. There are a number of expert publications that may also be utilised from a local, national, and international sources e.g. Local Government NZ (LGNZ), International City/County Mangers Association (ICMA), SOLGM,



MWLASS, International Energy Agency, International Monterey Fund, United Nations, Office of the Auditor General etc.

Risk Management Areas

The risk management activities are iterative and should be operated in a co-ordinated manner to manage strategic, operational and project risks. Risk are identified and managed at different levels in the organisation. The risks at Tararua District Council have been categorised as;



Figure 1: Tararua District Council Risk Management Areas

Strategic/corporate risk

Organisations develop strategies to achieve the expected benefits and this usually involves pursuing risks, which if managed effectively would help achieve the desired strategic vision, better anticipate and respond to changing demands, and assist in being prepared for external events that could result in significant change for the organisation. Accountability for managing strategic risk sits with the Chief Executive, the Senior Leadership Team and Council (i.e. through the Audit and Risk Committee, as deemed necessary).

Operational risk

These are mostly controllable risks associated with the day to day operations that the organisation seeks to eliminate and there are no strategic benefits from pursuing these. They may reflect strategic risks applied specifically to the operational functions. By managing these risks, Council will maintain the required levels of service, reduce likelihood of undesirable surprises, ensure the early identification of risks that may become issues, and be prepared for situations that require a timely response. Accountability for managing operational risk sits with the Managers.

Project risk

These are risks that could result in agreed project objectives not being achieved. The



effective management of project related risks will ensure time and cost overruns are managed, and that quality project deliverables are achieved as expected. While project owners are accountable for the achievement of project deliverables, accountability for managing specific project risks sits with the Project Manager.

Responsibilities for Managing Risk

The Council's risk management governance structure is illustrated below and depicts the different levels or responsibilities within the risk management framework.

It also highlights that risk management is not the sole responsibility of an individual but rather a process that is supported from all levels throughout the organisation.



Figure 2: Risk Management Governance Structure



Council Responsibilities

The Tararua District Council is responsible for ensuring that adequate risk management processes, systems and controls have been implemented to identify and effectively manage the risks to their strategy and business objectives.

Audit and Risk Committee Responsibilities

The Council has delegated responsibility to the Audit and Risk Committee to receive and consider staff reports in relation to risk management and make recommendations on risk management related matters.

The Audit and Risk Committee is responsible for;

- Reviewing the risk management framework to ensure it is appropriate for effective identification and management of Council's risks.
- Reviewing the strategic risk registers to ensure they are current and complete.
- Setting the Council's risk appetite.



Chief Executive Responsibilities

The Chief Executive is responsible for;

- Implementing all the decisions of the Council and ensuring that the risk management processes and activities are effective in adequately managing the underlying risks to strategy, projects and council operations.
- That adequate resources, guidance and support are available to staff to effectively perform risk management activities

Senior Leadership Team

The Senior Leadership Team is responsible for;

- The monitoring and management of risk relating to Council activities.
- Setting the Council's attitude and ensuring Council risks are identified.
- Ensuring completeness of risk assessments.
- Managing risks to acceptable levels.
- Considering risk in the decision-making process.
- Objectively analysing, rating, and monitoring reported risks.
- Ensuring legislative and governance obligations are met.
- Integration of risk management with Council policies, processes and practices.

Risk Manager

The Risk Manager is responsible for ensuring the risk management process is embedded in business processes and is effective in managing the underlying risks and is also responsible for;

- Facilitating and encouraging the development of a risk culture throughout the council, including overseeing training and audit processes.
- Coordination of the risk management process.
- Ensuring the risk management framework is in place and reviewed regularly for continuous improvement.
- Maintenance and review of the Council's strategic risk register.
- Reporting to the Audit and Risk Committee and Senior Leadership Team on extreme and high risks.
- Reporting to the Audit and Risk Committee and Senior Leadership Team on the effectiveness and adequacy of risk management and internal control processes and systems.
- Processing new risks (i.e. first receiver of new risks and consideration of these).
- Facilitate management of cross organisational risks.

Risk Owners

Risk Owners are responsible for;



- Timely review and sign-off that the listed controls are in place and effective as per the residual risk assessment conducted.
- Providing knowledgeable advice on functioning treatment controls and options for increasing treatment controls if this is required.
- Implementing treatment controls as required.

Department/Project/Asset Managers

Managers are responsible for;

- Communicating and raising awareness of risk management to staff and managers.
- Allow for attendance at required risk management training.
- Identify, manage and monitor risks in their groups.
- Manage activity / project / asset risks, including individual project risk registers and monitor individual risk action plans.
- On-going identification and assessment of risks and responding appropriately relative to objectives.
- Management of the relevant risk, within acceptable risk tolerance levels.
- Ensure significant risks are appropriately reported.

All Staff

All staff are responsible for;

- Their own awareness of the risk management framework.
- Participation in the management of risks and reporting of issues and potential risks as they occur.
- Attend risk management training relevant to role.

Risk Management Procedure

The risk management process shown below is a generic process that can be used for risk management at all levels within council, from the strategic organisation-wide view, to various operational areas, as well as at a project level.

The key process steps within the council's management procedures are illustrated in figure 3: Risk Management Process and elaborated further below.



Figure 3: Risk Management Process



Step1: Communication and consultation

The communication process is for both the external and internal stakeholders of the risk management process.

The external communication process is for external stakeholders and informing them of:

- The council's approach to risk management.
- Effectiveness of the council's risk management approach.
- Gathering feedback where necessary to improve the council's risk management process.

The internal communication process is for internal stakeholders to:

- Provide clear direction to staff to influence and encourage a positive risk culture in the organisation.
- Seek feedback in relation to the risk management process.
- Ensure accountability of roles and responsibilities relating to the risk management process

Step 2: Establish the scope, context and criteria

Establishing the scope, context and criteria builds an understanding of the risk, including who the stakeholders are and the potential objectives/outcomes that may be impacted.

External context is the extent to which the council's external environment will impact on the council's ability to achieve its strategic objectives. The internal context is about understanding



the internal operating environment and the way they interact – People, Culture, Goals and Objectives.

Establishing the risk management scope, context and criteria takes into account the goals, objectives, strategies and scope, and sets parameters of the risk management process and tolerance levels.

Step 3: Identify Risks

Risk identification is a key step in ensuring all the risks are identified and listed. The identified risks will determine the "what", "why", and "how" things can happen as a basis for further analysis. These risks can derive from different sources.

Sources of Risk

Sources of risk are fundamental drivers that cause risks in an organisation or project. There are many sources of risks, both internal and external. Risk sources identify where risks can originate and are a helpful tool in the risk identification process.

Examples of sources;

- Governance and reputation
- Legislative, compliance, and control
- Planning and strategy
- Financial
- Environmental
- Property and assets
- Information management and technical failure
- Business continuity
- Health, safety and wellbeing
- People

These sources of risk have been expanded upon to assist with severity of consequence assessments in Appendix B.

Each risk identified will be entered into the relevant risk register.

Step 4: Analyse Risk

After risks are identified it is important to adequately describe them. The key to describing the risks include:

- The cause of the event? (e.g. legislation changes through central government).
- The principle areas of impact for the event? (e.g. poor outcomes for our communities).

Risk analysis aims at understanding the level of significance of a risk by assessing its likelihood and severity of consequences.



Inherent risk level (raw risk) is the assessment of risk without any treatment controls in place, this level of risk would also exist if the controls did not work as they were intended.

Residual risk level is the assessment after applying current treatment controls, which may reduce likelihood and/or severity of consequences.

The aim of treatment controls is to reduce risk to an acceptable level, within the Council's risk management process. When evaluating the effectiveness of controls, factors to consider are the consistency of application, understanding of control content and documentation of the control.

Furthermore, the evaluation of the control process can include:

- Control self-assessment.
- Internal audit reviewing the effectiveness of controls.
- External audit reviewing the effectiveness of controls.

The likelihood ratings identify how likely, or often, a particular event is expected to occur. These are shown in Table 1 below. The descriptors are not a mandatory category requirement, but act as a guide to assist in ranking the probability in line with the nature of each risk.



Table 1: Likelihood of occurrence

Likelihood Ra	ating		
Rating	Likelihood Score	Probal	bility Of Occurrence
Highly Probable	5		It is almost certain to occur in most circumstances in the next three years
Probable	4	-	The event will likely occur sometime in the next three years
Possible	3	25-60%	Will possibly occur sometime in the next three years
Unlikely	2	5-25%	Unlikely to occur in the next three years
Rare	1	-	Would occur only in rare circumstances over the next three years

Expansion of other key descriptors and a breakdown by risk type are shown in Appendix A.



The consequence descriptors in Table 2 indicate the level of severity of consequences that could occur for a risk.

Table 2: Severity Rating

Severity Rati	ng	
Rating	Severity Score	High Level Rating Definitions
Very High	5	Disaster with potential to lead to business failure
High	4	Critical event which can be endured with proper management
Medium	3	Significant event which can be managed under normal circumstances
Low	2	Event with consequences which can be readily absorbed, but which require management effort to minimize the impact
Very Low	1	Manageable through routine procedures, unlikely to require specific application of resources

Expansion of other key factors and descriptors are shown in Appendix B.

Risk consequences can be cumulative e.g. two Level 3 (medium) events would be elevated to Level 4 (high) overall.

Step 5: Evaluate Risk

After the likelihood and consequence factors have been determined, the level of risk is calculated by multiplying the Likelihood Rating (Table 1) and Severity Rating (Table 2) together.

Inherent risk = the likelihood of an event occurring X the severity of consequence of such an event **not** taking into account treatment controls.

Residual risk = the likelihood of an event occurring X the severity of consequence of such an event taking into account treatment controls currently in place.



In addition, it is important to be aware of cascading, transitional and competing risks as outlined below.

Cascading risk = the sequential effects of one risk event results in the triggering of new risks or risk events.

Transitional risk = the risks associated with any response or adjustment through treatment controls to actual or expected climate related changes. Including but not limited to impacts on the environment, policy, infrastructure, legislation, social, cultural and economic.

Competing/Simultaneous risk = A competing risk is an event that either hinders or distracts from the identification, prioritisation, or event of other risks.

		SEVE	RITY		
LIKELIHOOD	VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH
HIGHLY PROBABLE	5	10	15	20	25
PROBABLE	4	8	12	12	20
POSSIBLE	3	6	9	12	15
UNLIKELY	2	4	6	8	10
RARE	1	2	3	4	5

Figure 4: Risk Assessment Matrix

The final outcome is a risk rating. The risk rating enables definition between those risks that are significant and those that are of a lesser significance. This also allows for prioritisation of risks that require increased treatment controls.



Figure 5: Risk Rating

20-25	Severe Risk
10-19	High Risk
4-9	Moderate Risk
1-4	Low Risk

Expansion of actions and escalations are shown in Appendix C.

Once the impact has been assessed according to the relative risk level it poses, it is then possible to target the treatment of the risk exposure, by beginning with the highest-level risks and identifying further potential treatment controls.

Step 6: Treat Risk

Risk treatment involves determining possible treatment controls and selecting the most appropriate action for managing the risks identified.

Treatment control options are required where the current controls are not mitigating the risk within defined tolerance levels as determined by the first step (defining the context). This is called the treatment plan.

Firstly, investigation into the current treatment control systems and processes that are already in place. Then consolidation of further options to:

- Reduce the likelihood or;
- Reduce the severity of consequences identified.

Any action that is taken to address a risk should be considered to increase the likelihood of achieving our objectives. Treatment controls are a response to risk and are intended to contain uncertainty of the impacts that have been identified.

Treatment Options

Treatment options could involve applying existing or implementing additional controls. Furthermore, treatment options can involve one or more of the following:

- Accept/Retain Risk Accepting/retaining the risk after evaluating the principle areas of impact and assessing the risk as minimal or having no ability to influence further controls.
- **Reduce Risk** Put in place a target to reduce the overall risk score by implementing an action plan that requires further controls.
- Transfer/Share Risk Pass the risk in part or whole to others (insurance or third party).



When determining the preferred treatment option, a cost benefit analysis should be given consideration.

Treatment Plans

Once the treatment option is identified a structured plan for implementation of treatment tactics should be designed.

The treatment plan should contain at a minimum the following:

- Cost
- Responsibility
- Due date
- Monitoring and reporting requirements

Progress of the treatment action is recorded in the risk register by the risk owner. Any changes to treatment controls must be affected only after discussing its impact on risk with the relevant stakeholders.

Treatment Opportunities

The treatment process is a good time to consider opportunities that may either enhance the treatment controls or improve our systems, procedures, or levels of service.

Step 7: Monitor and Review

Risks and their related assessments are constantly changing. Therefore, risks must be monitored and reported on a regular basis to ensure they are current.

Furthermore, risk owners have key responsibilities to review and update the information to ensure risk information is current. The sign-off frequency of risks is determined by the level of instability associated to the risk.

The Council's strategic risk register undergoes a six-monthly review to ensure all information captured is current and risk signoffs are being appropriately conducted.

The effectiveness of the Council's risk management framework also needs to be monitored and reviewed annually. This review process helps refine the Council's risk management framework to facilitate continuous improvement and overall risk maturity.

Managing Bias

Bias is inevitable within the risk management process, it is not unusual to find evidence of groupthink, dominant personalities, neglect of probability, ethical standards, overreliance on numbers, disregard of contrary information, disproportionate weighting of recent events, and tendencies toward risk avoidance or risk-taking in any organisation.



Risk management should be based on a quantitative approach to risk analysis as a protection against the many cognitive biases likely to be present.

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	Likelihood	Strategic	Operational	Project
Likelihood Rating	Percentage	Probability of the risk occurring	Probability of the risk occurring	Probability of the risk occurring
Rare	<5%	Would occur only in rare circumstances over the next three years.	Would occur only in rare circumstances in the next year. In relation to Health and Safety risks, event may occur in some exceptional circumstances. Improbably: a very small chance of events occurring that may be caused by events not previously seen or certain conditions. Despite effective controls being used an external event or uncontrollable event could occur.	Would occur only in rare circumstances during the life of this project.
Unlikely	5-25%	Unlikely to occur in the next three years.	Unlikely to occur in the next year. In relation to Health and Safety risks, event could occur in some circumstances and may occur in the industry. Event has not occurred in the business but could in some circumstances in the next 2-5 years.	Unlikely to occur during the life of the project.
Possible	25-60%	Possibly occur sometime in the next three years.	Possibly occur sometime in the next year. In relation to Health and Safety risks, event could occur in some circumstances. Event has occurred in other Councils or industries with similar levels of controls in place. Is expected to occur within the next 1-2 years.	Possibly occur sometime during the life of the project.
Probable	%06-09	The event will likely occur sometime in the next three years.	The event will likely occur sometime in the next year. In relation to Health and Safety risks, this event has happened in the past in our organisation and is likely to reoccur at some point.	This event will likely occur sometime during the life of the project.
Highly Probable	%06<	It is almost certain to occur in most circumstances in the next three years	It is almost certain to occur in most circumstances in the next year. In relation to Health and Safety risks definite probability, has happened in the past in our organisation and is expected to occur again within a short period of time.	Expected: It is almost certain to occur in most circumstances during the life of the project.

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Appendix B. consequence natings	ariiiga			
		Consequence Rating		
Sources of risk Very Low	/ Low	Medium	High	Very High
1	2	З	4	б
High level rating definitions Manageable through routine procedures, unlikely to require specific application of resources	h Event with consequences which can be readily pecific require management effort rces to minimize the impact	Significant event which can be managed under normal circumstances	Critical event which can be endured with proper management	Disaster with potential to lead to business failure
Governance and No impact on public confidence or media attention	Minor impact on public confidence and media attention. May be some local coverage.	Some impact on public confidence reflected by the local media and community interest in the Council's performance	Major impact on public confidence resulting in some national media coverage	Critical impact on public confidence, resulting in significant national media and Central Government attention e.g. through an inquiry and/or appointment of a Commissioner
Minor breach of policy or process requiring no investigation and only an approval or variance to prevent any damage control requirement.	licy or Breach of policy, process or legislation requiring internal investigation but requiring only minor e to treatment for the purpose t. of damage control.	Breach of policy, process or legislation requiring internal investigation including moderate treatment for the purpose of damage control	Breach of policy, process or legislation requiring external investigation and resulting in a tangible loss through civil or criminal prosecution and some damage to reputation.	Breach of policy, process or legislation requiring external investigation and resulting in significant tangible loss through civil or criminal prosecution and or significant damage to reputation.

Appendix B: Consequence Ratings

			Consequence Rating		
Sources of risk	Very Low	Low	Medium	High	Very High
	1	2	З	4	5
Planning and strategy	Negligible impact on outcomes and handled within normal operations. No impact on LTP objectives.	Temporary impact on long- term levels of service, with limited community interest and media attention. Negligible impact to LTP objectives	Noticeable impact on long- term levels of service. Some community interest and media attention. Moderate impact to deliverables associated with LTP objectives.	Levels of service significantly below expectations brining significant negative community and media attention. Major impact to timing or deliverables associated with LTP	Levels of service in significant decline. Non- achievement of LTP objectives across multiple years. Widespread negative commentary. Central Government attention e.g. through an inquiry and/or appointment of a Commissioner.
Financial	Loss or overrun of less than \$10k	Loss or overrun of between \$10k - \$250k	Loss or overrun of between \$250k - \$1m	Loss or overrun of between \$1m - \$5m	Loss or overrun of >\$5m
Environmental	Negligible localised environmental damage caused by either a natural disaster or unplanned population growth.	Minor localised environmental damage/pollution caused by either a natural disaster or unplanned population growth.	Moderate localised environmental degradation/damage/pollution at a localised level caused by either a natural disaster or unplanned population growth with medium term effect or off-site release contained.	Major but localised environmental degradation/damage/pollution with long term effects or major off-site release caused by either a natural disaster or unplanned population growth.	Significant environmental disaster or natural hazard or unplanned population growth causing widespread environmental degradation/damage and/or irreversible pollution or long-term effects affecting future generations or uncontained, long term serious environmental degradation.
Property and assets	Insignificant incident that causes no disruption to services	Isolated damage not requiring relocation of services to an alternative site	Damage to property that requires the relocation of some services to an alternative site	Damage to property that requires the relocation of all services for a short period	Damage to property that requires the relocation of all services for an extended period

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			Consequence Rating		
Sources of risk	Very Low	Low	Medium	High	Very High
	1	2	З	4	5
Information management and technical failure	Isolated and temporary accidental or intentional loss, damage or unauthorised distribution of information that can be recovered within a day. no data breach to external parties. Negligible effects to day to day business function as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	Accidental or intentional loss, damage or unauthorised distribution of information compromising confidentiality and integrity of information. Minor effects to day to day business function as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	Isolated and temporary accidental or intentional loss, damage or unauthorised distribution of information that may take weeks to recover. Moderate short term effects to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	Isolated and temporary accidental or intentional loss, damage or unauthorised distribution of of information that may take months or years to recover or recreate. With potential for data breach to external parties. Major but short term effects to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	Ongoing isolated and temporary accidental or intentional loss, damage or unauthorised distribution of of information that is unable to be recovered. Data breach to external parties. Significant and prolonged effect to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.
Business Continuity	Temporary disruption in servicing a small number of customers. Monitoring may be required.	Non-essential services may be impacted causing customer disruption for >1 day	Essential services are unavailable causing customer disruption for <4 hours or non-essential services are unavailable for <3 days	Essential services are unavailable causing customer disruption for <1 day or non- essential services are unavailable for <7 days	Essential services are unavailable causing customer disruption for >1 day
Health, Safety and Wellbeing	Isolated to one employee. Discomfort or first aid treatment.	Medical treatment (not including admission to hospital).	Restricted work or lost time.	Debilitating loss of quality of life. WorkSafe investigation.	Fatality or multiple fatalities. WorkSafe Prosecution.

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Appendix C: Risk significance levels

The following table details the required actions for each level of risk:

Action Requir	ed
	Strategic Risk - Immediate action required to manage risk. Escalation and reporting to the Audit and Risk Committee and Senior Leadership Team mandatory.
Very High Risk	Operational Risk – Immediate action required to manage risk. Escalation and reporting to the Chief Executive and Senior Leadership Team mandatory.
	Project Risk - Immediate action required to manage risk. Escalation and reporting to Project Governance mandatory, with follow on reporting to Works Liaison Committee.
	Strategic Risk – Escalation and reporting to the Senior Leadership Team, in particular the Chief Executive mandatory. Reported through regular reporting of the risk register to the Audit and Risk Committee.
High Risk	Operational Risk – Escalation and reporting to the Senior Leadership Team, in particular the Chief Executive mandatory.
	Project Risk - Advise project governance, with follow on reporting to Works Liaison Committee
	Strategic Risk –Senior Leadership Team to be advised. Reported through regular reporting of the risk register to the Audit and Risk Committee.
Moderate Risk	Operational Risk - The relevant Group Manager can accept this level of risk.
	Project Risk - Advise project governance, with follow on reporting to Works Liaison Committee if relevant.
	Strategic Risk - The Senior Leadership Team is to be advised at the discretion of the relevant sign-off. The relevant sign-off can accept this level of risk. Reported through regular reporting of the risk register to the Audit and Risk Committee and Senior Leadership Team.
Low Risk	Operational Risk - The relevant operational manager, or risk manager can accept this level of risk.
	Project Risk - The relevant project lead, PMO project manager or project owner can accept this level of risk.
Note	The relevant responsible party can accept the residual risk level stipulated for each rating highlighted above. Where the risk level is exceeded this will need to be forwarded to the Risk Manager/Project Manager for reporting to the Senior Leadership Team and/or the Audit and Risk Committee.



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Eketahuna Service Centre & Library 31 Main Street, Eketahuna Ph: 06 376 0219 (24 hours)

Ph: 06 376 0219 (24 hours Fax: 06 376 8181



RESIDUAL NOT	ECONOMIC & COMMUNITY DEVELOPMENT, STRATEGIC Failure to Engage and Communicate with our Communities Effectively	CONTROL MC00037 Communications plans for all major projects and for all issues which carry a high level of public interest as determined by the significance and	SIGNOFF(S): DUE DATE: FREQUENCY:	Mark Maxwell 01 Apr 2023 1st day of every 6 months
ASSESSED INHERENT 8.0	Reputational impacts led by a lack of communication and understanding across Council and our communities, resulting in a lack of community buy in, effecting our ability to deliver best results and creating a negative view of Council from both the media and the community.	engagement policy and through feedback from Councillors and the community. Customer feedback gathered through surveys influence service areas. Creating opportunities for community engagement through social media and		
R00040	OWNER Mark Maxwell	(opportunity) other technological avenues (apps).		
	CREATED 16/04/2019 10:55:59 AM	Opportunities:		
	LIKELIHOOD Probable SEVERITY Low	Future proof communication with public through development of an online publication (Buzz It)		
		03/06 Super consultation completed 2022 - Annual Plan, District Strategy, Housing Strategy, Water Bylaw, Gambling Policy		
		19/12/2022 Meeting Mark/Stephen to sign off this control. Needs to be updated to the new format. Appointment made for January 2023. Signed off the control meantime pending the review and		

Attachment 6	4.1 RISK Strategic Risk Register	- Snapshot as at 22 December 2022
		- NOT ASSESSED INHERENT 15.0 R00044
		INFRASTRUCTURE, OPERATIONAL - OR The Technical or Structural F. Critical Infrastructure Assets The technical or structural failure of c infrastructure assets affecting delivery communities. Potertially impacting C reputationally and wellbeing of staff a OWNER Portfolio Managers: Group Ma Assurance Advisor CREATED 9/05/2019 4:59:52 PM LIKELIHOOD Possible SEVERITY Very High
		INFRASTRUCTURE, OPERATIONAL - ORGANISATION - LEVEL 1 The Technical or Structural Failure of one or more Critical Infrastructure Assets The technical or structural failure of one or more critical infrastructure assets affecting delivery of key services to our communities. Potentially impacting Council financially, reputationally and wellbeing of staff and public. OWNER Portfolio Managers: Group Manager - Infrastructure,Risk and Assurance Advisor CREATED 9/05/2019 4:59:52 PM LIKELIHOOD Possible SEVERITY Very High
16/12/2022 Meeting Stephen/Chris. This control needs to be updated to the new format and split into separate controls with the appropriate manager as signoff. The general details of this control are compliant however more specific controls need to be developed. Signed off meantime while this, including the BCP, is done.	Completed: -2021-31 Long Term Plan with associated Asset Management Plans and Infrastructure Strategy, reviewed by AuditNZ Opportunities: -Develop and implement formal asset criticality framework -Develop risk mitigation actions for highest criticality assets	 CONTROL MC00045 Ongoing: Improvement to asset management maturity, with current key focus on; Moving all asset inventory data to RAMM Condition assessment of water reticulation infrastructure Condition ratings on assets with expected life of asset to help determine replacement before failure. Monitoring processes in place, scada, drone inspections. Customer requests, recognising patterns of small failures which may indicate deterioration. Major parts that are difficult or timely to source are kept in stock.
		SIGNOFF(S): DUE DATE: FREQUENCY:
		Chris Chapman 01 Feb 2023 The first Day of every 6 months

			- NOT ASSESSED INHERENT 16.0 R00048	RESIDUAL
			Failure to Maintain and Strengthen Iwi and Māori Partnerships Failure to manage Council relationships with Iwi partners and Māori and meet Memorandum of Partnership objectives, resulting in reduced input from Iwi partners and Māori into decisions, weakening social, cultural, economic and environmental outcomes. OWNER Portfolio Managers: Chief Executive,Risk and Assurance Advisor CREATED 28/05/2019 10:40:03 AM LIKELIHOOD LIKELIHOOD Probable SEVERITY High	EXECUTIVE, STRATEGIC
CONTROL MC00046	ar 21/12/2022 draft report to ELT in progress and at 21/12/2022 draft report to ELT in progress and expect to report to ELT January 2023. CONTROL MC00147 Develop a Cultural Competency Policy and Strategy.	Opportunities: Joint project central to lwi partners and Māori outcomes and objectives. Cultural recognition within the way we're working and formalised staff inductions i.e. stronger use of Te Reo Māori and Tikanga Māori. Definition of Council matters of interest and levels of engagement. Mapping of sites of cultural significance. 28/11/2022 UNDER REVIEW: Stephen and Steph	Continued liaison with livi partners and Māori, ensuring respect to the Treaty of Waitangi and our Memorandum of Partnerships, including close engagement of critical decisions and matters of interest. Working with livi partners to help fulfil treaty settlement funding and related matters. Combination of ad-hoc and scheduled hui and koha for livi partners and other Māori relationship building including the newly formed livi TDC committee. Memorandum of Partnerships with both Ngăti Kahungunu ki Tāmaki nui-a Rua and Rangitāne o Tamaki Nui-ā-Rua. Representation review to include a Māori ward ensuring representation at the council table.	CONTROL MC00044
SIGNOFF(S): DUE DATE:	SIGNOFF(S): DUE DATE: FREQUENCY:		FREQUENCY:	SIGNOFF(S):
Chris Chapman 01 Jan 2023	Steph Te Huki 31 Mar 2023 Once		01 May 2023 The first Day of every 6 months	Bryan Nicholson

FREQUENCY:

The first Day of every month

				Attachn	nent 6	Strat	egic R	isk Re	gister -	Snapsho	ot as at 2	2 De	ecembe	er 202
											20.0 R00049	INHERENT	- NOT ASSESSED	RESIDUAL
			LIKELIHOOD SEVERITY	OWNER Portfolio Managers: Gr Assurance Advisor CREATED 4/06/2019 4:54:27 PM	change management. Tranche 2 requiremen complete information i	Damage to council reputation - culmination of previous impa	 loss of integration with Growth may not be su loss of control of risks 	-capability and capa - ability to comment,	 stranded overheads - 3 waters overhead costs resulting in incre restructuring of the organisation. Loss of control and expertise 	Financial risk -a loss of revenue/funding -loss of ownership	 -local priorities deferred or delayed d -reduced levels or service or capital - accountability for ratepayers spend - loss of localisation 	Poor outcomes for our communities	Three Waters Re: 3 waters service deliv resulting in:	INFRASTRUCTURE, STRATEGIC
			Highly Probable High	Portfolio Managers: Group Manager - Infrastructure, Risk and Assurance Advisor 4/06/2019 4:54:27 PM	change management. Tranche 2 requirements unknown - Dependency on full and complete information including impacts on local authorities.	Damage to council reputation - culmination of previous impacts would be worsened by poor	 loss of integration with council documents (economic plan). Growth may not be supported by infrastructure. loss of control of risks 	-capability and capacity during an EOC event - ability to comment, lobby or affect change in water policy	 stranded overheads - 3 waters currently contribute 10% of the overhead costs resulting in increased in rates or downsizing and restructuring of the organisation. 	nding	 -local priorities deferred or delayed due to regional priorities -reduced levels or service or capital investment - accountability for ratepayers spend - loss of localisation 	ur communities	Three Waters Reform Programme 3 waters service delivery transferred by government potentially resulting in:	RATEGIC
**************************************	Not Completed: - Detailed engagement/consultation with community, due to central government mandating reform model	pian. - Delivery plan conditionally approved - this component of strategic risk will now move into project risk for delivery - DIA request for information complete - risk of resource capacity to deliver requirements - Weekly webinar sessions on RFI	- Prioritising the project workpian for three waters in preparation for funding agreements with Central Government and development of delivery		March 2020 alongside SOLGM and LGNZ. - Lobbying for consideration of key issues to accountability for rates spend.	proposed reform financial benefits - Strategic planning for multiple submissions to Government Select Committees is underway as of	- Workshop discussions via Works Liaison Committee during August and September. - Morrison Low analysis of DIA assumptions on	- Media articles and early community engagement. - Discussion with some local groups interested in the reform programme.	 Pe -Report to Council with information on Government's proposed model, estimated Implications and outstanding questions and 		- Elected member involvement with 'Communities for Local Democracy' initiative Completed:	-Staff engagement with Council staff included in proposed Entity C		Ongoing: - Staff and elected member engagement with

	At	ttachment 6	Strategic	Risk	Register - Snapshot as at 22 Dece	embe	er 2022
		INHERENT 25.0 R00052	- NOT ASSESSED	RESIDUAL	ASSESSED INHERENT 8.0 R00050		
	Assurance Advisor CREATED 6/06/2019 2:41:02 PM LIKELIHOOD Highly Probable SEVERITY Very High	 which could lead to a number of outcomes including but not limited to; illness, injury or death, political conflict, an increase in capital and operating costs, rework, government enquiry/review, failure to achieve public outcomes. OWNER Portfolio Managers: Group Manager - Infrastructure, Group Manager - Operations, Risk and Assurance Advisor, Risk and 	Non-compliance with Statutory Requirements Failure to comply with statutory requirements such as the drinking water standards, consent conditions, or other regulatory legislation.	INFRASTRUCTURE, OPERATIONS, OPERATIONAL - ORGANISATION -	reforms underway, creating uncertainty in the changing landscape of services council provide, that may impact or conflict with current planning. Portfolio Managers: Chief Executive,Risk and Assurance Advisor CREATED 5/06/2019 4:04:27 PM LIKELIHOOD Probable SEVERITY Low	The Future of Local Government Review	EXECUTIVE, STRATEGIC
	robable h	1 lead to a number of outcomes including but not limited njury or death, political conflict, an increase in capital ng costs, rework, government enquiry/review, failure to blic outcomes. Portfolio Managers: Group Manager - Infrastructure,Group Manager - Operations,Risk and Assurance Advisor,Risk and	:ory Requirements puirements such as the drinking s, or other regulatory legislation,	ERATIONAL - ORGANISATION -	Jerway, creating uncertainty in the changing landscape council provide, that may impact or conflict with current Portfolio Managers: Chief Executive,Risk and Assurance Advisor 5/06/2019 4:04:27 PM Probable Low	ment Review pleted in isolation of other	
December 2022 met with James and have also discussed with Tina. This control needs to be split so that Council as consent issuer and Council as consented are separated. Will complete this in first quarter 2023. In the meantime this control can be signed off as is.	considered through design to delivery. Opportunities: Creation of standard operating procedures (SOPs) that are monitored and audited for high risk areas. Improve current processes to ensure staff knowledge and competency.	Reporting on compliance to Council and Government agencies. Ensuring good relationships with Government agencies and other Councils. Submissions to proposed legislative change. Delgations, warrants. Project planning to ensure compliance is	Monitoring compliance requirements/changes. Engaging external experts to provide advice/audits for high risk / high interest areas. Capital investment and increased operating budget.	CONTROL MC00049	workshops. Review of Interim Report.	Actively engaging with Central Government in the review process. Involvement in early sounding	CONTROL MC00047
			DUE DATE: FREQUENCY:	SIGNOFF(S):		DUE DATE:	SIGNOFF(S):
			01 Feb 2023 The first Day of every 6 months	James Single	TOTT DAY OF EVERY 12 MODILITS	10 Aug 2023	Bryan Nicholson

		- NOT ASSESSED INHERENT 20.0 R00053
		INFRASTRUCTURE, STRATEGIC Infrastructure Compliance Cost Increases Actions by the Horizons Regional Council (MWRC), Central Government and Iwi/legal increase costs for Council to meet service delivery. OWNER Portfolio Managers: Group Manager - Infrastructure,Risk and CREATED 6/06/2019 3:07:17 PM LIKELIHOOD Highly Probable SEVERITY High
Opportunities: - Operational management supported by standard operating procedures that are monitored and audited for high risk areas. - Development and implementation of Compliance Strategy for water and wastewater	Recently Completed: - Recruitment of two staff specific to water and wastewater compliance, improving compliance levels and reducing some external consultant costs	 CONTROL MC00050 Ongoing: Review budgets as part of Long Term Plan and Annual Plan processes. Keep Horizons Regional Council informed of any consent changes. Plan in advance of consent deadlines. Procure expert advice to guide Council's consenting strategy. Advocating Horizons and Central Government re. changes to proposed legislative change. Submissions to proposed legislative change. Advocating for change in the Local Government funding model. Applications for supplementary funding and development contributions. Futureproofing at design stage looking to update processes and technology. S17A review for efficiency and economy. Fees and changes reviewed to ensure appropriate funding. Monitoring and working with local government bodies for proposed legislative changes e.g. 3-waters reform
		SIGNOFF(S): DUE DATE: FREQUENCY:
		Chris Chapman 01 Feb 2023 The first Day of every 6 months

RESIDUAL	- NOT ASSESSED INHERENT 9.0 R00059
OPERATIONS, STRATEGIC	OPERATIONS, STRATEGIC A Major Discretionary Project is Undertaken Despite Community Opposition and/or Failure to Consider the Expectations of the Community Community opposition and expectations are not considered resulting in reduced ratepayer confidence in Council and political backlash OWNER Portfolio Managers: Group Manager - Operations,Risk and Assurance Advisor CREATED 8/07/2019 4:41:22 PM LIKELIHOD Possible SEVERITY
CONTROL MC00082	CONTROL MC00056 Consultation requirements for major projects to ensure early signals of public opinion are available to shape project direction. Increased communication on key projects via multiple channels to help public awareness and understanding. Development of communications plan and/or one pager Build increased awareness of Council of consequences of working outside of community expectations. Impact analysis undertaken, benefits realisation plan developed
SIGNOFF(S):	SIGNOFF(S): DUE DATE: FREQUENCY:
Tina Love	Tina Love 10 Aug 2023 10th day of every 12 months

OPERATIONS, STRATEGIC	CONTROL MC00082	SIGNOFF(S):
Resource Management Act (1991) Reform Repeal and replacement of the RMA potentially resulting in:	Monitoring Central Government announcements and direction in relation to RMA reform. Allocating resource to manage the technical and	DUE DATE: FREQUENCY:
Impact on our District Plan review process Financial and resourcing impacts to our organisation Increased potential for Local Government consolidation	political submissions. Consideration of this reform in any decision making regarding the District Plan review (refer to Strategy and Policy Committee agenda item 8 June 2022)	
OWNER Portfolio Managers: Group Manager - Operations, Risk and Assurance Advisor	Related risks - Future of Local Government	

LIKELIHOOD SEVERITY

Probable High

	Attac	ichment 6 Strategi	ic Risk Re	egister - Snapshot as at 22	2 December 20
		SEVERE RISK INHERENT 25.0 R00051	RESIDUAL	9.0 R00055	RESIDUAL - NOT ASSESSED
increase to fund these works. . Roading - Increased frequency and intensity of rainfall events are leading to more drainage works in the road network that reduce long-term maintenance costs resulting from washouts, slumping, and scouring. . Water - Longer periods of drought result in increased demand, while flood events create turbidity. Council has invested, and is continuing to invest, in bigger water storage facilities and upgrades to treatment plants to reduce these risks. Additional water sources	out of normal budgetary provisions." LTP 2021-2031 Risk 5 Consequences: . Impact on rural ratepayers' ability to remain profitable and afford the cost. . Unexpected pressures may come on infrastructure requiring new capital developments such as stormwater control. Pressure will	STRATEGIC Climate Change LTP 2021-2031 assumes that the most significant impacts from climate change will not have occurred by 2031, and change will be in line with central government predictions. LTP 2021-2031 Risk 5 "There will be increasing intensity of climate related event(s) requiring emergency work that cannot be funded	EXECUTIVE, BUILDING A VIBRANT ECONOMY, DELIVERING RESILIENT INFRASTRUCTURE, GROWING STRONG COMMUNITIES, OPERATIONAL - ORGANISATION - LEVEL 1, PRUDENT FINANCIAL MANAGEMENT,	OWNER Portfolio Managers: Group Manager - Operations, Risk and Assurance Advisor CREATED 8/07/2019 4:21:10 PM LIKELIHOOD Possible SEVERITY Medium	operations, strategic Failure to Develop and Understand our Relationship with our Key Stakeholders Resulting in a loss of public confidence in Council and inability to achieve outcomes where stakeholder input is required.
release pressure points or likely future fail points (e.g. Route 52 work; Wind farm investment in road improvements) Infrastructure Strategy and Growth Strategy, along with District Plan areas for development of housing and commercial. Prioritise investment in water sources, storage and general resilience. e.g. 3 days of treated storage, ideally gravity fed; Manage higher turbidity of up to 100 NUs; further explore bore sources and secondary surface water sources. Build modular (easy to add-on) treatment systems. Do not over-invest in wastewater as growing population risk may exceed functional	Insurance. Maintain strong balance sheet, ensuring the ability to borrow or cash in assets. Consideration of climate change impacts in future planning e.g. water treatment and storage, secondary water sources, asset protection, renewable energy initiatives, connectivity. Not investing in short-life infrastructure e.g. on coastlines Secondary road access planning - e.g. new roads away from risk areas; new bridges and culverts to	Renewing in line with industry best standard (i.e. earthquake protection for pipelines in pea metal). Flexibility in the Long Term Plan to reprioritise levels of service. Maintaining depreciation reserve. Reducing debt. Emergency reserves. Discretionary assistance from Central Government (60:40).	CONTROL MC00048 Monitoring advice from central government and		CONTROL MC00052 Ongoing monitoring and proactive management of key stakeholder relationships Implementation of communications plans to ensure relationships are maintained Active identification of key stakeholders
		FREQUENCY:	SIGNOFF(S): DUE DATE:		SIGNOFF(S): DUE DATE: FREQUENCY:
		The first Day of every 6 months	Peter Wimsett 01 Feb 2023		Tina Love 10 Feb 2023 10th day of every 6 months

may be required for resilience. Demand management programmes (awareness, rainwater storage etc.) are already underway to reduce peak demand.

. Wastewater - Increased frequency and intensity of rainfall events result in infiltration and inflows that increase volumes to be treated. Programmes to address this include leak detection, CCTV inspections and new stormwater upgrades.

. Stormwater - Increased frequency and intensity of rainfall events result in service levels falling. Increasing size and redesign of networks may be required.

. Council has a policy of holding depreciation renewal reserves. Costs from damage associated with extreme weather are likely to rise as the incidence of these events increases in the future.

Peter Wimsett commentary:

. Weather events are expected to become increasingly more extreme and variable, potentially over short timeframes.

. Forecasts of sea levels rise have a wide range of variability and timing, but will occur over decades to centuries, as coastlines are re-written. Storm surge is a more immediate risk. Investment in these areas must first assess climate risk.

. Changes to migration . Biological threats . Scio-political change . Supply chain issues . Economic instability

Cascading impacts

Legislative change

Major impacts on Council will occur for provision of infrastructure: 3 waters, roading and emergency repair costs or abandonment of assets for new "optimised" solutions. Council having financial resources to respond to crisis will be an advantage.

OWNER Portfolio Managers: Chief Executive, Risk and Assurance Advisor

CREATED 6/06/2019 11:49:20 AM LIKELIHOOD Highly Probable SEVERITY Very High

SEVERITY Very High RESIDUAL LIKELIHOOD Highly Probable RESIDUAL SEVERITY Very High

capability, whilst new technology is already able to achieve treatment.

Opportunities:

routes. 4. District Plan identification of safe sites for pursue and lobby for. 2. Determine alternate water supplies for at risk supply areas. Note the three waters reform and 8. Working with lwi on opportunities for growth, water needs and sustainability acceleration fund application and other Government grants fire response 6. Man-made lakes for water source - drinking & now be considered for modelling modelling - one in 500 to 1000 year events should 5. Stormwater review - LiDAR towns and coast for building i.e. lower risk of flood 3. Determine alternate roading routes for at risk for secondary water sources (particularly bore greater resilience and a new LTP intention to look Energy rebalancing systems are now important to CONDITION NOW MET - NOTED 15/03/2022. manage the effects of Climate Change -7. Preparing for growth - Infrastructure sources) Taumata Arowai funding opportunities to achieve 1. Define a point where we are no longer able to

03/06/2022 Stephen Dunn: Appointment with Peter to bring a more structured format for this risk and relate to Council Outcomes and Strategic Objectives. Also include LG sector information e.g. Local Government Position Statement on Climate Change and MTE Climate Change Risk Assessment for Local Government. Also MW Regional Climate Action Strategy and Climate Action Committee.

28/11/2022 UNDER REVIEW - per conversations Peter and Stephen



**************************************	***** Also a control or process for the management of the treasury tool (and Hedgebook?)	Control criticality assessed as: Critical Current Control effectiveness assessed as: ??	Potential additional control relating to training and awareness for staff and elected members.	CONTROL MC00099 DRAFT (per email to Raj Aug 2022 E22/4590) Controls related to the concept of financial "headroom", and based on the 2021-2031 Financial Strategy: 1. The Treasury Risk Management Policy was adopted on 27 May 2020 and is due for review on 30 June 2023. 2. The Financial Strategy was adopted as part of the 2021-2031 LTP and is reviewed at each LTP. 3. Performance against the Policy and Strategy is measured and reported to Council quarterly by the Finance Manager.
				SIGNOFF(S): DUE DATE: FREQUENCY:
				Raj Suppiah 01 Jun 2023 The first Day of every 6 months

FP

Plan.

Causes

event)

SEVERITY

LIKELIHOOD

CREATED OWNER

RESIDUAL SEVERITY

High

Current Control criticality assessed as: ??

	At	tac	hme	nt 6	5 S1	trate	gic Ris		.1 Risk an legister - S							
								KUUU46	INHERENT	SEVERE RISK	20.0	RESIDUAI				
-	DD	CREATED 14/05/2019 4:33:09 PM	OWNER Portfolio Managers: Group Manager - People & Capability, Risk and Assurance Advisor	institutional knowledge	the capital programme, impacts on staff wellbeing, loss of	and 147)	labour market, particularly in skill short areas. . dissatisfaction, team culture, poor health (Long Term Plan Pg 136	Causes include: a failure to retain or attract suitable skilled staff due to a tight	Council strategic objectives Staff resources are inadequate to successfully deliver Council strategic objectives.	MANAGEMENT Staff resources are inadequate to successfully deliver	OPERATIONAL - ORGANISATION - LEVEL 1, PRUDENT FINANCIAL	PEOPLE & CAPABILITY, BUILDING A VIBRANT ECONOMY, DELIVERING				
	Effective.	This control is assessed as being critical. This control is currently assessed as Fully		Group Manager - People & Capability sponsors a	Wellbeing	This treatment is assessed as being Critical. CONTROL MC00161	Implement a Flexible Working Policy by 31 December 2023.	NEW TREATMENT	This control is assessed as being Critical. This control is currently assessed as Fully Effective. CONTROL MC00160	Council conducts an annual staff survey and the ELT manage the resulting action plan.	Workplace Culture	CONTROL MC00159	Control criticality assessed as: ?? Current Control criticality assessed as: ??	LTP 2021-2031 Risk 11 mitigation "Working with Waka Kotahi as funding partners will ensure early identification of any major issues with funding for the roading programme."	LTP MITIGATION	CONTROL MC00128
				FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):		FREQUENCY:	DUE DATE:	SIGNOFF(S):

Sandy Lowe 01 Sep 2023

Once

Sandy Lowe 01 Mar 2023

The first Day of every 3 months

RESIDUAL SEVERITY

High

The first Day of every 3 months

01 Mar 2023 Sandy Lowe The first Day of every 12 months

01 Dec 2023 Chris Chapman

This treatment is assessed as being Critical.	Consult on and implement a Remuneration Policy by 31 March 2023.	NEW TREATMENT	This control is assessed as being Important. This control is currently assessed as Fully Effective. CONTROL MC00164	The recruitment process includes consideration for cadetships.	Cadetships	CONTROL MC00163	Career Development All staff participate in the Career Growth Kit- Performance Development Plan process. To sign off this control as compliant your team will be up to date with the Career Growth Kit - Performance Development Plan process. This control is assessed as being Critical. This control is currently assessed as Fully Effective.	CONTROL MC00162
	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	FREQUENCY: SIGNOFF(S):	DUE DATE:	NON-COMPLIANT
	Once	31 Mar 2023	Sandy Lowe	The first Day of every 12 months	01 Dec 2023	The first Day of every 12 months Sandy Lowe	reter wintsett Eleanor Roberts Ray Cannon Dave Watson Joy Kopa Raj Suppiah Sandy Lowe Sarah Walshe Carole Witon Mark Maxwell Derek McKinon Chris Chapman Jessica McKenzie Calin Yonge Almee Charmley Bryan Nicholson James Single Nigel Brewin Bronda Smith Shane Beverley Mike Dunn Allie Dunn Allie Dunn Harry Poonater Debz Hurst Jean De Villiers Tom McAlevey Jeanine Hepworth 01 Dec 2022	D-12- 11/1:000 x44



NOTE: Assigned to GM-Corporate as Procurement Specialist is currently vacant. NOTE: This process has been to ELT and is on hold pending the review of the Procurement Policy	Once complete an onboarding process and ongoing training could be added as a control, and more detailed internal control checks.	Treatment criticality assessed as: Critical	Procurement process rollout project to be completed by 31 March 2023.	NEW TREATMENT	Treatment criticality assessed as: Critical CONTROL MC00158	LTP 2021-2031 Year Two scoping and planning completed by 30 November 2022.	NEW TREATMENT	Control criticality assessed as: ?? Current Control criticality assessed as: ?? CONTROL MC00113	projects in line with Project Management Guidelines (Pg 25).	Steering Committees are in place for larger	Control criticality assessed as: Critical Current Control criticality assessed as: Partially effective - impacted by rollout of the PMF and imbedding of PMO processes. CONTROL MC00112	Guidelines. Review Project Management Guidelines regularly.	Implement a Project Management Office and	CONTROL MC00111
			FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):
			Once	31 Mar 2023	Raj Suppiah	Once		Mike Dunn	The first Day of every 6 months	01 Jun 2023	Mike Dunn	The first Day of every 12 months	01 Dec 2023	Mike Dunn



Currently under review as at December 2022.	The Tararua Alliance - Procurement Management Strategy - Roading is reviewed annually. Latest document is October 2020.	NOTE please include in review the content of LTP 2021-2031 Risk 22 mitigation "We are working collaboratively with our supply partners, have longer term contracts, building capacity and capability with our local contractors and providing certainty of contracts so our supply partners can commit to investments in training, development, and equipment." CONTROL MC00200	NOTE: Should this also refer to the Procurement Process Manual March 2020?	CONTROL MC00199 Review the Strategic Procurement Policy every three years. Current policy dated January 2020. Policy is under review as at December 2022 in conjunction with the Procurement Process Rollout (see separate control).
	DUE DATE: FREQUENCY:	SIGNOFF(S):		SIGNOFF(S): DUE DATE: FREQUENCY:
	01 Mar 2023 The first Day of every 12 months	Raj Suppiah		Raj Suppiah 31 Mar 2023 The first Day of every 36 months

Three Waters Renewals CORPORATE, DELIVERING RESILIENT INFRASTRUCTURE, PRUDENT FINANCIAL MANAGEMENT, STRATEGIC

There will be a shortfall in funds available to replace 3Waters assets if asset lives are shorter than forecast (LTP 2021-2031 Risk j

Risk Causes: Insufficient data on asset condition.

service, other activities are deferred, potential to breach Treasury public health. LTP strategies require adjustment. requirements, potential impact on regulatory requirements and Policy, depreciation reserves are insufficient to meet renewal Risk Consequences: Additional funding is required to maintain levels of service, renewals are delayed impacting on levels of

****** LTP 2021-2031 Risk 7 Asset Lives

costs for the three waters and Roading is shown in the Depreciation Rates. The overall costs of renewals and operating Infrastructure Strategy. correct professional advice. Refer to Accounting Policies for plans evidence by condition assessments or are based upon Useful lives of assets reflect those recorded in asset management

The risk is that assets wear out earlier or later than estimated

improvement item 21). 5. Develop a renewals programme based on the risk-based decision making process - considering the condition, field performance and criticality

when making renewals decisions.

LIKELIHOOD	CREATED	OWNER
D Highly Probable	CREATED 8/07/2019 4:38:22 PM	Portfolio Managers: Group Manager - Corporate, Risk and Assurance Advisor

SEVERITY

RESIDUAL SEVERITY RESIDUAL LIKELIHOOD

High High Highly Probable

Could further develop this treatment by including the action steps from the 3Waters AMP and potentially delegate parts of this treatment: 1. Develop a risk based decision making process to identify and prioritise renewals work 2. Implement a risk-based prioritisation to manage renewals requirements. For assigning criticality of assets refer to improvement item 16. 3. Develop structured condition assessment programmes so that condition data can be cost-	PROPOSED TREATMENT: Develop a renewal process and formalise the decision making of renewals. (From 3Waters Activity Plan 2021-2031 Improvement Plan).	DRAFT	CONTROL MC00096 SIGNOFF(S CURRENT CONTROL: DUE DATE: Better forecast renewals - based on risk, service FREQUENC levels and asset condition/performance. FREQUENC	
			SIGNOFF(S): DUE DATE: FREQUENCY:	
			Chris Chapman 01 Dec 2023 The first Day of every 12 months	

effective - in development Control criticality assessed as: Critical Current Control criticality assessed as: Partially customer inconvenience.

programmes such as roading to reduce cost and programmes can be coordinate with other asset 6. Identify projects where the 3 waters renewal

Control criticality assessed as: ?? Current Control criticality assessed as: Partially Effective - reliant on incomplete data.	PROPOSED WORDING: Depreciation Reserves modelling is completed at every planning cycle and funding requirements are adjusted as required (From LTP2021-2031 Risk 10 mitigation).	CURRENT CONTROL: Appropriately funded depreciation renewals.	46/12/2022 meeting Stephen and Chris and this will need to be separated into seperate controls. Have signed off meantiem and will work on this first quarter 2023. CONTROL MC00098	Control criticality assessed as: Critical Current Control criticality assessed as: Partially effective - in development	Could further develop this treatment by including action steps from the 3Waters AMP and potentially delegate some areas: 1. Develop Data management plan against meta data standards 2. Implement processes to identify and resolve data inconsistencies e.g. checking install dates against dates that the surrounding area was developed, manufacture dates of pipe material and manufacturing standards of the day. Ensure that asset register is updated to capture attribute information captured during condition assessment.	PROPOSED TREATMENT: Improving data management and deficiencies (From 3Waters Activity Plan 2021-2031 Improvement Plan).	CONTROL MC00097 CURRENT CONTROL: Data quality improvement programme. DRAFT
		DUE DATE: FREQUENCY:	SIGNOFF(S):				SIGNOFF(S): DUE DATE: FREQUENCY:
		01 Mar 2023 The first Day of every 12 months	Raj Suppiah				Chris Chapman 01 Dec 2023 The first Day of every 12 months

The Health and Safety Committee meets monthly, minutes are distributed, actions documented, and escalated to ELT and Governance as appropriate. This control is currently assessed as: Fully Effective This control's criticality is assessed as: Critical	This control is currently assessed as: Partially Effective - due to reviews being out of date. This control's criticality is assessed as: Critical CONTROL MC00084	CONTROL MC00083 Risk Register Reviews - Reviewing your Health and Safety Register The Health and Safety Risk Hazard Register is complete and reviews due have been completed. Staff are involved in the hazard review process following the "Reviewing your Health and Safety Register" process.	**************************************	***** Also a control or process for the management of the treasury tool (and Hedgebook?)	Control criticality assessed as: Critical Current Control effectiveness assessed as: ??	Potential additional control relating to training and awareness for staff and elected members.	 The Treasury Risk Management Policy was adopted on 27 May 2020 and is due for review on 30 June 2023. The Financial Strategy was adopted as part of the 2021-2031 LTP and is reviewed at each LTP. Performance against the Policy and Strategy is measured and reported to Council quarterly by the Finance Manager. 	Controls related to the concept of financial "headroom", and based on the 2021-2031 Financial Stratency	DRAFT (per email to Raj Aug 2022 E22/4590)	CONTROL MC00099
DUE DATE: FREQUENCY:	SIGNOFF(S):	NON-COMPLIANT SIGNOFF(S): DUE DATE: FREQUENCY:						FREQUENCY:	DUE DATE:	SIGNOFF(S):
01 Jun 2023 The first Day of every 6 months	Brent Anderson	Brent Anderson 01 Dec 2022 The first Day of every 3 months						The first Day of every 6 months	01 Jun 2023	Raj Suppiah

INHERENT 20.0 R00047

15.0

		LIKELIHOOD Probable SEVERITY Very High RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY Very High	REVIEW COMPLETED 13/09/2022 OWNER Portfolio Managers: Group Manager - People & Capability,Risk and Assurance Advisor CREATED 15/05/2019 9:31:25 AM	Causes include a breakdown in the hazard identification process, there is a breakdown in the control process, there is a breakdown in the monitoring process, and there is a health and safety system failure. Consequences include the death or injury to person(s), business interruption, potential for prosecution, reputational damage, impact on staff wellbeing.	PEOPLE & CAPABILITY, BUILDING A VIBRANT ECONOMY, DELIVERING RESILIENT INFRASTRUCTURE, GROWING STRONG COMMUNITIES, OPERATIONAL - ORGANISATION - LEVEL 1, PRUDENT FINANCIAL MANAGEMENT Health and Safety Notifiable Event Council fails to manage its health and safety system to meet its
September 2022: Internal Control Check completed (D22/30007) - control remains partially effective CONTROL MC00089 TREATMENT Develop a process and plan to ensure that all contractors receive a health and safety induction. This treatment is for risk cause: A breakdown in the control process. This treatment's criticality is assessed as: Critical	All contractors are registered with SiteWise and their accreditation is up to date. Refer to Promapp "Contractor Management" Section. Either using the SiteWise process or exemption process. This control is currently assessed as: Partially Effective - there is no direct control over ensuring SiteWise is used for new contractors and the SiteWise process is not being followed in all cases.	Representative has completed an induction, and the Health and Safety Rep. Stage 1 and Stage 2 courses (or is enrolled). This control is currently assessed as: Fully Effective This control's criticality is assessed as: Important CONTROL MC00088	CONTROL MC00087 Health and Safety Representative Induction - H&S PowerPoint Presentation A Health and Safety Representative represents every staff member. Each Health and Safety	Effective This control's criticality is assessed as: Critical CONTROL MC00086 Crisis Management Plan for Notifiable Event - Immediate Actions The Crisis Management Plan is reviewed annually and is being used to manage notifiable events. This control is currently assessed as: Partially Effective - CMP testing is not currently done due to capacity constraints This control's criticality is assessed as: Critical	CONTROL MC00085 Induction for New Staff - A new staff member is starting All new staff undertake the Health and Safety Induction. This control is currently assessed as: Fully
SIGNOFF(S): DUE DATE: FREQUENCY:	DUE DATE: FREQUENCY:	NON-COMPLIANT SIGNOFF(S):	SIGNOFF(S): DUE DATE: FREQUENCY:	NON-COMPLIANT, CHANGE(S) PENDING SIGNOFF(S): Brent Anderson DUE DATE: 01 Dec 2022 FREQUENCY: The first Day of e	SIGNOFF(S): DUE DATE: FREQUENCY:
Brent Anderson 01 Jul 2023 Once	01 Dec 2022 The first Day of every 6 months	Brent Anderson	Brent Anderson 01 Jun 2023 The first Day of every 6 months	IANGE(S) PENDING Brent Anderson 01 Dec 2022 The first Day of every 12 months	Brent Anderson 01 Jun 2023 The first Day of every 6 months

This control is for risk cause: A breakdown in the health and safety control process. This control is currently assessed as: Partially Effective - pending inclusion of SafePlus recommendations. This control's criticality is assessed as: Critical	SafePlus Assessment April 2021 recommendation: "Build on the work already completed around risk posters by creating a matrix of which business units are affected by which critical risks, so the Health and Safety Coordinator will have overview of TDC's critical risk profile."	TREATMENT	This control's criticality is assessed as: Critical CONTROL MC00095	This control is currently assessed as: Fully	The next review is due November 2022.	The Health and Safety Policy is reviewed every three years.	This control's criticality is assessed as: Critical CONTROL MC00094	This control is currently assessed as: not been	requirements.	Team to assist them to meet their due diligence	CONTROL MC00093 Regular reporting to the Executive Leadership	This control is assessed as: fully effective This control's criticality is assessed as: Critical	and reporting of incidents and risks.	Continue to implement Safe365 to improve access	This treatment's criticality is assessed as: Critical CONTROL MC00092	Develop a Health and Safety Strategy by 31 March 2023.	TREATMENT	Effective - pending changes recommended by SafePlus e.g. critical risks and verifications. This control's criticality is assessed as: Important CONTROL MC00091	This control is currently assessed as: Partially	Quarterly reporting to Audit & Risk Committee.	CONTROL MC00090
	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	NON-COMPLIANT		FREQUENCY:	DUE DATE:	NON-COMPLIANT SIGNOFF(S):		FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):
	The first Day of every 6 months	01 Jun 2023	Brent Anderson	The first Day of every 36 months	01 Dec 2022	Angela Rule Sandy Lowe			The first Day of every 6 months	01 Dec 2022	Brent Anderson		The first Day of every 6 months	01 Jun 2023	Brent Anderson	Once	31 Mar 2023	Brent Anderson	The first Day of every 6 months	01 Jun 2023	Brent Anderson

			KUUUBD	20.0	INHERENT	HIGH RISK	RESIDUAL		
		2. Staff involved in decision making or monitoring may have a personal or pecuniary in contract e.g. position on the management or ste an organisation. 3. Staff appointments made other than on merit 4. Practices resulting in the purchasing process sufficiently competitive. 22/08/2022 Updated risk assessment using the item. OWNER Portfolio Managers: Chief Executive,Risk ar CREATED 3/08/2022 3:40:35 PM LIKELIHOOD Probable SEVERITY Very High RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY Very High	1 Callusive practices whi	From the Fraud Register (D18/22066):	A significant non-disclosu	Placeholder to add Confli	EXECUTIVE, BUILDING A VII ORGANISATION - LEVEL 1, I		
		 2. Staff involved in decision making or monitoring may have a personal or pecuniary interest in the contract e.g. position on the management or steering committee of an organisation. 3. Staff appointments made other than on merit. 4. Practices resulting in the purchasing process not being sufficiently competitive. 22/08/2022 Updated risk assessment using the Fraud Register item. 22/08/2022 Updated risk assessment using the Fraud Register item. OWNER Portfolio Managers: Chief Executive,Risk and Assurance Advisor CREATED 3/08/2022 3:40:35 PM LIKELIHOOD Probable SEVERITY Very High RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY Very High 	1 Collusive practices which influence the tender and selection	æs, and is disruptive. (D18/22066):	A significant non-disclosure of a conflict of interest impacts on	Placeholder to add Conflict of Interest to the register.	EXECUTIVE, BUILDING A VIBRANT ECONOMY, OPERATIONAL - ORGANISATION - LEVEL 1, PRUDENT FINANCIAL MANAGEMENT		
All employees are trained in conflicts of interest on induction and at least annually.	Conflicts of Interest Policy Section 6.3	 NOTE: Assigned to GM-Corporate as Procurement Specialist is currently vacant. NOTE: This process has been to ELT and is on hold pending the review of the Procurement Policy CONTROL MC00199 Review the Strategic Procurement Policy every three years. Current policy dated January 2020. Policy is under review as at December 2022 in conjunction with the Procurement Process Rollout (see separate control). NOTE: Should this also refer to the Procurement Process Manual March 2020? NOTE please include in review the content of LTP 2021-2031 Risk 22 mitigation "We are working collaboratively with our supply partners, have longer term contracts, so our supply partners can commit to investments in training, development, and equipment." 		Once complete an onboarding process and ongoing training could be added as a control, and more detailed internal control checks.	Treatment criticality assessed as: Critical	Procurement process rollout project to be completed by 31 March 2023.	CONTROL MC00158 NEW TREATMENT	Check that the delegated authority list and the control match.	CONTROL MC00156 Risk and Assurance Advisor This relates to H&S control MC00088 Refer to list of delegated authority positions able to procure contracts (see TRIM folder 22/383)
	DUE DATE: FREQUENCY:	SIGNOFF(S): PUE DATE: FREQUENCY: SIGNOFF(S):				FREQUENCY:	SIGNOFF(S): DUE DATE:		SIGNOFF(S): DUE DATE: FREQUENCY:
	01 Mar 2023 The first Day of every 12 months	Raj Suppiah 31 Mar 2023 The first Day of every 36 months Sandy Lowe				Once	Raj Suppiah 31 Mar 2023		Stephen Dunn 01 Sep 2023 The first Day of every 12 months

	Attachmen INHERENT	t 6 Strateg HIGH RISK		Risk and Assura ister - Snapshot		
CREATED 14/05/2019 3:48:46 PM LIKELIHOOD Possible SEVERITY Very High RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY Very High	Caused by data corruption with either malicious intent or accidentally. Consequences include - disrupts the organisation's ability to provide agreed levels of service and restricts the ability for Council functions to perform.	corporate, operational - organisation - Level 1 Significant IT Failure that Disrupts the Organisations Ability to Provide Agreed Levels of Service Significant IT failure that disputs the organisation's ability to				
Current Control Criticality: Critical Current Control Effectiveness: Partially effective - Overarching BCP in development. Covid-19 BCP's in place. Cyber-liability insurance arrangements are in place. This control is assessed as critical. The effectiveness of this control has not been assessed.	LTP MITIGATION LTP 2021-2031 Risk 3 mitigation "The Council has prepared a detailed business continuity plan, which outlines both crisis response and recovery. Civil Defence emergency planning is in alignment with business continuity preparedness." PROPOSED TREATMENT Finalise the Overarching Business Continuity Plan by 31 December 2022.	CONTROL MC00123 CURRENT CONTROL Maintain business continuity plans for Council essential services.	DRAFT control This control will contain information regards staff conflict of interest register and related party declarations.	All conflict of interest requirements of the Local Authorities (Members' Interests) Act 1968 are met. Includes an up-to-date register of interests, meeting agenda items, published to Council's website, and letter to the Office of the Auditor General CONTROL MC00204	All BCA employees and contractors follow the Building Consent Authority Quality Manual - conflicts of interest policy and process. CONTROL MC00203 DRAFT control	CONTROL MC00202 40 Conflicts of Interest - Policy Conflicts of Interest Policy Section 6.2
SIGNOFF(S): DUE DATE: FREQUENCY:		SIGNOFF(S): DUE DATE: FREQUENCY:	DUE DATE: FREQUENCY:	FREQUENCY: SIGNOFF(S):	SIGNOFF(S): DUE DATE:	SIGNOFF(S): DUE DATE: FREQUENCY:
Raj Suppiah 01 Dec 2023 The first Day of every 12 months		Stephen Dunn 31 Mar 2023 Once	01 Mar 2023 The first Day of every 6 months	The first Day of every 6 months Sandy Lowe	Allie Dunn 01 Mar 2023	James Single Carolyn Osborne 01 Jun 2023 The first Day of every 6 months

							rategic Ri								
CONTROL MC00038 Pandemic threats are increasing as a result of climate change against an increasing population "pool" and increasing encroachment into new areas of habitation/activity allowing greater risk of zoonotic disease and cross interaction/contamination. e.g. There is evidence to indicate COVID-19 is a variant from mice that is	Links to Fraud Risk Assessment table - February 2018 – D18/4061 comment "IT policies are in place and staff are made aware of security over electronic documents and their responsibilities".	Links to Fraud Risk Assessment table - February 2018 – D18/4061 comment "Staff are aware of procedures on passwords, security etc. through IT policies".	This control is assessed as important. Control effectiveness is assessed as fully effective.	ICT Acceptable Use Policy is reviewed every two years from 2022.	DRAFT	This treatment is assessed as critical. CONTROL MC00171	An Improvement Plan is developed from recommendations in the February 2021 Baseline Security Assessment (D22/10960) by 31 March 2023.	NEW TREATMENT	This treatment is assessed as critical. The current control is assessed as ineffective due to policies being generic and out of date. CONTROL MC00170	ICT Policy is complete by 31 July 2023. Implementation is complete by 31 July 2024.	NEW TREATMENT	This control is assessed as critical. This control is currently partially effective based on the DRP currently being incomplete and outdated. CONTROL MC00169	Update the draft 2016 Disaster Recovery Plan by 30 June 2023.	NEW TREATMENT	CONTROL MC00168
SIGNOFF(S): DUE DATE: FREQUENCY:				FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):
Sandy Lowe 10 Jan 2023 10th day of every 3 months				The first Day of every 24 months	01 Mar 2024	Shane Beverley	Once	31 Mar 2023	Shane Beverley	The first Day of every 12 months	31 Jul 2023	Shane Beverley	Once	30 Jun 2023	Shane Beverley

	Attachment 6	5 Strategic	4.1 Risk a Risk Register -	nd Assuranc Snapshot a		Decem	
		RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY High	nagers \dvisor 11:01:⁄	 Economic Instability - impacting rates revenue. Health & Safety - staff physical and mental wellbeing. Supply chain and contractor capacity - impact on project delivery. 	1. Business continuity - capacity or loss of operational staff affecting levels of service and project delivery.	Effects of Covid-19 and global pandemic LTP 2021-2031 Risk 21, Covid-19 consequences:	PEOPLE & CAPABILITY, BUILDING A VIBRANT ECONOMY, DELIVERING RESILIENT INFRASTRUCTURE, GROWING STRONG COMMUNITIES, PRUDENT FINANCIAL MANAGEMENT, STRATEGIC
 Review all business continuity plans to adjust these to the expert-based projected severity of the virus, bacteria or other pathogen. Consider MoH, NEMA, SOLGM, LGNZ and other expert advisories of response processes for critical council functions. Determine community wellbeing issues and Council leadership and functional role in response and recovery. COVID Vaccination Policy came into effect 8 February 2022. Critical worker exemption process in place. IT facilities to enable relevant staff to work from home. Maintaining a healthy balance sheet. Flexibility within the LTP to enable change to service levels i.e., essential services only, suspension of face to face public services 	For TDC - we complete our resurgence plans and adjusted Business Continuity Plans in response to the national action planning. We have kept staff and public informed of expectations and completed Regional planning for sharing resources. The low mortality and morbidity rates of COVID-19 has helped TDC.	Reduction in biodiversity through species extinction will reduce our ability to identify new unique medicinal opportunities that will otherwise be lost. However, offsetting this will be new technology that will enable better treatments.	Biological stress on all species is reducing their immune systems, thereby increasing their vulnerability and susceptibility to disease. As we have seen, a large human population and socio- cultural constraints on understanding and managing risk will increase the chance for propagation of new variants.	indicating the viability of this reservoir of new biological threat. Multiple variants of anthrax are likely – one has already killed wildlife and a person in Siberia. Scientists fear smallpox will be "rediscovered".	Consequently, the pandemic threat is now increasing rapidly with permafrost melt is now releasing "novel" biological matter. A very recent experiment taking a sample from permafrost perconductivity of a from permafrost	The IPCC Sixth Assessment Report: Climate Change 2022 on Impacts, adaptation and vulnerability came out on 28 February 2022.	now being passed onto other mammals via humans.

(swimming pool, library). The ability to use Council facilities for emergency public health or quarantine. Reducing contamination and transfer of disease through masks, gloves and antibacterial solution -Comms plan to educate staff and public.

Opportunities: no touch taps/handwash etc. created comms templates to enable faster response. create an emergency mental health plan. supply chain: stock pile resources for essential services i.e fuel stores, chlorine gas.

									R00096	INHERENT	RESIDUAL 12.0 HIGH RISK
								SEVERITY High RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY High	0/00/2022 0.444.00	H H	corporate, executive, operational - organisation - level 1, prudent financial management Fraud Placeholder for adding fraud to the risk register.
NOTE please include in review the content of LTP 2021-2031 Risk 22 mitigation "We are working collaboratively with our supply partners, have longer term contracts, building capacity and capability with our local contractors and providing certainty of contracts so our supply partners can commit to investments in training, development, and equipment."	NOTE: Should this also refer to the Procurement Process Manual March 2020?	Review the Strategic Procurement Policy every three years. Current policy dated January 2020. Policy is under review as at December 2022 in conjunction with the Procurement Process Rollout (see separate control).	NOTE: Assigned to GM-Corporate as Procurement Specialist is currently vacant. NOTE: This process has been to ELT and is on hold pending the review of the Procurement Policy CONTROL MC00199	Once complete an onboarding process and ongoing training could be added as a control, and more detailed internal control checks.	Treatment criticality assessed as: Critical	Procurement process rollout project to be completed by 31 March 2023.	NEW TREATMENT	Can this be expanded or more detail added to allow measurement? CONTROL MC00158	Review the Protected Disclosures Policy every three years.	CONTROL MC00154 DRAFT	CONTROL MC00153 The Fraud, Dishonesty, and Corruption Policy is reviewed and approved by the Audit and Risk Committee every three years.
		DUE DATE: FREQUENCY:	SIGNOFF(S):			FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	NON-COMPLIANT SIGNOFF(S): DUE DATE:	NON-COMPLIANT SIGNOFF(S): DUE DATE: FREQUENCY:
		31 Mar 2023 The first Day of every 36 months	Raj Suppiah			Once	31 Mar 2023	Raj Suppiah	The first Day of every 36 months	Angela Rule 01 Dec 2022	Angela Rule 01 Dec 2022 The first Day of every 36 months

	RESIDUAL 9.0 MODERATE RISK INHERENT 9.0 R00100
Need to further define this risk OWNER Portfolio Managers: Gr Assurance Advisor CREATED 10/08/2022 1:25:29 PM LIKELIHOOD Poss SEVERITY Med RESIDUAL LIKELIHOOD Poss	OPERATIONS, GROWING STRONG COMMUNIT ORGANISATION - LEVEL 1 Inappropriate Enforcement Action This definition has come from the existing I Statutory Requirements risk and has been "exceeding our authority i.e. enforcing expi damage and flow on economic effects to the businesses."
Need to further define this risk and complete full risk assessment OWNER Portfolio Managers: Group Manager - Operations,Risk and Assurance Advisor CREATED 10/08/2022 1:25:29 PM LIKELIHOOD Possible SEVERITY Medium RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY Medium	OPERATIONS, GROWING STRONG COMMUNITIES, OPERATIONAL - ORGANISATION - LEVEL 1 Inappropriate Enforcement Action This definition has come from the existing Non-Compliance with Statutory Requirements risk and has been split out "exceeding our authority i.e. enforcing expired bylaws, reputational damage and flow on economic effects to the public and businesses."
	CONTROL MC00149 PLACEHOLDER for Enforcement Policy controls PROPOSED CONTROL WORDING Something to the effect that the Enforcement Policy of March 2022: . rolled out to all enforcement officers . monitored . reviewed
	SIGNOFF(S): DUE DATE: FREQUENCY:
	James Single 01 Mar 2023 Once

			Attachmer	nt 6 Strate	egic	Risk Re	giste	r - Sn	apsh	ot as	at 22 [Decen	nbe	r 202
										R00102	INHERENT	MODERATE RISK	9.0	RESIDUAL
			LIKELIHOOD Possible SEVERITY Medium RESIDUAL LIKELIHOOD Possible RESIDUAL SEVERITY Medium	OWNER Portfolio Managers: Group Manager - Corporate,Risk and Assurance Advisor CREATED 22/08/2022 9:16:14 AM	equipriterit, perior artic dieser as about 50% of Couricit business is roading related.	The impact is that this will lead to misstatement in some of the costs in the budgeted financial statements. Council is particularly susceptible to changes in the price of imported plastics, capital provide the price of the pr	exchange rates and international oil prices.	on international oil prices (pipes, bitumen, and fuel). Council has no control on these prices and these are often volatile due to shifts in	The risk is that the actual inflation will be significantly different from the assumed inflation Council is exposed to cost increases based	weighted average inflation rate for each year of the plan. These forecasts were issued in October 2020.	The LTP assumes the annual cost to Council services will continue to increase between 2.2% to 3.4% using the Local Government Cost Index (LGCI) forecasts of price level changes to calculate a	Refer 2021-2031 LTP Risk 6 Inflation.	Inflation	CORPORATE, DELIVERING RESILIENT INFRASTRUCTURE, PRUDENT
This control is about reforcasting, annual plan, and LTP processes. Control criticality assessed as: ?? Current Control criticality assessed as: ??	From Atypical Global Depression "Monitoring of any significant international economic instability and review LTP with the flexibility to alter or defer plans and/or projects, specifically the Financial and Economic Strategies to ensure a healthy balance sheet is maintained and rate increases are moderate.	LTP 2021-2031 Risk 6 refers to utilizing LGCI forecasts during planning.	LTP MITIGATION LTP 2021-2031 Risk 11 "Council is able to review levels of service and community expectations through the Draft Annual Plan and Long Term Plan processes."	21/12/2022 Meeting StephenRaj about this control. Will split into three as recommended and assign to appropriate managers. Also going to Audit and Risk Committee January 2023. CONTROL MC00127	· 外外的 化分子 化分子分子 化分子分子	***** Also a control or process for the management of the treasury tool (and Hedgebook?)	Control criticality assessed as: Critical Current Control effectiveness assessed as: ??	Potential additional control relating to training and awareness for staff and elected members.	measured and reported to Council quarterly by the Finance Manager.	2. The Financial Strategy was adopted as part of the 2021-2031 LTP and is reviewed at each LTP. 3. Performance against the Policy and Strategy is	1. The Treasury Risk Management Policy was adopted on 27 May 2020 and is due for review on 30 June 2023.	Controls related to the concept of financial "headroom", and based on the 2021-2031 Financial Strateov:	DRAFT (per email to Raj Aug 2022 E22/4590)	CONTROL MC00099
			DUE DATE: FREQUENCY:	SIGNOFF(S):								FREQUENCY:	DUE DATE:	SIGNOFF(S):
			01 Dec 2023 The first Day of every 12 months	Raj Suppiah								The first Day of every 6 months	01 Jun 2023	Raj Suppiah

		R00103	INHERENT 9.0	MODERATE RISK	9	RESIDUAL
OWNER Portfolio Managers: Gr Assurance Advisor CREATED 22/08/2022 9:48:55 AM LIKELIHOOD Poss SEVERITY Med RESIDUAL LIKELIHOOD Poss RESIDUAL SEVERITY Med	The impacts are that, based on levels, interest costs will increa and \$780,000 respectively per interest rates. Council investme between \$19,000 and \$56,000 1% movement in interest rates	The risk is that prevailing those estimated.	3.1% by year ten. Returns on one rising to 1.5% in year ten.	LTP 2021-2031 Risk 18 Interest Rates	Interest Rates	CORPORATE, PRUDENT FI
Portfolio Managers: Group Manager - Corporate,Risk and Assurance Advisor 22/08/2022 9:48:55 AM D Possible Medium IKELIHOOD Possible EVERITY Medium	The impacts are that, based on Council projected borrowings levels, interest costs will increase/ decrease by between \$540,000 and \$780,000 respectively per annum for every 1% movement in interest rates. Council investments will increase/decrease by between \$19,000 and \$56,000 respectively per annum for every 1% movement in interest rates.	The risk is that prevailing interest rates will differ significantly from those estimated.	3.1% by year ten. Returns on term investments will be 0.5% in year one rising to one rising to 1.5% in year ten.	Interest Rates		CORPORATE, PRUDENT FINANCIAL MANAGEMENT, STRATEGIC
	Could we add in here a reference to the Treasury Risk Management Policy?	Term Plan. Council receives professional advice on the strategies to manage future interest rates and funding risk."	"Council has in place an interest rate strategies (swaps) to deliver greater certainty over the interest rate cost for the duration of the Long	From LTP 2021-2031 Risk 18 Interest Rates - mitigation	LTP MITIGATION	CONTROL MC00155
				FREQUENCY:	DUE DATE:	SIGNOFF(S):
				The first Day of every 6 months	01 Jun 2023	Raj Suppiah

					Attachmer	nt 6 Strategi	c Risk R	egister	- Sna	pshot as a	at 22 Decer	nbe	er 2022
										R00104	MODERATE RISK INHERENT 8.0	8.0	RESIDUAL
ECONOMIC & COMMUNITY DEVELOPMENT, DELIVERING RESILIENT INFRASTRUCTURE, PRUDENT FINANCIAL MANAGEMENT, STRATEGIC Population Growth						RESIDUAL SEVERITY High	LIKELIHOOD Unlikely SEVERITY High RESIDUAL LIKELIHOOD Unlikely	OWNER Portfolio Managers: Group Manager - Corporate,Risk and Assurance Advisor CREATED 22/08/2022 10:06:58 AM	litic	An event affecting New Zealand and the Tararua District. Causes could be global conditions, natural disaster, biosecurity incursion, political instability and so on.	Economic Shock This risk combines LTP 2021-2031 Risk 19 Access to External Funding and Strategic Risks Atypical Global Depression and Typical Severe Recession.	STRATEGIC	CORPORATE, DELIVERING RESILIENT INFRASTRUCTURE, GROWING STRONG COMMUNITIES, PRUDENT FINANCIAL MANAGEMENT.
STRATEGIC								sk and).	ict. Causes y incursion,	External on and		GROWING
	Control criticality assessed as: ?? Current Control criticality assessed as: ??	This control is about reforcasting, annual plan, and LTP processes.	From Atypical Global Depression "Monitoring of any significant international economic instability and review LTP with the flexibility to alter or defer plans and/or projects, specifically the Financial and Economic Strategies to ensure a healthy balance sheet is maintained and rate increases are moderate.	LTP 2021-2031 Risk 6 refers to utilizing LGCI forecasts during planning.	LTP MITIGATION LTP 2021-2031 Risk 11 "Council is able to review levels of service and community expectations through the Draft Annual Plan and Long Term Plan processes."	**************************************	***** Also a control or process for the management of the treasury tool (and Hedgebook?)	Control criticality assessed as: Critical Current Control effectiveness assessed as: ??	Potential additional control relating to training and awareness for staff and elected members.	 The Financial Strategy was adopted as part of the 2021-2031 LTP and is reviewed at each LTP. Performance against the Policy and Strategy is measured and reported to Council quarterly by the Finance Manager. 	Controls related to the concept of financial "headroom", and based on the 2021-2031 Financial Strategy: 1. The Treasury Risk Management Policy was adopted on 27 May 2020 and is due for review on 30 June 2023.	DRAFT (per email to Raj Aug 2022 E22/4590)	CONTROL MC00099
					DUE DATE: FREQUENCY:	SIGNOFF(S):					FREQUENCY:	DUE DATE:	SIGNOFF(S):
					01 Dec 2023 The first Day of every 12 months	Raj Suppiah					r në tirst Day or ëvery 6 montris	01 Jun 2023	Raj Suppiah

		RESIDUAL 8.0 MODERATE PISK INHERENT 8.0 R00039
Regional investments will put pressure on the contracting sector and its ability to resource and participate in the procurement processes. This may result in higher contract costs or delays in completing projects. Demand for housing will require Council to consider District Plan review (rezoning urban boundaries), additional pensioner housing and expanding network services. Changes to government policy can adversely impact on the district economic activity. OWNER Portfolio Managers: Group Manager - Economic and Community Development,Risk and Assurance Advisor CREATED 3/04/2019 11:26:31 AM	Risk consequences include: Significantly higher population growth will put pressure on existing infrastructure and services. Council will need to find ways of raising additional revenue required to meet the demand for services due to growth or consider lower levels of service. A major surge in household and/or industrial growth in a number of urban centres would place pressure on three-waters (drinking water, wastewater, and stormwater) infrastructure in those networks. It may result in the need to expand the major infrastructure networks and would require funding.	The risk is that population and household growth are significantly different (growth or decline) to that assumed in the 2021-2031 Long Term Plan. There are many local and international factors that could contribute to growth outside of LTP assumptions and these include: Te Ahu a Turanga Highway development. Significant changes to migration from international events, national legislation and trends, and climate change e.g. Australian mining boom has affected Tararua population in the past. Significantly lower or higher birth and death rates. Major trend changes in the occupancy rate of households. Major changes in the economic returns for farming. Migration impacts of covid-19 (Kiwis returning home and move from cities).
CONTROL MC00117 NEW TREATMENT Adopt a Housing Strategy by 31 December 2022. Note: Consider adding resulting Strategy actions as controls.	Control criticality assessed as: Critical Current Control effectiveness assessed as: ?? ***** Also a control or process for the management of the treasury tool (and Hedgebook?) ************************************	CONTROL MC00099 DRAFT (per email to Raj Aug 2022 E22/4590) Controls related to the concept of financial "headroorm", and based on the 2021-2031 Financial Strategy: 1. The Treasury Risk Management Policy was adopted on 27 May 2020 and is due for review on 30 June 2023. 2. The Financial Strategy was adopted as part of the 2021-2031 LTP and is reviewed at each LTP. 3. Performance against the Policy and Strategy is measured and reported to Council quarterly by the Finance Manager. Potential additional control relating to training and awareness for staff and elected members.
SIGNOFF(S): DUE DATE: FREQUENCY:	SIGNOFF(S): DUE DATE: FREQUENCY:	SIGNOFF(S): DUE DATE: FREQUENCY:
Peter Wimsett 31 Dec 2022 Once	Peter Wimsett 31 Dec 2022 Once	Raj Suppiah 01 Jun 2023 The first Day of every 6 months

LIKELIHOOD SEVERITY RESIDUAL LIKELIHOOD RESIDUAL SEVERITY

Unlikely High Unlikely High

Attachment 6	shot as at 22 December 2022	

4.1 Risk and Assurance Management Report

Key actions include: - Improvement flow and design monitoring - Understanding unallocated extraordinary use - Identifying and securing alternate/supplementary water sources - Assess development/decommissioning of extraordinary supply areas	Improvements (3-Waters AMP 2021-2031 Improvement Plan 7 "Understand and improve the usage and consumption of water")	Water Supply and Demand Management	Develop a Growth Plan and review the Operative District Plan. Draft due September 2023.	NEW TREATMENT	CONTROL MC00122	Control criticality assessed as: Important Current Control effectiveness assessed as: Fully	strategy and Policy Commutee. Review and revise relevant Plans when significant variations to forecast population trends occur.	Regular Environmental Scans reported to the	CONTROL MC00121	Council will consider the introduction of development contribution charges in the 2024- 2034 Long Term Plan.	NEW TREATMENT	NEW TREATMENT 3-Waters Master Plan developed, providing a far greater understanding about the performance of water, wastewater and stormwater networks in Dannevirke, Pahiatua, Woodville and Ektahuna. The work has confirmed significant investment in infrastructure upgrades is required to mitigate negative impacts of growth on these networks. External investment (e.g. through the Infrastructure Acceleration Fund, 3-Waters Reform, etc.) will likely be required. These outputs will inform development of the Growth Strategy, as well as Long Term Plan investment programmes CONTROL MC00119	CONTROL MC00118
	FREQUENCY:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	SIGNOFF(S):		FREQUENCY:	DUE DATE:	SIGNOFF(S):	FREQUENCY:	DUE DATE:	DUE DATE: FREQUENCY: SIGNOFF(S):	SIGNOFF(S):
	The first Day of every 12 months	Chris Chapman	Once	01 Sep 2023	Tina Love		The first Day of every 6 months	01 Jun 2023	Raj Suppiah	Once	01 Mar 2023	Once	Chris Chapman

	Attachment 6 Strategic R	isk Register - Sna	pshot as at 22 Decembe	er 202
			8.0 MODERATE RISK INHERENT 16.0 R00043	RESIDUAL
	CREATED 7/05/2019 2:37:24 PM LIKELIHOOD Pro SEVERITY Hig RESIDUAL LIKELIHOOD Uni RESIDUAL SEVERITY Hig	OWNER Portfolio Managers: Group Manager - Corpora Assurance Advisor	Management or governance make d the delegation or scope of their role DRAFT Elected Members make operational decisions Office of the Auditor General 2018 report Inqu of work by Westland District Council at Franz management make decisions at odds with Cc objectives.	CORPORATE, STRATEGIC
	:4 PM Probable High Unlikely High	Consequences, and inadequate internal control systems. Consequences include compromised decision-making, impacts on the effectiveness of the organisation's structure, reputational impacts, and disruption to organisational priorities. OWNER Portfolio Managers: Group Manager - Corporate,Risk and Assurance Advisor	Management or governance make decisions outside the delegation or scope of their role DRAFT Elected Members make operational decisions (An example is the Office of the Auditor General 2018 report Inquiry into procurement of work by Westland District Council at Franz Josef), or management make decisions at odds with Council's strategic objectives.	
 PROPOSED CONTROL WORDING Elected members induction process to include these key items: Review and confirm structure, roles, and responsibilities. Ensure input from existing and incoming elected members and the ELT. Includes governance overviews of key projects and projects with high risk or above. Includes overview of roles and responsibilities of governance and operations including the governance portfolio system. Ensures access to the ELT and relevant staff about key activities, reporting timeframes etc. This control is assessed as being Critical. This control is currently assessed as Fully Effective. 	An effective Audit and Risk Committee. The measurement for this control could be this item from the Audit and Risk Committee Three Year Work Programme "Review of performance and effectiveness of the Audit and Risk Committee at the end of the triennium." Effective Local Governance Statement, Standing Orders, and Code of Conduct. How do we measure effectiveness and compliance? CONTROL MC00166 DRAFT	staff, key activities and timeframes e.g. long-term plan, annual plan; annual report etc. Opportunities: Ongoing performance development planning with members ADDITIONAL CONTROLS RECOMMENDED IN EMAIL TO RAJ	Annual assessment of working relationship between Council and Senior Leadership Team through the Chief Executive review. Council induction tailored to each intake to: "review and confirm the structure, roles and responsibilities, "have input from the existing and incoming councillors and Exec. "include governance overviews of emerging issues, high profile/risk projects, roles and responsibilities / governance and operations (Clarity to the Portfolio system, to create governance buy in), access to management and	CONTROL MC00040
FREQUENCY:	OVERDUE SIGNOFF(S): DUE DATE:		DUE DATE: FREQUENCY:	SIGNOFF(S):
The first Day of every 36 months	Raj Suppiah 01 Dec 2022		22 Oct 2025 The fourth Wednesday of every 36 months	Raj Suppiah

	15.0 R00101	RESIDUAL 6.0 MODERATE RISK INHERENT
OWNER Portfolio Managers: Group Manager - Corporate, Group Manager - Assurance Advisor CREATED 12/08/2022 2:56:12 PM LIKELIHOOD Highly Probable SEVERITY Medium RESIDUAL LIKELIHOOD Unlikely Residual Severity Medium	 The composition of the ARC has a suitably qualified independent chair and a mix of committee members to minimise the risk of skill gaps. 	CORPORATE, PEOPLE & CAPABILITY, OPERATIONAL - ORGANISATION - LEVEL 1 Risks Related to the Audit and Risk Committee Risks Associated with the Audit and Risk Committee as detailed in the MWLASS report "Post Implementation Review of Tararua District Council's Audit and Risk Committee" 16 June 2020.
MWLASS Audit D20/38865. CONTROL MC00152 ARC Induction Refer to Post Implementation Review TRIM D20/13985 Discuss and update content of the Workplan with Committee members. Discuss workshop versus committee. Establish lines of communication, capture in writing, and diary for 12 months. Provide a copy of the Terms of Reference. Provide a copy of the Section on Audit and Risk Committees in the March 2017 TDC Local Governance Statement. Provide a copy of policies relevant to the Committee a copy of the Risk Register Provide a copy of the Risk Register Discuss opportunities for training	Establishing post election ARC - provide advice on the makeup of ARC to ensure mix of background, experience, and skills. As per	CONTROL MC00150 Independent Chair Kevin Ross contract expires 1 November 2023. Initiate project for replacement chair. Refer to ARC Post Implementation Review TRIM D20/13985 for recommendations. CONTROL MC00151
OVERDUE SIGNOFF(S): DUE DATE: FREQUENCY:	DUE DATE: FREQUENCY:	SIGNOFF(S): DUE DATE: FREQUENCY: SIGNOFF(S):
Stephen Dunn 01 Nov 2022 The first Day of every 36 months	01 Nov 2025 The first Day of every 36 months	Stephen Dunn 01 Mar 2023 The first Day of every 36 months Stephen Dunn

R00054	INHERENT	RESIDUAL 5.0 MODERAT RISK	
	- T		

PROPOSED TREATMENT Finalise the Overarching Busir by 31 December 2022.	
Which outlines both crists resp Civil Defence emergency plant with business continuity prepa	LIKELIHOOD Rare SEVERITY Very High RESIDUAL LIKELIHOOD Rare
LTP MITIGATION LTP 2021-2031 Risk 3 mitigatio prepared a detailed business c	OWNER Portfolio Managers: Group Manager - People & Capability,Risk and Assurance Advisor CREATED 7/06/2019 11:57:57 AM
CURRENT CONTROL Maintain business continuity p essential services.	. Emergency Response - impacts on Council's ability to lead the response to the disaster while maintaining services.
plans. Supplement regional Civil Defe Management plans with Distric and recovery plans in collabor Tararua Emergency Manageme Tararua Lifelines Group. CONTROL MC00123	disrupted for considerable periods. Depending on the severity or timing of disasters, Council may not have enough staff to rapidly manage recovery and response. Council would come under pressure to provide rates relief or financial support to properties that do not have roading access or water and wastewater services (urban).
Develop processes for how we natural hazard research. For ea and fault avoidance zone resea District Plan, LIM's, and asset,	. Business Continuity - break in business continuity in the event of a major natural event. Council services including water (treatment), the road network and wastewater networks and treatment could be
Opportunities: Ensure consideration of natura across all Council operations a improve organisational resilier and project planning for critica to natural disaster.	. Financial - it would demand immediate funding. This would reduce the resilience of the Council for meeting future unforeseen costs. Additional borrowing would impact on future rating levels. An earthquake may cause 10% destruction of Council's assets costing \$132 million.
management response. Provide leadership in developi resilience to natural disasters with community development, social sector agencies.	Council may not be adequately prepared or resourced to respond to a major natural disaster, or to a succession of natural disasters. Consequences:
East Coast LAB - Hikurangi fau credible scenario modelling. Train staff to national standarc	Climate change is increasing the frequency and severity of severe weather events.
Manage exposure to natural ha Manage exposure to natural ha RMA and District Plan. Develop understanding of natu	The LTP 2021-2031 assumes there will be no significant natural disasters such as storms, floods, earthquakes, and volcanic eruptions that damage Council's infrastructure.
CONTROL MC00051	PEOPLE & CAPABILITY, DELIVERING RESILIENT INFRASTRUCTURE, GROWING STRONG COMMUNITIES, PRUDENT FINANCIAL MANAGEMENT, STRATEGIC

Current Control Criticality: Critical Current Control Effectiveness: Partially effective - Overarching BCP in development. Covid-19 BCP's in place.	PROPOSED TREATMENT Finalise the Overarching Business Continuity Plan by 31 December 2022.	LTP MITIGATION LTP 2021-2031 Risk 3 mitigation "The Council has prepared a detailed business continuity plan, which outlines both crisis response and recovery. Civil Defence emergency planning is in alignment with business continuity preparedness."	CURRENT CONTROL Maintain business continuity plans for Council essential services.	Jurans, Supplement regional Civil Defence Emergency Management plans with District level response and recovery plans in collaboration with the Tararua Emergency Management Committee and Tararua Lifelines Group. CONTROL MC00123	Develop processes for how we use and share natural hazard research. For example liquefaction and fault avoidance zone research results in the District Plan, LIM's, and asset, and emergency	Opportunities: Ensure consideration of natural disaster risk across all Council operations and departments to improve organisational resilience, e.g. risk, asset and project planning for critical failures in relation to natural disaster	management response. Provide leadership in developing community resilience to natural disasters e.g. involvement with community development, involvement with social sector agencies.	Manage exposure to natural hazards through the RMA and District Plan. Develop understanding of natural hazards e.g. Horizons - flood mapping, GNS - fault mapping, East Coast LAB - Hikurangi fault maximum credible scenario modelling. Train staff to national standards in emergency	FURTHER REVIEW REQUIRED.	CURRENT CONTROLS	CONTROL MC00051
			DUE DATE: FREQUENCY:	SIGNOFF(S):					FREQUENCY:	DUE DATE:	SIGNOFF(S):
			31 Mar 2023 Once	Stephen Dunn					The first Day of every 12 months	01 Jun 2023	Sandy Lowe

Current Control Criticality: Critical Current Control Effectiveness: Effective	LTP MITIGATION LTP 2021-2031 mitigation "The Council also continues to be part of the Manawatu-Whanganui Civil Defence and Emergency Management Group working to ensure preparedness for any natural disaster, co-ordinate a response and support recovery."	Note: Is there potential to include a reporting requirement or a level of attendance (e.g. JC, CEG, EMO)?	CONTROL MC00124 CURRENT CONTROL Maintain strong relationships with partner organisations' through groups such as the Manawatu Whanganui Civil Defence Emergency Management Group, and the Regional Lifelines Group.
			SIGNOFF(S): DUE DATE: FREQUENCY:
			Peter Sinclair 01 Jun 2023 The first Day of every 6 months

Current Control Criticality: Critical	more detail I think. LTP MITIGATION LTP 2021-2031 mitigation "Any major natural disaster that results in significant repair costs to Council will be largely funded by insurance (cover is in place) and/or government assistance (through various funding arrangements). LTP 2021 2031 Risk 3 mitigation "Council provides funding for major disaster or civil emergency response through Council's civil defence role, a funded provision for annual flood damage on roads, insurance of operational assets and utility assets, cash reserves and an emergency loan facility for infrastructure replacement. Council has cover for 40% of its underground waters infrastructure assets costs from commercial insurance and the remaining 60% is covered by central government to manage this additional unexpected cost in the event of a natural disaster. However, Council have insured 100% of it above ground infrastructure asset from commercial insurance. Council has created a reserve to pay for any shortfall in insurance, central government and NZ Transport Agency funding.	mitigate exposure to moderate events. Note: Do we have a strategy or document we can point to about this? We have the Aon Insurable Risk Profile Report 2021. Note: Separate out and refer the financial part to the Treasury Risk Management Policy? Needs	CURRENT CONTROL Maintain financial capacity and insurance to	CONTROL MC00125
		FREQUENCY:	DUE DATE:	SIGNOFF(S):
		The first Day of every 6 months	01 Jun 2023	Raj Suppiah

Current Control Criticality: Critica Current Control Effectiveness: ??

TARARUA DISTRICT COUNCIL

Treasury Risk Management Policy

Including Liability Management and Investment Policies

Effective: 27 May 2020

Approved by : Chief Executive

Next review date : 30 June 2023

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1.0 INTRODUCTION

1.1. Policy purpose

The purpose of the Treasury Risk Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Tararua District Council ("Council"). The formalisation of such policies and procedures will enable Council's treasury risks to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within Council continue to be well managed. In addition, regular reviews will be conducted to test the existing Policy against the following criteria:

- Industry "best practices" for a similar sized Council.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on Council's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operations of a pro-active treasury function in an environment of control and compliance.
- The robustness of the Policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Enable Council to achieve its strategic objectives in the LTP.

It is intended that the Policy be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

2.0 SCOPE AND OBJECTIVES

2.1 Scope

- This document identifies the policy and objectives of Council in respect of treasury management activities.
- The Policy has not been prepared to cover other aspects of Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Council cover these matters.

2.2 Treasury management objectives

The objective of this Policy is to control and manage costs and investment returns that can influence operational budgets, public equity and set debt levels.

All external borrowing, investments, incidental financial arrangements (e.g. use of interest rate hedging financial instruments) and treasury management will meet requirements of:

- Local Government Act 2002, in particular Part 6 including sections 101,102,104, 105 and 112.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule
 4.

- Trustee Act 2019 (effective 30 January 2021). Details of relevant sections can be found in the Trustee Act 2019 Part 4 Investments.
- The Liability Management Policy and the Investment Policy as outlined within this document.

2.3 General Policy Objectives

Objective	Applicable Policy Statements
To prudently manage Council's liability management and/investment policies (Treasury Risk Management Policy), and all identified treasury risks within policy limits and parameters	4.0/5.0/6.0
Minimise costs and risks in the management of Council's borrowing through flexibility and spread of debt maturities	6.2
Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements	6.2/8.0
Develop and maintain relationships with financial institutions, the LGFA, brokers and investors	4.0/5.0
Ensure adequate internal controls exist to protect Councils financial assets, mitigate against financial loss, opportunity cost and other inefficiencies	3.0/6.5
Ensure compliance with all risk control limits, financial ratios, and external lender requirements	4.2/6.0/6.6
Monitor and report on treasury performance, financial ratios, covenants, and security arrangements within the Policy	7.0/9.0

3.0 GOVERNANCE AND MANAGEMENT RESPONSIBILITIES

3.1 Overview of management structure

Policy statements

Council will ensure effective controls over treasury management and segregation of duties controls are in place.

Council may, by way of a resolution, depart from the Treasury policy where it considers that the departure would advance the broader well-being of the district or other policy objectives.

Detailed management positional responsibilities are outlined within the treasury procedures manual.

All management delegated limits are authorised by the CEO.

4.0 LIABILITY MANAGEMENT POLICY

4.1 Introduction

Council's liabilities comprise of borrowings and various other liabilities. Council maintains borrowings in order to:

- Raise specific debt associated with projects and capital expenditures.
- Raise finance leases for fixed asset purchases.
- Fund assets whose useful lives extend over several generations of ratepayers.

4.2 Borrowing Limits

Policy statement

Council will manage its debt in accordance to Council's borrowing limits and external lender covenants.

Debt will be managed within the following limits:

Item	Council Borrowing Limit	LGFA Covenants
Net external debt as a	<150%	<175%
percentage of total revenue		
Net Interest on external debt as	<7%	<20%
a percentage of total revenue		
Net Interest on external debt as	<10%	<30%
a percentage of annual rates		
income (debt secured under		
debenture)		
Liquidity (External debt +	>110%	>110%
available committed bank		
facilities + cash and cash		
equivalents to existing external		
debt)		

- Total Revenue is defined as cash earnings from rates, government capital grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net external debt is defined as total external debt less cash investments.
- Liquidity is defined as external debt plus available committed bank facilities plus cash and cash equivalent divided by current external debt. The liquidity ratio excludes encumbered cash investments, such as cash held within trust funds. It also excludes cash held for the prefunding for upcoming debt maturities. For liquidity purposes, cash/cash equivalents are defined as being:
 - Overnight bank cash deposits
 - Wholesale/retail bank term deposits no greater than 30 days
 - Bank issued RCDs less than 181 days.

3

- Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
- Financial covenants are measured on Council only not consolidated group. Council borrows from creditworthy banks that have a long-term credit rating by S&P (or equivalent) of A or better.
- Disaster recovery requirements are to be met through the liquidity ratio.

In approving new external debt, Council considers the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP and Financial Strategy.

4.3 Borrowing mechanisms

Policy statement

New external borrowings and refinancing existing external debt should be evaluated for cost effectiveness and compliance with policies.

Council is able to externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, the LGFA, accessing the short and long-term wholesale/retail debt capital markets directly or internal borrowing of reserve and special funds.

Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, and financial institutions/brokers.

4.4 Security

Policy statement

Council offers a Debenture Trust Deed on the security arrangement for its external borrowing and investment activities.

Council assets may be pledged as security where it is advantageous and cost effective to do so.

Council's external borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act. The security offered by Council ranks equally or pari passu with other lenders.

From time to time, and with Council approval, security may be offered by providing a charge over one or more of Councils assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance).
- Council considers a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the Deed of Charge.

4.5 Debt repayment

Policy statement

Debt will be repaid as it falls due in accordance with the applicable loan agreement.

Subject to the debt limits in section 4.2, a loan may be rolled over or re-negotiated as and when appropriate.

Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

4.6 Guarantees/contingent liabilities and other financial arrangements

Policy statement

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council Controlled Trading Organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed NZ\$1 million in aggregate.

Guarantees provided will have to be approved by Council and reported on quarterly.

4.7 Internal borrowing of special and general reserve funds

Policy statement

Council may authorise use of special funds to reduce the requirement for external debt where there is financial benefit to borrow internally.

Council may authorise the funding of capital expenditure with existing special and general reserve funds. Accordingly Council will maintain its funds in short term maturities emphasising counterparty credit worthiness and liquidity. Any internal borrowing of special funds used must be reimbursed for interest revenue lost. Interest on internally-funded loans is charged annually in arrears, on year-end loan balances.

4.8 On-lending to Council Controlled Organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

5

Any on-lending arrangement to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the CFO considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All on-lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by Council's independent legal counsel.

4.9 Capital works funding and debt period

Policy statement

Capital works will be funded through raising new debt or by utilising depreciation reserves when such reserves exist for the classes of assets.

The use of long-term loan funds will be restricted to capital items only.

Capital works will be funded through raising new debt or by utilising depreciation reserves where such exist for the classes of assets.

Term debt greater than one year will not be used to fund annual operational expenditure.

4.10 New Zealand Local Government Funding Agency Limited

Despite anything earlier in the Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- (a) Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA in the form of Borrower Notes;
- (b) Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- (c) Commit to contribution additional equity (or subordinated debt) to the LGFA if required;
- (d) Subscribe for shares and uncalled capital in the LGFA; and
- (e) Secure its borrowing from the LGFA, and the performance of the other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

4.11 Departures from Policy

The Council may, in its discretion, depart from the Liability Management Policy where is considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an external debt instrument under this provision shall note that it departs from the Council's ordinary policy and the reasons justifying that departure.

5.0 INVESTMENT POLICY AND LIMITS

Policy statements

The Council may hold financial, property, forestry, and equity investments if there are strategic, economic or other valid reasons.

The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.

5.1. Introduction

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council.

Specific purposes for maintaining investments include:

- For strategic purposes consistent with Council's Long Term Plan and Annual Plans;
- To reduce the current ratepayer burden;
- The retention of vested land;
- Holding short term investments for working capital requirements;
- Provide ready cash in the event of a natural disaster. Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves;
- Invest proceeds from the sale of assets.

5.2. Objectives

In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/ return is always applied within the confines of this Policy. Accordingly, only approved credit worthy counterparties are acceptable. The Council will act effectively and appropriately to:

- Protect the Council's investments and ensure they are risk averse and secure.
- Ensure the investments benefit the Council's ratepayers.
- Maintain a prudent level of liquidity and flexibility to meet both planned and reasonably unforeseen cash requirements.

5.3. Acquisition of new investments

With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The authority to acquire financial investments is delegated to the CFO.

5.4. Investment mix

Council maintains the following mix of investments:

5.4.1 Equity investments

Equity investments includes investments held in CCO/CCTO and other shareholdings.

Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment.

Any purchase or disposition of equity investments requires Council approval.

Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment.

Council recognises that there are risks associated with holding equity investments and to minimise these risks, Council monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

5.4.1.1 New Zealand Local Government Funding Agency Limited

Despite anything earlier in this Investment Policy, the Council may invest in shares and other financial instruments of the LGFA, and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

- (a) Obtain a return on the investment; and
- (b) Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

5.4.2 Property investments

Property investments includes all land and buildings.

Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council.

Council reviews the performance of its property investments on a regular basis. Properties for sale are to be marketed in accordance with statutory requirement.

5.4.3 Forestry investments

Forestry assets are held as long term investments on the basis of net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs.

Any disposition of these investments requires Council approval. The proceeds from forestry disposition are used firstly to repay related borrowings and then included in the relevant reserves.

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5.4.4 Financial investments

Objectives

Council may invest in approved financial instruments as set out in section 6.1.2. These investments are aligned with Council's objective of investing in high credit quality (as covered in section 6.3) and highly liquid assets.

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.

Special funds and reserve funds

Council holds special and reserve funds for specific Council objectives. Liquid cash investments are required to be held against special funds and reserve funds unless otherwise approved by Council for internal borrowing.

Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the trust, therefore these funds are excluded from Council's liquidity ratio. If the Trusts investment policy is not specified then this policy should apply.

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.

5.6. Investment management and reporting procedures

To maintain liquidity, Council's short and long-term investment maturities are matched with Council's known cash flow requirements.

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed.

5.7. Departures from Policy

The Council may, in its discretion, depart from the Investment Policy where is considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an investment under this provision shall note that it departs from the Council's policy and the reasons justifying that departure.

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6.0 RISK RECOGNITION/IDENTIFICATION/MANAGEMENT

Policy statements

Total amount of debt should be spread across a range of maturity dates.

Variable rate debt compared to fixed rate debt is managed over the long term debt forecast within prescribed minimum and maximum fixed rate limits.

i

Hedging instruments can be used in the management of wholesale market interest rate exposure, but should not increase Council's overall risk.

Council's portfolio shall be arranged to provide, at all times, sufficient funds for planned expenditure and to allow for payment of its obligations as they fall due.

The risk of default in respect to any individual investment will be minimised by the selection of creditworthy investments.

The definition and recognition of liquidity, funding, investment, interest rate, counterparty credit, operational and legal risk of Council is detailed below and applies to both the Liability Management Policy and Investment Policy.

6.1. Interest rate risk

6.1.1 Risk recognition

Interest rate risk on borrowing, is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed projections included in the LTP and Annual Plan, so as to adversely impact cost control and capital investment decisions/returns/feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of wholesale interest costs. Certainty around funding costs is to be achieved through the active management of underlying interest rate exposures.

6.1.2 Approved financial instruments

Approved financial instruments are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft
	Committed cash advance and bank accepted bill facilities (short term and long term loan facilities)
	Uncommitted money market facilities
	Retail and Wholesale Bond and Floating Rate Note (FRN) issuance
	Committed standby facilities offered by the LGFA
	Commercial paper (CP)/Promissory notes
	Bank term deposits linked to pre-funding maturing debt up to 18 months
	Call and short term bank deposits
Investments	Bank registered certificates of deposit (RCDs)
	LGFA borrower notes/CP/bills

	Forward rate agreements ("FRAs") on: Bank bills
Interest rate risk	 Interest rate swaps/collars including: Forward start swaps/collars (start date <36 months, unless linked to existing maturing swaps/collars)
management	 Swap extensions and shortenings
	Interest rate options on:Bank bills (purchased caps and one for one collars)
	 Interest rate swaptions (purchased swaptions and one for one collars only)
Foreign exchange	Spot foreign exchange
management	 Forward exchange contracts
	 Wholesale/retail bank call and term deposits no greater than 30 days
Liquidity management	 Bank registered certificates of deposit (RCDs) maturing less than 181 days
	 Committed bank funding facilities

Any other financial instrument must be specifically approved by the Council on a case-by-case basis.

The following investment securities are expressly excluded;

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.

6.1.3 Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's gross forecast external debt should be within the following fixed/floating interest rate risk control limits.

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed Rate	Maximum Fixed Rate
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11+	0%	25%

"Fixed Rate" is defined as all known interest rate obligations on gross forecast external debt, including where hedging instruments have fixed movements in the applicable reset rate.

"Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate. Gross forecast external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the Chief Financial Officer), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the policy minimum and maximum limits.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average gross forecast external debt amounts for the given period (as defined in the table above).

A fixed rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits greater than 90 days requires specific approval by Council.

- Interest rate swap maturity is limited by the maximum offered LGFA bond maturity, beyond this approval is required by Council.
- The forward start period on swaps and collar strategies to be no more than 36 months unless linked to the expiry date of an existing instrument and has a notional amount which is no greater than that of the existing instrument.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity, to the simultaneously purchased option.
- During the term of the option, the sold option can be closed out by itself (i.e. repurchased). The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation (i.e. an ineffective hedge).

6.1.4 Financial investment risk

Council manages short-term cash investment risk ensuring availability and access to financial investments held.

6.2. Liquidity risk/funding risk

6.2.1 Risk recognition

Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

6.2.2 Liquidity/funding risk control limits

- External debt plus available committed bank facilities plus cash and cash equivalents must be maintained at an amount of 110% over external debt.
- Term deposits linked to prefunding activity are excluded from the liquidity ratio.

- Council can pre-fund up to 18 months forecast debt requirements including new and re-financed debt. Re-financings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.
- The maturity profile of the total committed funding in respect to all external debt and committed bank facilities, is to be controlled by the following system.

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

- A funding maturity profile that is outside the above limits, but self corrects with 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval from Council.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a councils LGFA borrowings will mature in a 12 month period.

6.3. Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Investments maximum per counterparty (\$m)	Interest rate risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	none	Unlimited
Local Government Funding Agency (LGFA)	AA-/A-1	10.0	none	10.0
NZ Registered Bank	A/ A-1	10.0	10.0	20.0

The following matrix guide will determine limits for financial instruments:

Risk management

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. Maturities should be well spread. The approval process must take into account the liquidity of the market and prevailing market conditions the instrument is traded in and repriced from.

6.4. Foreign currency

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Generally, all individual amounts of NZD100,000 or greater for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved and the currency amount, and timing are known. Both spot and forward foreign exchange contracts can be used by Council.

Council will not hold investments denominated in foreign currency.

6.5. Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the phone.
- Operational risk is minimised through the adoption of all requirements of this Policy.

Council's systems of internal controls over treasury activity include adequate segregation of duties among the core treasury functions of deal execution, confirmation, settling and accounting/reporting.

There are a small number of people involved in treasury activity. Accordingly strict segregation of duties is not always achievable.

Detailed operational processes are outlined within the treasury procedures manual.

6.6. Legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks.

Council will seek to minimise this risk by adopting policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

6.6.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

Council's legal counsel must sign off on all documentation for new loan borrowings, re-financings and investments.

6.6.2 Financial covenants and other obligations

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

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Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

7.0 MEASURING TREASURY PERFORMANCE

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis

Management	Performance
Operational performance	 All policy limits must be complied with, including (but not limited to) counterparty credit limits, control limits and exposure limits. All treasury deadlines are to be met, including reporting deadlines.
Management of debt and interest rate risk (borrowing costs)	 The actual borrowing cost (taking into consideration any costs/benefits of entering into interest rate management transactions) should be below the budgeted YTD/annual borrowing cost amount. Actual wholesale interest costs must be benchmarked to market interest rates. The applicable market interest rate is determined by finding the mid-point policy benchmark rate.

8.0 CASH MANAGEMENT

Cash management is the process used for managing cash effectively and efficiently, using Council's short term cash and liquidity resources to sustain its ongoing activities, mobilise funds and optimise liquidity. The most important elements are:-

- The systematic planning, monitoring, and management of Council's cash receipts, payments and bank accounts.
- The gathering and management of information to use available funds effectively and identify funding gaps.
- Optimal usage of transactional banking services to streamline efficiencies of cash payments and receipts.

9.0 **REPORTING**

Council and management reporting on treasury activities is based on comprehensive and regular communication of the following areas to ensure high standards of governance and control:-

- Policy compliance
- Risk/exposure position
- Performance

Council ensures reporting of the Liability and Investment Management Policies is consistent with the requirements of the LGA 2002.

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10.0 POLICY REVIEW

The Policy is to be formally reviewed on a triennial basis, and annually for internal purposes.

The CFO has the responsibility to prepare the annual review report that is presented to the Council. The report will include:

- Recommendation as to changes, deletions and additions to the Policy.
- Overview of the treasury function in achieving the stated treasury objectives and performance benchmarks.
- Summary of breaches of Policy and one-off approvals outside Policy.

The Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes.

Policy Owner :	Chief Financial Officer
Original date :	27 May 2020
Approved by :	Chief Executive
Effective date :	27 May 2020
Next Revision date :	30 June 2023
Last revision date :	29 November 2017

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Environmental Scan v8 November 2022 (updated 7 December 2022)

What's going on? What might we have to consider in the:

2023/24 Annual Plan 2024-2034 Long Term Plan

Trends and High Level External Challenges facing Tararua District

Tararua District Council

7 December 2022

Environmental scanning is the process of gathering information about events and their relationships within an organisation's internal and external environments. The basic purpose of **environmental scanning** is to help management advise the governance team of known and possible future trends - to get ready for the likely challenges and to help set the future direction of the organisation.

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Changes in this Version

Торіс	Impact on Well beings	Comment
GDP - strong but slowing	1	Annual average to June 2022 up 4.3% (NZ average 0.9%)
Impacts from Covid-19 are growing again	\checkmark	Next wave underway with new variants. Potential to further impact staff availability over summer.
Unemployment	1	Jobseeker Work Ready numbers 6% below 2019 levels. Total Jobseeker 1% below 2019. NZ still 18% above 2019.
Population growth	→	Stats NZ latest estimate revised lower. Recent stats easing - possible stalling of growth. Natural increase reducing. Likely outflow of younger residents, immigrant numbers still low. Implications for infrastructure investment.
Farm product prices give strong farm revenue	→	Dairy, beef and lamb prices falling quickly from high levels (partly seasonal), Wood prices steady. Wool prices improved (a little).
House prices now falling – significant subdivision activity generated	Mostly	 Crazy price increases in 2021 (40% in year to Feb 2022) average now \$436,000 and 10% off the peak Dec 21. New subdivisions hitting price resistance Market is now falling
Affordable housing shortage and rents high.	\checkmark	Rents have stopped increasing, still up 18% on last year. Continued severe shortage of social housing.
Residential housing consents have eased	Mostly	Increase in new residential house consents stalls in calendar 2022 – likely to be similar to 2021. Significant rural lifestyle subdivisions – more may be blocked by new rules to protect productive soils.
Government policy and regulation impacts increase	Mostly V	Carbon price increased to \$81 / tonne. Govt U-turn on ETS kerbs on permanent forests. Councils may be given powers to require resource consents for forestry. RMA reform, NPS-HPL, NPS-IB, Freshwater, 3 Waters.
Kainga Ora interest in providing public housing in Tararua	1	After a 22 year absence Kainga Ora Kainga Ora announced 9 – 12 new houses in Woodville.
Prices explode	11	Too much credit, supply shortages, Covid, war, staff shortages create perfect storm. Food, energy, labour, asset and materials prices continue to soar. Big impact on cost of providing services by Council. Farm costs up by 15% to September 2022 – biggest increase since at least 1993.
Interest rates start to move up very fast	↓ ↓	Reserve Bank of NZ OCR at 4.25%, signals increase to around 5.5% by mid 2023. Increased interest rates makes debt more expensive (Council has only minor exposure in the short term). Savers earn more (but still < inflation).
Fibre rollout to urban towns	↑ ↑	Dannevirke, Pahiatua and Woodville rollout is complete. This is likely to be a significant boost to these towns in their opportunities for business and growth.

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Key Stats Snapshot

Measure	Change / Result	Period	Comment
Population	District - Up 0.8%	Year to June 2022	Stats NZ revised urban down (I
Stats NZ Census and annual	Urban – Down 0.2%		don't agree). June 2022 Stats NZ
estimates	Rural – Up 2%		estimate 19,050.
New house consents	6%	October 2022	12 months to Oct 22 = 61 new and
		Annual	47 relocate house consents.
			Compares to 69 and 33 to Oct 21.
GDP Annual	4.3%	Year – June 2022	Driven by housing demand, retail
	NZ 0.9%.		and commodity prices.
GDP per person	\$55,328	June 2022 Est	NZ average is \$66,714 estimated.
Assist Deve lation	1.20/		The second second by the second se
Ageing Population –	1.2%	Year to Sept 2022	Trend possibly turning to decline –
Superannuation numbers –	(NZ up 2.6%)		now 3,903 residents on Super but
MSD			indicates pop growth is reducing.
Median Age	42.2 years	June 2022	Median age increased from 41.6 in
			2019 as immigration blocked. #'s
			aged 65+ increased by 10% since
			June 2019.
Maori share of Population	25%	2018 Census	NZ average is 17%
Total Retail Spending on	22.2%	4 weeks to 30 Oct	NZ 2.6% same basis
Paymark eftpos system	(nominal)	2022 compared to	(Tararua +2.8% vs 2021 so less than
		same 4 weeks 2019	inflation – NZ at +13%).
School enrolments – MoE	-1.3%	July 2021 to July	Numbers declined – as did ECE (pre
		2022	school). NZ wide issue with
			'missing kids'.
Household Numbers	1.7%	2013 – 2018	Household occupancy up and
Stats NZ Census			empty houses significantly down =
			spare housing largely gone.
House Prices – QV	-4.1%	Year to Sept 2022	NZ -2.1%. Tararua still up 130% in
			last 5 years (2.3 times more).
Rents	17.7%	Annual average	Rents topping out - but up 80% in
		change to Oct 2022	last 5 years.
Mobile Population - % of	47%	2013 – 2018	Almost half district residents lived
residents lived elsewhere in			outside the district in 2013.
2013 - Stats NZ census			
Internet Access – proportion	70%	2018	Was 61% in 2013. Rural has a
of Households			higher % access than Urban
Tourism expenditure	8.3%	Year to June 2022 –	Tararua seeing growth in visitor
		Annual change	spending to \$39m - (NZ -6.6%)
Health – PHO Enrolments	0.3%	June 2022 Annual	Modest (but reducing) population
	Was +1.5% in 2021	average – 18,063	gain indicated. NZ increased 0.5%.
Jobseekers – MSD benefits	-11%	Oct 2022 on Oct	Oct 2022 was 6721% on Oct
		2021	2019 (756). NZ was +18% on Oct
			2019.
Crime – Police database	1,381	Year to Sept 2022	Crimes only – does not include

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1) Introduction and Context

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 pandemic, war or international economic crash, can change trends and create huge impacts on residents, often in ways that cannot be anticipated.

This Scan focuses on some key Big Risks currently facing Council, Tararua and New Zealand. These 5 risks have all become heightened over the last few months, even if some of them are more long term in impacts. After many years of talking about the future impacts of climate change, the 'future' impacts appear to be starting to be felt more frequently now.

We are living in 'interesting times'. We find ourselves faced with major change and challenges, with multiple drivers that each could have a significant impact on Council and the residents of Tararua.

The Covid pandemic has eased and controls on movement have ended – for now. The pandemic continues but humans are largely coping with it (from an overall point of view – at the individual person level this is definitely not always the case). The waves of infections caused by new variants will almost certainly return to NZ and Tararua – hopefully the continued vaccine development will be the match of these future waves.

The pandemic has accelerated some emerging trends, and created some new ones. An acceptance of the ability to work from home and a greater focus on lifestyle will generally have a positive impact on future growth for Tararua.

The massive government support (in the developed world) for people, jobs and businesses as part of the response to the pandemic resulted in a huge rise in debt and access to cheap credit. Economists and governments (mostly) got their forecasts wrong and overdid the support. In particular the forcing of interest rates down to historically low levels and keeping them there for two years was in hindsight a really bad idea. People borrowed and spent up large on houses, cars and 'toys', at interest rates close to zero. Governments did the same on infrastructure and support schemes. It should not have been a surprise when inflation took off and resources like workers and certain products became scarce. The real surprise is the time it took central banks to accept that there was a problem. Now after way too much cheap credit and government

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spending the RBNZ is probably going to far the other way to try and control inflation. This is partly because the government continues to spend up large on new initiatives and pay increases.

The massive surge in demand for houses, cars and other 'stuff' resulted in shortages, made worse by supply chain issues created by Covid lockdowns (still ongoing in China) and border closures. Suddenly the extent to which we are reliant on immigration to fill job vacancies and skill shortages was / is clear. NZ simply does not have systems in place to properly train and have available workers across multiple sectors. Attempts to 'fix' the issue since 2020 have made little or no progress.

Are we headed into a Recession?

Possibly ... risks are rapidly increasing but there is limited evidence of this currently. See Topic 2 for more details.

Demand for quality protein and farm product prices has been strong and prices have generally increased. The slowdown in demand in China, a rapid increase in the \$NZ in November coupled with seasonal increases in supply, is currently resulting in a steep decline in meat schedule prices. On the other side input costs have soared at a record pace which is cutting into farm net profits. Tararua never had much business from international visitors, so with increased domestic travel (being largely stuck in NZ), retail trade has been good.

Overall, the Tararua economy has continued to out-perform most areas in NZ. Retail trade and business demand has generally increased over 2019 and 2021 levels. Unemployment increased in 2020 but has now fallen to levels seen pre the Covid-19 lockdown. The population is increasing (although it has slowed) and demand for housing, especially rentals, is high. Huge house price gains have stopped and prices are now falling as Tararua follows the trends of Manawatu and Hawkes Bay. Rental costs, after significant increases, are now levelling out thankfully.

Additional drivers will appear, more information become available, and the world is always changing. We are now seeing inflation surging at levels not seen for over 30 years. All Kiwis under 50 years old have no experience in dealing with prolonged periods of high price increases across almost all services and products. The resultant interest rate increases alone will fundamentally change the cost of providing public services and is likely to result in significant asset price declines that are now underway. What was affordable due to easy credit and historically low interest rates may not be possible for many years (if not decades). This will likely cause a reset of investment plans.

For Council just funding what is already existing levels of service and recently built infrastructure will be a challenge, let alone paying for planned new infrastructure and increasing mandatory standards. Some difficult budget decisions are likely in 2023.

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.

Overall, there seems to be some major drivers that are 'disruptive' and 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, costs and structures, rural land values and land use changes (ETS – forestry and animal emissions, Freshwater

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regulations, protection of productive soils (NPS-HPL), indigenous biodiversity (NPS-IB), RMA, etc etc),

- Government restructuring of local government (3 waters, regional planning, future of local government review),
- Rapidly increasing inflation across assets, most materials and labour, creating huge pressure on rates,
- Supply chain and labour shortages from the ongoing China pandemic lockdowns, pent up demand, and competition from other developed countries for skilled workers,
- Increasing tensions and trade restrictions between the European Union, Russia, China and the USA (plus others on various issues),
- Net population outflow from larger NZ cities to provincial and rural areas (and likely even higher demand from around the world to live in a stable society with a temperate climate),
- Rapid advances in technology which change how we do things, what we can achieve and how people communicate,
- An ageing population,
- Increasing World demand for high quality healthy food,
- Climate change impacting on levels of service in infrastructure.

Tararua has some distinct advantages compared to other parts of New Zealand, and the rest of the World, that could see significant growth in business and wealth for residents:

- a) Large areas of relatively undeveloped farmland blessed with a temperate climate and areas of good soils we can grow a lot of things and produce exceptional quality food.
 - 4th largest TA area of farmland
 - 18% of land area is class 1-3 soils now difficult to subdivide for housing.
- b) There are not many people room to move and clean air.
 - 6 people per km2 (NZ = 18, USA = 36, UK = 274, Netherlands = 488, Japan = 347 and China = 145).
- c) Minimal impact by sea level rise.
- d) Lower house prices still less than half the national average.

Note: The Council Impact tables at the end of each section relate to the resources required relative to <u>existing</u> 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.

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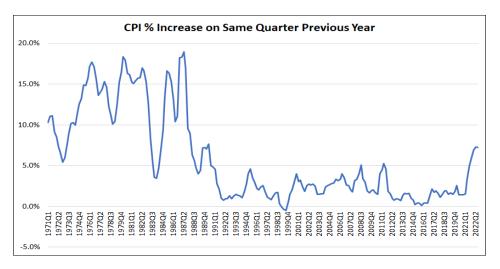
2) Inflation and Economic Activity – Big Risk #1

The risk of recession is building, along with a significant decline in property and other asset prices. Tararua business and development activity is still positive but is not immune to the wave of cost increases hitting New Zealand and much of the developed world.

Council is facing huge cost increases across all activities that will result in significant rates increases, and / or reduce services and reconsider the capital investment programme.

a) Costs are Rising

For those of us with more grey (and increasingly white) hairs inflation is something that we thought was relegated to our past. It has been over 30 years since prices have increased at the current rate (on a CPI basis). Cost increases for most of us (in general – farm expenses are a different story) have been very low for many years and interest rates have been generally declining for over a generation. Over 2020 and 2021 interest rates were at historically low levels. For younger adults what is happening now is challenging and many have never had to deal with cost increases on this scale.



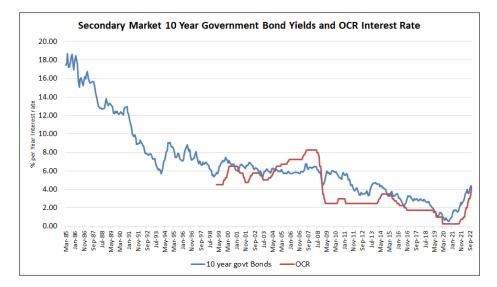
While interest rates are increasing rapidly, on a historical basis they are still quite low and are likely to settle at levels much higher than those seen over the last decade. Increasing interest rates also have a huge impact on Council finances as debt costs will significantly increase – and the only source of that funding is rates.

Over a decade of 'easy money' created asset bubbles, rampant expansion, unprecedented public asset investment (often in marginal projects) and staggering private housing debt. There is a shortage of resources available to use. Current World events have interrupted supply chains and further pressured the global trade system.

The inevitable has finally arrived and the bill is due – the party is over. Apparently, the old economic fundamentals still apply after all.

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These price increases have caught all central banks by surprise. After refusing to accept what was happening (remember this was 'transitory' in 2021) central banks including our RBNZ have turned hawkish and are rapidly increasing interest rates to try and reduce demand to head off inflation before it gets completely out of control. They are still behind the curve (i.e. too slow to react) and we are likely to see continued increases in the official cash rate into 2023 to around 5%+ (so interest costs to Council will be above that less whatever hedging is still in play). Bank residential mortgage rates are now 6.5%+ (floating around 8%) and above and credit is much harder to get. This is especially true for business loans – investment in business and housing will be reduced.

Residential developers are facing particular challenges. Interest costs have more than doubled in 2022, the cost of building has gone up by 10%+ in the last year (subdivision development costs have risen by much more), and the market value of the finished house has dropped 10% in the last year (Tararua). The result is little or no margin and huge risk to develop right now.

At the same time the government has substantially increased regulatory costs, and the minimum wage underpins ongoing wage increases. There is no sign that the government will pull back in 2023 leading up to the next general election.

Council is facing significant increases in interest rates, costs of materials (pipes, bitumen), fuel, staff and consultants. The CPI could hit 8% by December 2022, and private sector earnings are already at that level to September 2022. For civil construction and buildings, it is already much higher. Council will be facing having to reduce its investment plans and reduce operating costs, or continue with higher than forecast rate increases.

Many of the current planned capital projects are required to meet government imposed mandatory standards. The political directive and pressure to do this could change quickly as costs ramp up (and the polls reflect public objections), and a return to the 'old days' where large capital upgrades were few and spread over time can be expected.

b) Key Prices for Council

Council budgets are driven by 3 key costs. That's if you can actually secure the resource!

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

Most civil works are a combination of the above. Tender costs rise even further when all available contractors are busy as most will price in added costs for overtime, new machinery and that they really don't need the work.

For anything imported the exchange rate against the \$USD is a key factor in the final cost to us in New Zealand. During 2022 the \$NZD to \$USD rate dropped significantly to October, then has rapidly recovered (by over 10%). Historically this is not unusual, and it is likely to continue to be volatile. Currently the NZD is at 63 cents NZ. The October 2022 average USD rate was the lowest in over a decade after depreciating by 20% since February 2022. The rapid recovery against the \$US reflects sharp movements in the \$US rather than changes in demand for the \$NZ.



Source Interest.co

i. Labour costs

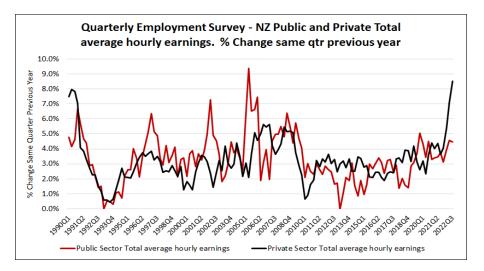
The latest Quarterly Employment Survey to September 2022 recorded a huge spike in private sector hourly earnings at 8.5% for the year. This reflects the shortage of workers and the competition for them. While public sector earnings are still increasing at around 4% annual increase as these tend to lag reflecting the annual budget processes. Some very large government sector wage increases are starting to flow through. Council will be under pressure to lift staff remuneration at much higher than budgeted levels or risk losing staff at ever increasing frequency.

The worker shortages in New Zealand are not unique to us. The same situation is in Australia, US, UK and many other developed countries. This means that New Zealand is competing with much wealthier countries for the same skilled staff. Australia has announced huge incentives and easier immigration rules for a range of skilled workers, including nurses, teachers, IT staff, trades, mechanics, project managers, civil engineering and many others. They offer far higher wages than NZ and an easier process to go there.

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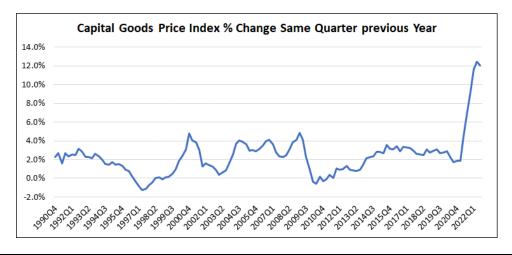
These shortages are even prevalent in the UK where the economy is flat and heading into a recession. So where did all the workers go? The answer is that governments support during Covid pumped up economic activity and unemployment is at near record lows. Huge infrastructure investments (approved with more debt) designed to offset a major recession (which did not occur in NZ) increased demand for staff even further. In New Zealand major new initiatives and funding such as 3 waters, Kainga Ora social housing, NZ Health and expanding core public service ministries has all added to the demand for staff.



A slowdown in construction and the general economy likely in 2023, and a possible change in government in late 2023, could result in less demand for staff in 2024. Any substantial outflow of younger people out of New Zealand will offset this depending on the policy settings for immigration.

ii. Capital materials

Cost increases for these key items are running even higher than the overall CPI. The Capital Goods price index increased by around 12% for the year to September 2022, almost <u>triple</u> the annual increases seen over the last 30 years. These costs are being driven by energy, staff and resource shortages around the world. Further price increases have continued through to now and are expected through to 2023.

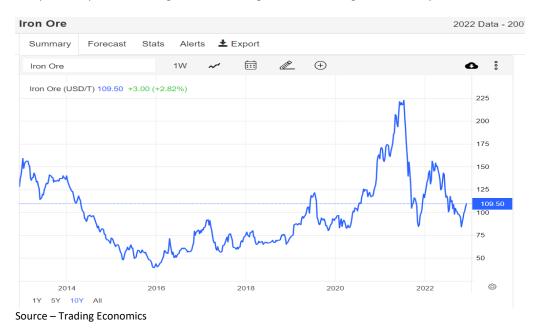


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Price increases are easing though and many commodities are well off the peaks caused by the Russian invasion of Ukraine. Freight costs are have reduced significantly down to pre-Covid levels. The iron ore price has declined significantly since the peak in March 2022.

This points to prices flattening or even reducing in 2023 for a range of machinery and materials.



iii. 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, but other options are becoming available (will become cost effective over time).

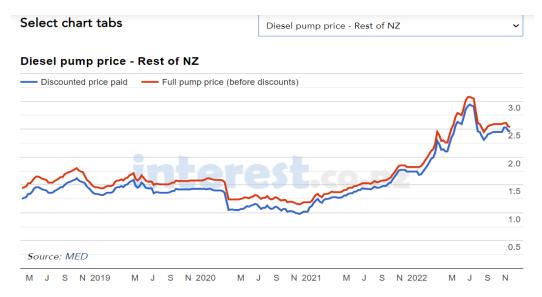


In \$NZ the price per barrel of oil (Dubai Crude) as at 18 November was 142.68 which was a 48% increase on November 2019 and 31% up on November 2021. The recent peak was on 17 June at \$NZ183.

Electric vehicles and solar power are getting close to being cost effective options and Council has purchased the first few of these as a trial. As these technologies become the standard approach the price of oil will decline in importance and demand will eventually fall. Certainly, the current price of oil is still lower than it was forecast to be from 10 years ago.

The fall in the NZ exchange rate against the \$USD over 2022 has not helped reduce the cost of oil based fuels which are priced in \$USD. Of particular concern has been the escalating cost of diesel fuel. There is a world shortage of diesel caused partly by a lack of refinery space. Over the last few years there has been limited investment in new refinery capacity (and in oil exploration etc in general). Several key facilities were closed during the pandemic, while Russian supplies are currently embargoed. As demand increased, inventories reduced and supply chains disrupted there has been a shortage around the world.

The current situation is that diesel is more expensive in New Zealand than petrol once RUCs are taken into account. These high fuel costs directly impact Council Roading operating budgets.



c) The Economy

Rapidly rising interest rates, soaring prices, a slowing world economy, political threats and war and very high debt are all pointing to the risk of a widespread and deep recession. Dire predictions from economists are now common, although these same people completely misread the economy and asset price impacts of Covid back in 2020. The pandemic has changed the way the economy works – the old forecast models are not relevant and there is considerable uncertainty around likely outcomes. The volatility in financial and share markets reflect the uncertainty and fear of the unknown. Market crashes are more likely in these times.

BUT

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While the risks of a recession are certainly growing, there is no data to support this happening immediately in New Zealand. Interest rate increases to head off inflation will reduce demand and result in asset price falls. The economy will slow, and many businesses will struggle, some of these will only have survived due to government support through the pandemic.

Some sectors and a relatively small number of home owners who bought houses with large mortgages over the last 18 months will be severely impacted.

Overall New Zealand and Tararua are in a relatively sound position:

- Low unemployment and a labour shortage
- > Wage rates increasing, and tax receipts strong from businesses,
- Strong balance sheets in our major companies and banks,
- Huge equity growth for homeowners over the last five years, the current decline in house prices only takes us back to 2021 levels,
- > World economy still growing, and supply chain issues have eased,
- > World commodity and freight prices have largely come back to pre-Covid levels, and
- Strong demand for exports and good product prices.

While the risks are growing on the downside and a recession in NZ is possible in 2023, it is by no means certain.

d) Covid-19 Tararua District Ongoing Impacts

The Covid-19 pandemic that caused major impacts for Tararua and New Zealand from March 2020 to July 2022 is still having an impact. Tararua performed among the best districts in the country with minimal reliance on international visitors, and the majority of the economy based on farming.

After several waves of Covid swept through Tararua in 2022 restrictions have been removed and the border opened. Covid variants are likely to arrive again and the severity of these, and the government response to them, are wildcards for the next year at least. Another wave is currently sweeping through New Zealand. The Covid pandemic has definitely not ended. Hopefully vaccine development will keep pace with new strains of the virus. Over the next few years the virus is likely to become endemic and be similar to the annual influenza virus.

The pandemic bought forward the shift to more work from home which will benefit the growth of Tararua – many residents work in Palmerston North. The fibre rollout in Dannevirke, Woodville and Pahiatua has supported these trends and will increase demand to live here.

The closure of borders caused more domestic travel and an increase in traffic flow through the district. It has also stopped locals leaving for an OE and working holidays. This had directly resulted in population increasing faster than expected. The borders are now open but the question still remains – will a significant number of younger people leave? Potentially this could be a significant brake on growth with younger residents seeking opportunities 'elsewhere'. Countries such as the UK, USA, Australia are all short of skilled people, and will pay more than local employers can. This could reduce the demand for housing and reduce the need for expanded infrastructure.

On the flip side how many Kiwis and foreigners will move to NZ and Tararua? The general response to these questions and uncertainties is 'who knows'! Early data is that arrivals are

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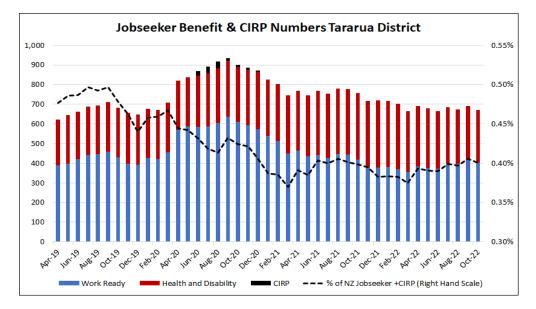
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modest but growing, and departures are not that big (but data is poor for departures). We could be seeing a major trend change again for the medium term. The latest Stats NZ estimate for June 2022 was a modest increase, and downward revisions to the two previous years.

Covid-19 Future Impacts

Annual booster shots will be a reality (unless new breakthroughs in vaccinations are achieved). For Tararua, with a high percentage of Maori and high deprivation levels, the risks are greater than for NZ as a whole. This is particularly true for Dannevirke.

From an employment and development perspective there is a shift to more local NZ manufacturing and a move away from 'just in time' logistics. More local business including more warehousing is already occurring. Tararua may gain from this. Existing local manufacturers are growing, but are limited by a lack of skilled staff and also the housing for them to live in when they do attract people.



e. Housing and Rental Costs

The four-year demand surge in the property market, residential housing and lifestyle in particular, that resulted in unprecedented increases in property values, has ended and the party is over. Prices are falling with the latest QV average price increase for Tararua for the year to October 2022 at -5.2%. Listings are building and demand is soft.

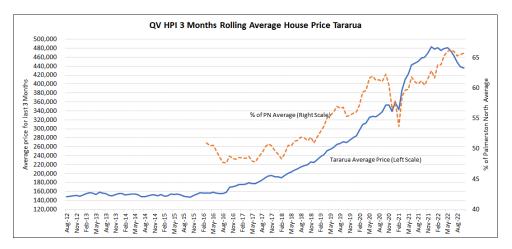
The drop in average prices in Tararua has followed much bigger ongoing declines in Palmerston North and Hawkes Bay. Prices have only come back modestly given the huge increases since 2017. New housing is starting to include smaller 2 bed and 3 bed relocatables, but pressure on those seeking affordable housing remains. The rental market is also flattening out after significant rent increases way above wage increases in the last few years. Rental increases measured by MBIE tenancy bond data still increased by 18% in the year to October 2022 for Tararua, but almost all of that increase was in late 2021 and earlier in 2022.

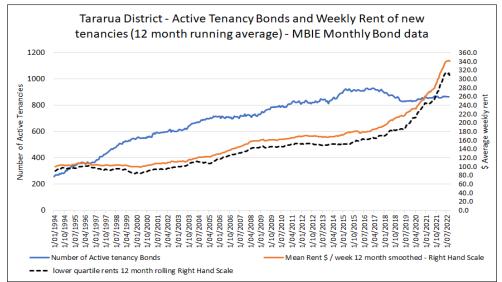
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Property prices are likely to continue to follow the trends in neighbouring provincial centres. With interest rate rises continuing and mortgage rates heading for 7 - 8% in 2023 the fall in prices could be significant – but likely to only retreat to those seen in 2019. Prices are off 10% (\$47,000) from the peak in December 2021. A 30% fall from now (still looking unlikely to be that big a drop) would take the average price back to March 2020 (\$307,000).

There is no doubt that house prices in New Zealand were (and arguably still are) a 'bubble' that has now sprung a leak. As interest rates increase through to 2023 and economic activity eases, the bubble could burst. Net returns from rental investments will be very low (if not negative), and term deposit rates are now generally higher from a cashflow perspective.

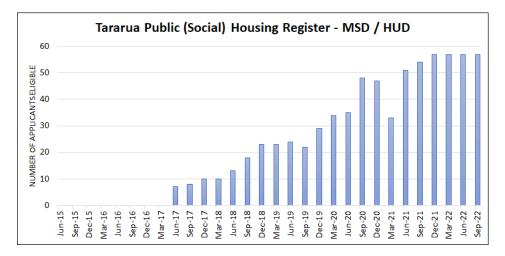




Tararua still has many social issues around housing, and pressure on Council to become more involved in the issue. Council adopted a Housing Strategy in August 2022 to respond to this. Kainga Ora recently announced the purchase of land in Woodville with the intention to build 9-12 social housing units. This marks the return of government housing to Tararua after an absence of over 20 years.

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Council is benefiting from the large increase in equity in the balance sheet. Council properties, mostly urban in location (apart from roads), have at least doubled in land value in the latest RV. These values continued to increase strongly from September 2020 through to March 2022.

While property asset values will still be much higher than the rating valuation Council will find the market much harder to sell vacant land in 2023. Council can still benefit from:

- the ability to borrow against specific assets. For example, Pensioner Housing can now raise millions of \$ within the activity while retaining reasonable equity. These housing assets are now likely worth well over \$10 million.
- selling surplus property to fund other necessary infrastructure or reduce debt.
- selling commercial assets that have low returns, such as the Birch Road North forestry block.

f) 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 Policy	Moderate	High
Council overall (inflation spike)	High	Certain

3) Growth and Demographics - Big Risk #2

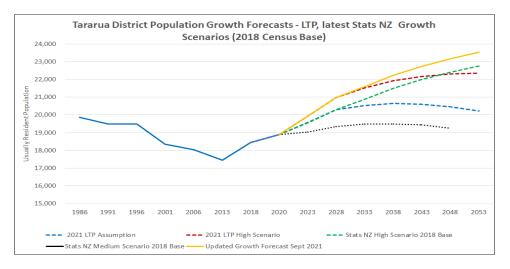
Growth is easing again and brings into question the need for urban expansions in the short term – and the infrastructure costs that come with that.

a) Population

After over 50 years of population decline Tararua is growing again, starting in 2013/14. As a result, Council is facing pressures to enable more urban housing, extend 3 waters services and provide new community facilities. The growth is focused on the urban and peri-urban areas. The 2018 Census shows 11% increases in Pahiatua and Woodville urban populations compared to the 2013 Census. Dannevirke had an 8% increase. Rural and other areas increased by 2.9%.

Stats NZ annual estimate to June 2022 is 19,050, a growth rate of 0.8% for the year, and previous estimates have been revised down a little. Given the increase in housing consents, and the continued lack of rentals available, these new estimates are a bit surprising. The number of children attending schools has dropped a little, and the increase in older people (receiving superannuation) has reduced markedly, so perhaps it is not far off the mark. The next census is March 2023 which will give us the best count of population and the flow of internal migration.

Council will update its growth forecasts in March 2022, then adjust if the 2023 census delivers a surprise result (plus or minus). Given the Stats NZ estimate for 2022, the current growth forecasts could be a little high, and the high growth updated September 2021 forecasts definitely so. As an important driver of future Council costs and revenue these forecasts are an important part of the 2024 Long Term Plan process.



These projections are significantly higher than those based on the 2018 Census. The possible population path shown in the chart above assume inward migration remains very strong. The Pandemic is not over, and new waves and variants could make all these forecasts completely wrong.

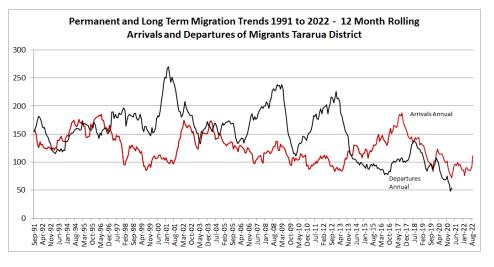
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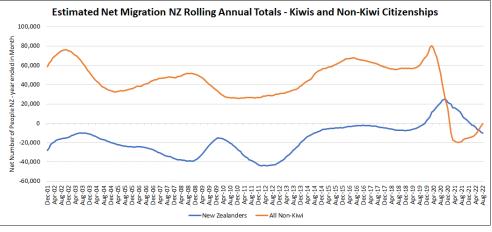
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New Zealand has seen basically zero population growth as a result of closed borders. Stats NZ estimates show the population in Palmerston North was static in the year to June 2022, while Auckland and Wellington had population declines. The later was caused by substantial numbers leaving Auckland for provincial areas. This brings into question the huge infrastructure investment forecasts and projects currently planned for metro centres. If societal trends and immigration settings result in less growth in metros then New Zealand has got its investment priorities all wrong.

Given the population estimates since 2019 and new housing consents granted the perceived shortage of housing is disappearing fast. Unless net immigration increases, we could see a surplus of housing in the short term, placing house prices under more downwards pressure. In many areas of New Zealand there is already a housing surplus. This outcome would occur sooner if a lot more people left for opportunities overseas.

A housing surplus is in terms of the general housing market, not the affordable / social housing sector. There is still a huge shortage of this type of housing. As inflation continues and interest rates increase the number of people needing social housing will continue to grow due to affordability issues. Unless the government starts buying existing houses for social housing it will be many years before the assessed demand is met.





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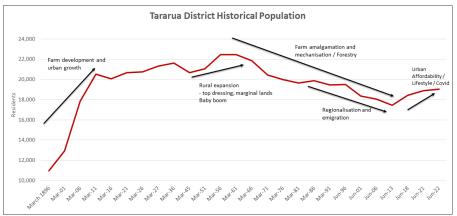
The number of Kiwis leaving for overseas is growing steadily and is more than the number of Kiwis returning home. The number of immigrants arriving in New Zealand is increasing but is about the same as the number leaving New Zealand. Overall the number of permanent residents for the year to August 2022 was around -10,000. There are huge uncertainties around the overall net trend of this important flow of people in the next few years.

For Tararua the estimated arrivals of permanent residents is for a modest flow of around 100 people in the last year. Departures we have little of as the data is delayed by 16 months due to the 'improved' system now be used in New Zealand.

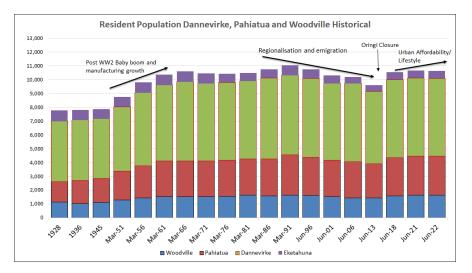
Historical Long Term Trends

In 1921 Tararua had a larger population than Palmerston North, Napier, Hastings, Hamilton. Tararua has been buffeted by some long term trends:

- farm sizes getting bigger, mechanisation and removal of farm subsidies = less people farming. This trend is still ongoing today.
- Regionalisation / Nationalisation of government and business services, Manufacturing shifting offshore = less jobs in towns, people emigrating overseas.



Source: Statistics NZ, New Zealand Local Population Database



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The rural areas and small towns in the District have seen substantial reductions in population over time and the population density has almost halved since 1936. Farm sizes are increasing and farm labour has been mechanised. These trends are continuing.

This trend is countered (partly) by the demand for Lifestyle blocks, usually adjacent to the urban areas. These properties tend to cater to people coming from urban backgrounds seeking more privacy and room, but also cater for retiring farmers that struggle to cope with urban life. In some areas the lifestyle blocks are effectively part of the urban area.

b) Households and Supporting Infrastructure

The shift to a growth trend has resulted in rental housing being taken up, rents increasing and families having nowhere to live. This is placing real hardship on many people in Tararua. Tararua now features on the MSD Public Housing Register (57 as at September 2022). There is currently no transitional or emergency housing in Tararua. Kainga Ora have now invested in the Tararua District to provide public housing in Woodville.

Huge house price increases in Palmerston North, Hawkes Bay and Masterton have flowed down to Tararua. People from these areas bought houses that were previously rentals. With house prices now falling in these neighbouring areas and a generally gloomy property market, the market in Tararua has also dropped.

Tararua has now adopted a Housing Strategy and Council will be considering possible additional budgets to implement it as part of the 2023/24 Annual Plan process.

Funding any expansion of the urban infrastructure networks is expensive. Council has some modest funding in the 2021 LTP, and has indicated that a Development Contributions Policy will be considered as part of the 2024 LTP process. Council applied for funding to provide additional 3 water services to the Pahiatua south area and Hillcrest School site as part of the Infrastructure Acceleration Fund in August 2021. Council was successful with the Pahiatua Hillcrest School project and this will enable the Tū Mai Rā Trust (Rangitane) to develop the site for housing.

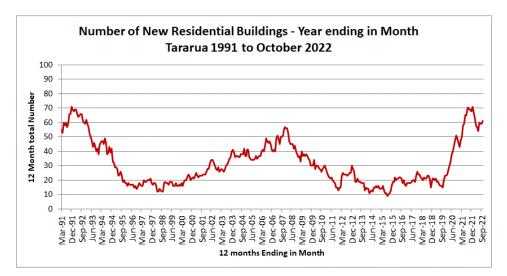
New house building in Tararua was very modest from 2008 to 2020 with around 20 new houses a year being consented. Since then, there has seen a significant boost in consented dwellings:

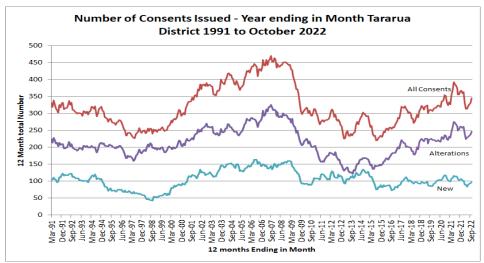
- 2020 calendar year 46 new house consents plus 20 relocates
 54% urban
- 2021 calendar year 68 new house consents plus 36 relocates
 64% urban
- 2022 to October 56 new house consents plus 39 relocates.
 46% urban

This is still a moderate level of house building (this reflects the relatively low house prices vs the sky high costs of building).

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Consent numbers dropped off again from late 2021 to April 2022. Subdivision activity in lifestyle blocks has been very strong. A few new urban subdivisions have also been underway which should lead to an increasing number of new urban houses being built in the next few years. The NZ wide decline in house prices could postpone this activity as everyone hits the pause button. The normal drivers of growth are being complicated by a shortage of resources, labour and exploding costs.

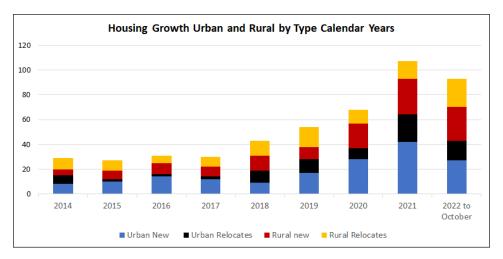
The urban areas all have large numbers of ¼ acre sections and undeveloped blocks. Recent work on urban capacity has confirmed that there is considerable land zoned residential to partly cater for urban growth over the next 20 years +. It is likely that we will see a process of infill that utilises these vacant land areas. These are all inside the existing town boundaries and have services going past or nearby.

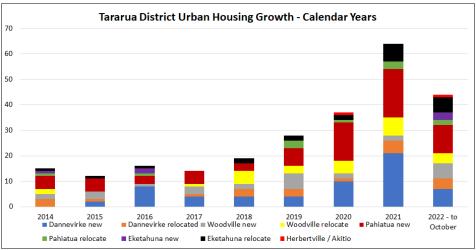
The impact of hundreds more houses on the 3 waters networks has been researched through a Masterplan recently completed. This included a focus on building better understanding and modelling of these networks. This has highlighted many issues and locations where the existing networks cannot support significant infill development.

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Significant investment in infrastructure will be required to enable and provide services for substantial infill development. In some cases it will be inefficient to develop (flooding, hazards etc). The District Plan general review, which is underway, along with the Growth Strategy, spatial plan and community planning (funded mostly through Better Off grant funding yet to be confirmed) will all grapple with the scale and location of urban growth.





In the 2021 LTP the population is forecast to be 20,500 in 2033. This population was last seen in 1970 and will likely exceed historical peak urban populations. The high growth scenario shown in the chart on page 17 = 21,600 in 2033. Our 10 and 30 year population forecasts have been dramatically lifted since the 2015 LTP. There are currently so many drivers of growth that are uncertain that any forecasts are also uncertain. Currently the risks to the forecasts are on the downside in the short term. More people leaving, less immigrants and some big drivers of growth pushing and pulling in different directions.

Trends will be somewhat clearer by March / April 2023 when the first draft of the 2024 LTP growth assumptions will be developed. At present the current LTP assumptions for growth are still tracking close to the actual data.

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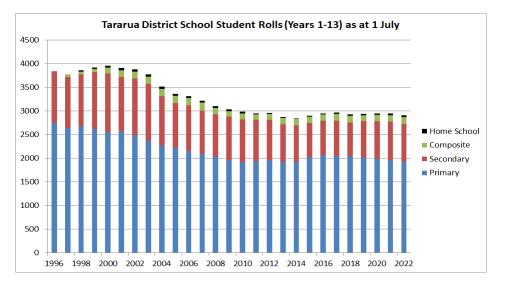
c) Getting Older?

For a few years up until 2020 the district resident median age stayed roughly static as fewer young people left the district, and more people arrived. The latest Stats NZ estimate for June 2022 median age is 42.2 years old, up from 42 in 2021 and 41.5 in 2018.

Numbers of school aged children increased from 2014 after many years of substantial decline. The July 2022 number saw a decline of 1.3% from July 2021 – this was a New Zealand wide decline which will lead to less funding for teachers across most of New Zealand, and in Tararua. The impact of fewer students in secondary school flowing through to tertiary institutions is severe as less enrolments result.

The number of enrolments in licensed Early Childhood Education services in Tararua is also falling (-3.4% in 2021 on 2020), so primary school rolls are likely to continue declining in the medium term.

This is partially driven by demographics as waves of population cohorts age – which is only impacted by the immigration profile. The other main driver is a very strong jobs market that is resulting in more year 11-13 students leaving school for employment. The need for more household income to meet cost increases is also supporting this trend. The result is less younger residents at school – but not necessarily less in Tararua. The 2023 Census will provide these answers.

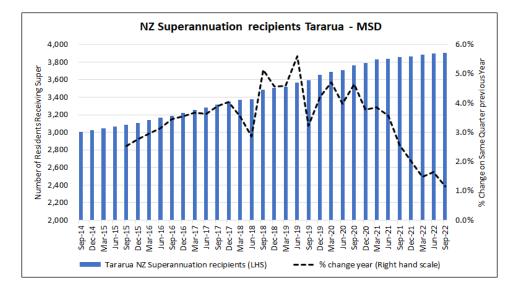


In the years from 2015 – mid 2021 the number of residents aged 65+ had increased at a very fast pace around 4% a year (100 to 150 more residents each year). In the last year the rate of increase has slowed for Tararua. In the year to September 2022 the increase in residents receiving super (so aged 65+) was only 1.2% (+45).

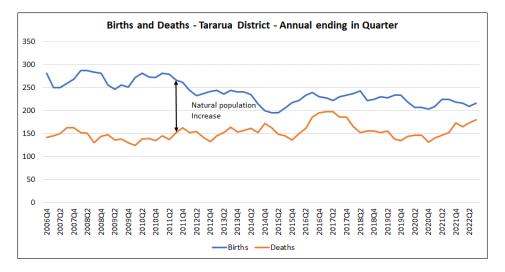
This is a New Zealand wide trend change as the number of 'baby boomers' reaching 65 years old starts to drop. What is different in Tararua is that the rate of increase is now lower than for NZ overall (still increasing at 2.6% a year), and Central Hawkes Bay is still increasing at 4% a year to September 2022. Of interest is that Masterton is down to a 1.7% increase and Rangitikei also at 1.2%. Whether a lack of suitable smaller new housing and retirement villages is having an impact is hard to know.

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A final driver of population and age profiles is the level of natural increase in Tararua, which is the number of births less deaths. Tararua has a positive natural increase that has narrowed over the last decade, reflecting the numbers of residents aged <40 years as well as economic and societal trends (such as the costs of housing and improved health outcomes). This decline is a long term trend. In fact, for New Zealand overall the natural increase in 2022 was the lowest since World War 2. Births in Tararua are generally higher than the NZ average due to the higher proportion of residents with lower than average education and incomes.



d) 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)	Moderate	Medium

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4) Government Policy / Structural Change in Local Government – Big risk #3

Political debate around 3 Waters and the climate change pricing of emissions is creating major uncertainties for Council and many residents (farmers). Council may have to prepare 2 budgets for the 2024 LTP during 2023 to be ready in case 3 Waters is delayed / changed. While some changes will take functions away from Council, others dump a whole lot more costs and requirements onto Council. Better Off grant funding of \$3.8 million in 2023-2025, while welcome, creates even more pressure on Council staff to deliver additional significant projects.

The rapid pace of change in legislation and government policy impacting local government is continuing. Council is facing the need for more resources to meet new requirements and implementation. Some will have a profound impact on the Council, the location of future development and the management of community services over the longer term if passed as proposed. Others will not impact Tararua much at all. The following are Acts, Bills, Reviews, National Environmental Standards and National Policy Statements that impact Council over the next year.

3 Waters Reform – The government has pushed on with the formation of four new 3 waters agencies that will carry out governance, management, and service delivery of 3 waters. The 1st Bill establishing the framework and governance structures is currently at select committee. The 2nd Bill that has much of the operating details and how things will work between Entity C and Council, including details such as who and how Development Contributions will work. This Bill is delayed and is expected in January 2023 (or possibly December 2022). This is a major change in functions and will have significant impacts on the Council and 3 waters customers.

There is still some way to go before all this becomes operational in July 2024. The National Party has promised to repeal 3 waters legislation – but has not said what will replace it. The new Mayors of Auckland and Christchurch cities have launched an alternative regional model. Meanwhile the cost of improvements and meeting new standards is rapidly increasing due to inflation. Whatever happens change appears certain as is significant cost increases for most 3 waters customers (despite the political message that the restructuring will see cost savings).

A possible outcome in 2023 will be a postponement out to 2025 with the whole reform a major election issue.

There are some key issues to be faced in Tararua around 3 waters investment. These issues will need to be addressed regardless of the final shape of the sector. The key issues are:

- Water supply resilience Dannevirke
- Wastewater treatment and discharge Dannevirke that may require some form of land discharge (consent renewal in 2027)
- > Ad hoc stormwater systems that constrain urban infill development
- Numerous pipelines that need renewals and upgrades
- Significant funding shortfalls.

The recent Masterplan research has highlighted and costed these issues which are far in excess of what is contained in the 2021 LTP and Infrastructure Strategy.

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As part of government funding to offset the loss of revenue for overheads Council will receive \$3.8 million in tranche 1 (known as Better Off funding) in 2023 and 2024. Council has made the grant application for 5 projects and this has now been approved by DIA. Tranche 2 of this funding (a huge \$11.39 million) will be available from 1 July 2024. The details of what that 2nd funding grant can be used for has yet to be set.

RMA Reform - The Government pushing on with replacing the RMA with 3 new pieces of legislation. How this all impacts the District Plan review is still not clear, but more regional type plans are proposed that may reduce Council involvement and responsibilities for resource management. The Natural Built and Environments Bill (NBA) and the Spatial Planning Bill have now been introduced to parliament. This will replace much of the RMA.

The aim is for the NBA and Spatial Planning Act (mandating regional spatial planning) to be passed into law before the 2023 central government election. The other new Bill will be the Climate Change Adaptation Act introduced in 2023.

The impacts of this legislation is likely to be the following:

- Natural and Built Environments Bill (NBA) requiring local government and mana whenua to form joint, regional planning committees to develop one NBA plan for each region. These plans will replace existing regional policy statements, regional plans, and district plans.
- Spatial Planning Bill (SPA) requiring local government, mana whenua and central government agencies to form joint committees to develop one long-term Regional Spatial Strategy for each region.
- The extent of Council involvement in planning, spatial planning and the adoption of the District Plan is likely to be reduced.
- It's proposed that Statements of Community Outcomes (SCO) and Statements of Regional Environmental Outcomes (SREOs) are developed by Councils, their communities and iwi/hapū.

Local Government Review – The Government has commenced an independent review of local government - Review into the Future for Local Government. The scope of this matter comprises what local government does, how it does it, and how it pays for it. The scope includes, but is not be limited to, a future looking view of the following:

- roles, functions, and partnerships.
- representation and governance; and
- funding and financing.

The overall purpose of the Review is, as a result of the cumulative changes being progressed as part of the Government's reform agenda, to identify how our system of local democracy and governance needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership. Draft report was released in late October 2022, final report now due June 2023.

The draft report focuses on the following:

- Strengthened local democracy
- Authentic relationships with hapū, iwi and Māori
- A focus on wellbeing
- Genuine partnership between central and local government

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More equitable funding

Freshwater NPS – This National Policy Statement impacts farmers across the District in one way or another. While direct costs fall on Horizons and farmers, costs will increase and will impact affordability for Council rates. On the flip side employment for farm consultants and Horizons staff will increase. Impacts commence with farm plans and fencing requirements – implemented by 2025. Possible forced reduction of stock on dairy farms depends on freshwater targets by catchment determined by the individual farm plans, the NPS targets and Horizons interpretation of the new rules. The Manawatu River Accord will effectively assume a higher importance. In the medium term this NPS will drive water quality conditions of wastewater treatment plant discharges, overflows, and possibly urban stormwater discharges. The impact on 3 waters costs of treatment and resilience (from overflows) could be significant.

There has been some easing of regulations around winter grazing and other parts to this NPS as a result of strong push-back by farmers. The general approach has not changed. The ability of Horizons and farmers to meet the deadlines is unlikely.

Other legislative impacts include compliance with existing legislation and proposed legislation that will have impacts after 2022. These include:

- The Climate Change Response (Zero Carbon) Amendment Act 2019 targets for CO2 and Methane that will impact farming from 2025. A new independent Climate Change Commission has been established. The provisional emissions budget for 2021–2025 will be used to inform the unit supply settings. Farming costs kick in after 2025. The government has announced how farm emissions will be taxed.
- ETS and NES (National Environment Standards) Production Forestry increases to the price of carbon is driving faster conversion of sheep and beef farms to forestry. The carbon price has blown past government forecasts as industry use this mechanism instead of reducing their emissions.
 - The unintended consequences are now being understood. The government had announced the removal of permanent (carbon) forestry from the ETS earlier in 2022. This decision has since been u-turned under threats from many large landowners of hill country land, including those under iwi ownership.
 - The current intention is now to devolve this mess to local government through a review of the NES – Production Forestry. MAF are currently seeking submissions on changes that include the requirement for resource consents from councils for the control the location of afforestation (plantation <u>and exotic carbon</u>) to manage social, cultural, and economic effects. Submissions close 18 November 2022.
- NPS (National Policy Statement) Highly Productive Land restrictions on intensifying land use (from a freshwater / nitrogen leaching and urban expansion viewpoints) on soil classes 1-3, has now been adopted and has taken effect. There is a direct impact from this to housing development locations and in many cases the NPS-HPL will bring lifestyle subdivision to a halt in Tararua (there is a pathway to develop but it is difficult and requires considerable reports to justify).
 - Horizons is required to map these lands and determine if development can occur, in collaboration with TDC and in consultation with tangata whenua,
 - Must be included in a Regional Policy Statement within 3 years,

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- TDC must include within District Plan within 6 months after that,
- It can be determined that development can still occur on LUC 1-3 if it can be shown there is no other reasonably practicable and feasible options for providing the required development capacity – and that benefits outweigh costs.
- \circ $\;$ The NPS-HPL does NOT apply to land already zoned residential.
- NPS IB (indigenous biodiversity). This is currently under further development and is expected to be adopted in 2023. The NPS-IB draft would create significant extra costs for Council that would require more funding which appears to be limited from government. The NPS-IB
 - o will be phased over 10 years -
 - Requires Significant Natural Areas (SNA) to be identified and mapping and scheduling completed within 5 years of commencement
 - all territorial authorities (TAs) will have to have SNAs notified in district plans. Regional biodiversity strategies developed for all regions within 10 years of commencement.
 - Councils will be responsible for implementing relevant NPS-IB policies by partnering with iwi/Māori, landowners and others.
- Solid Waste
 - increases to the waste levy and other changes will impact on the cost and form of waste disposal. Council likely to receive significantly higher grants to implement waste reduction projects.
 - Mandated levels of service (proposed) across urban NZ including organic (food) waste collections will increase operating costs.

The above is also placing pressure on Council capacity in the policy area to respond to these new requirements.

a) Council Impacts

Council Group	Impact – Resources Required	Likelihood
Water	Significant	Maybe
Wastewater	Significant	Maybe
Stormwater	Significant	Maybe
Regulatory (District Plan)	Moderate	High
Policy across Council	Low-Moderate	High
Growth	High	Medium

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5) Climate Change – Big risk #4

These issues are discussed in the work on the Climate Change Strategy that will inform the 2024 LTP. The following just highlights the key trends.

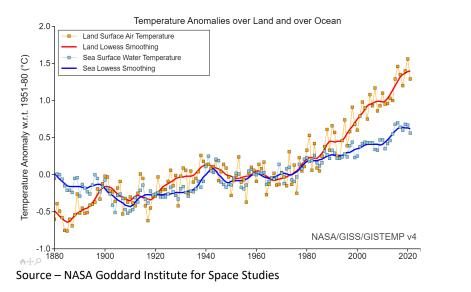
a) Climatic Events

Over the last ten years the District has seen an increase in rainfall events across the District. While not major events such as the 2004 floods, these reflect the trend for more frequent localised extreme rainfall events. Tararua has not had to deal with major flood events seen this year in Tasman / Nelson / West Coast. It is only a matter of time before that luck runs out.

Not having major events does not mean that there have been little costs from rain events. The total cost of smaller events has exceeded the budget for emergency repairs for many years. These localised events have resulted in closures and restrictions on Route 52 and many minor rural roads. This is a difficult issue for Council as forecasts are far from clear and although funding has increased costs keep rising. Without the high subsidy level (in general and particularly for major emergency repairs) from NZTA Tararua would be faced with huge and rising costs. As it is the ability for NZTA to keep funding these repairs is under pressure.

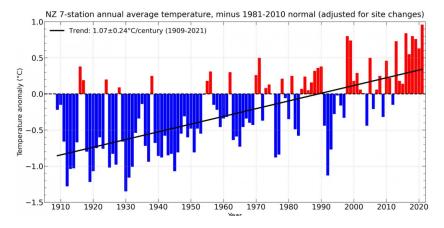
Council and residents are seeing an impact on insurance bills as the insurance industry recoups rising insured costs. In some areas insurance companies are pricing to local risk, with an increasing number of properties unable to get flood cover. This is likely to occur over time for Akitio and properties alongside rivers that flood. A recently released report identifying communities at risk of flooding did not include any in Tararua.

Temperatures are rising across the World, including New Zealand. Earth's surface continues to significantly warm, with recent global temperatures being the hottest in the past 2,000-plus years. This is leading to more frequent weather events. Increased heat = more energy = more intense rains / droughts etc.



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Masterton is one of the 7 weather stations that make up the data in the above chart.

Council has focused on increasing the resilience of the roading network through improved drainage and design. This will have a countering effect on rainfall caused damage levels. However, the roading reserve will have to be kept at a healthy balance and this may require greater investment over time.

The temperature increase is opening new opportunities in land use. The number of Growing Degree Days and Frost Free Days is increasing. This lengthens the growing season and reduces the risks to horticultural crops. High temperatures can also increase pests and disease risks to crops and pastures. The outcomes are likely to be a change in land use and profitability over time – positive and negative!

Climate extremes are likely to see more New Zealanders return home from overseas, and more people looking for locations that have a more temperate climate. Tararua is likely to see more interest as a location to live given few extremes (relatively).

Some notable statistics:

- The winter of 2022 was New Zealand's warmest and wettest on record
 - Three-peat the country now has had 3 consecutive record warm winters
 - The nationwide average temperature was 9.8°C (1.4°C above the 1981-2010 average)
 - Winter 2022 was the first on winter record where the temperature anomaly exceeded +1.2C for all three months of the season
 - Of the 10 warmest winters on record, 6 have occurred since 2013
 - 84 locations experienced a record or near-record warm winter
 - Our coastal seas also had their warmest winter on record with persistent marine heatwave conditions
 - 42 locations experienced a record or near-record wet winter

b) Sea Level – Impacts on the East Coast of Tararua

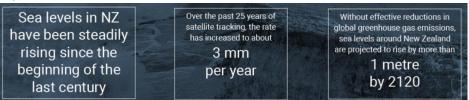
Tararua includes the settlements of Herbertville and Akitio on the East Coast. While small townships Council owns and manages significant assets along this coastal area

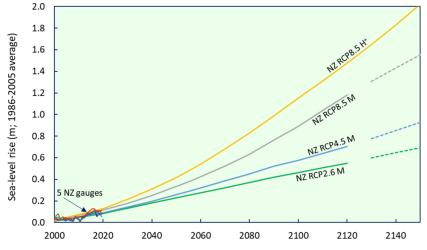
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including roads, bridges, toilets, water supplies and other facilities. There are also other community and resident ownership of wastewater and club facilities.

From NIWA:





Mean sea level rise scenarios for NZ to 2150

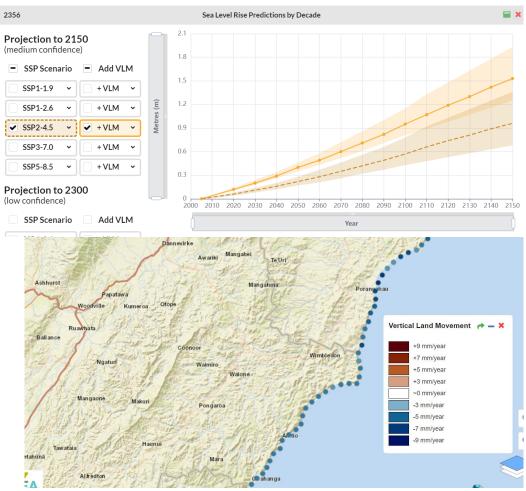
Research has shown that sea level in the wider sea around Aotearoa-New Zealand will rise by 5-10% more than the global average rise that IPCC provides. Regions and local areas within New Zealand will also be affected differently by vertical land movement and local changes in tides (e.g. estuaries and tidal streams), which need to be factored in, as it is the local sea-level rise relative to the landmass that has to be adapted to – not just the rise in ocean levels.

Actual sea level rise impacts are highly complex as other forces are also at work including sea currents, wind direction, earthquakes, and river flows. The generally accepted long term strategy is a managed retreat. More direction from government has been called for and this will occur with the Climate Change Commission being established.

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Source – NIWA



Source - NZ Sea Rise, Victoria University Wellington

c) 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	Moderate (10 years)	High
Water (supplies)	Moderate	High
Wastewater	Moderate (if infiltration fixed)	Medium
Stormwater	Significant	Medium
Solid Waste	Moderate	High
Policy across Council	Low	High

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6) The World Geopolitics and trade – Big Risk #5 (Rural Sector)

The World has become less interconnected and open in 2022, with Europe, Russia, USA and China all trying to assert their view upon everyone else. Trade factions and barriers are increasing. For a small and remote country reliant on trade for prosperity this is not ideal. At this stage access to markets has been maintained (accept for Russia) and prices are good. The lower NZD has largely offset any declines in world product prices. Slowing growth in China is the biggest risk as our largest trading market.

a) Farming Incomes - The Current Situation

The current situation sees high world commodity prices with good growing conditions (but forecasts of a dry summer as usual). Commodity prices have been driven up by shortages of quality protein due to a declining \$NZ, adverse weather events, disruptions to supply chains (Covid lockdowns in China and war in Eastern Europe), and disease (African Swine Flu in pigs in China). Prices for red meat and Dairy have stayed high (rapid declines in November reflect the 12.5% increase in the \$NZ against the \$US) and are now at high or near record levels. Dairy milk pay-outs were a record (gross revenue and nominal) for 2021/22 year and forecast to be the second highest ever (nominal) for the 2022/23 season. World dairy prices have been falling quite a lot recently so the 2022/23 payout may slip somewhat. Prices are down over 30% from the peak on 1 March 2022 (in USD terms – down 23% in NZD terms).

The NZD dropped almost 20% against the USD from February 2022 to October 2022. Half of this has since reversed during November as expectations of interest rate increases in the US has eased (so the \$US has dropped). This has boosted farm product returns significantly. The drop was largely a story of a rising USD driven by rapidly rising interest rates and a safe haven bet as markets are volatile. Unless there is a major financial crash (Chinese property, tech stocks, commercial and residential property in developed countries) it is likely that the NZD will appreciate somewhat into 2023. This would see meat and dairy prices reduce.

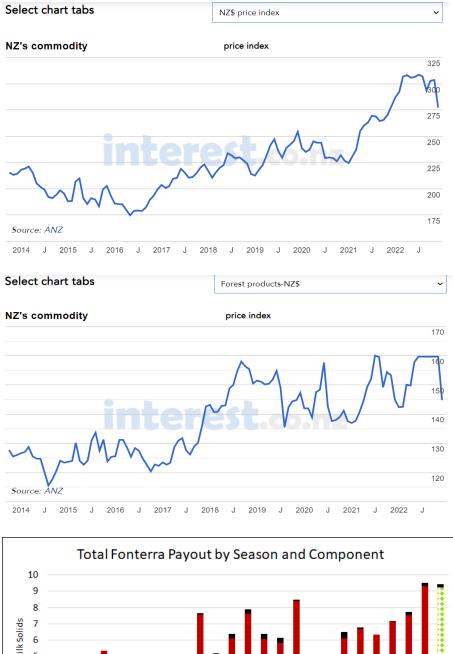
High inflation and pressure on household budgets around the World has seen World red meat prices fell sharply in October, dropping -5.8% overall. Lamb prices fell the most (-7.1%) while beef (-5.2%) and wool (-2.9%) also dropped. Lamb is being impacted by weaker economic conditions in Europe and China, the main markets for this product. Mutton prices in China dropped significantly as pork production recovers from disease culling in 2020/21. Beef pricing is being pushed down due to plentiful supply in the US as drought conditions result in more cattle being culled than normal.

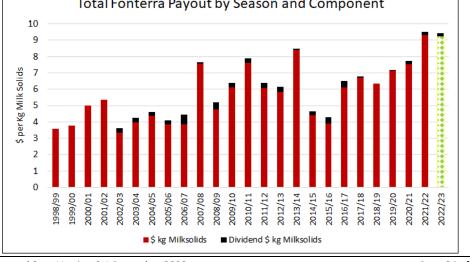
Recently two major issues (plus one ongoing long term trend) have reduced world dairy prices:

- a) Ongoing disruptions and lockdowns in China with their continued zero Covid policy has reduced demand for dairy products with a general reduction in growth and discretionary spending,
- b) Birth rates in China have plummeted since 1950 and are not expected to increase again. The number of children born has dropped from a peak of around 18 million in 2016 to just under 11 million in 2021. The Chinese government is trying to increase the birth rate as the overall population will start to decline by 2030 then rapidly decline.
- c) Inflation and economic slowdown across the world is reducing demand for luxuries and

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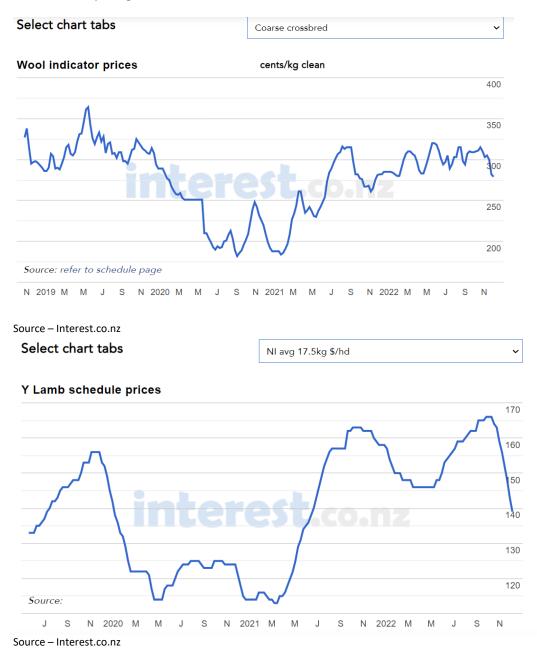




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Wool prices continue to languish and offer poor returns. Lamb prices have been high, reflecting continued declining sheep numbers and various shortages of sheepmeat protein in overseas markets. Beef prices are firm and have stayed high through the peak volume period. The recent drop in schedule prices have bought gross returns back to around the same level as a year ago.



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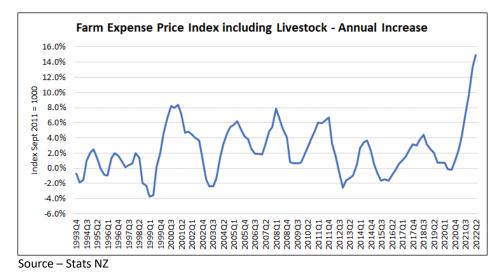
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Source - Interest.co.nz

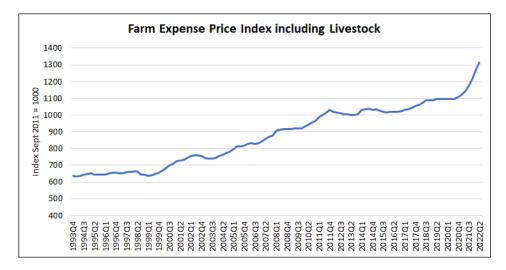
The good product prices have been countered by very high farm cost inflation. Farm expenses are increasing at over 15% in the year to Septmeber 2022 and further cost increases are coming through. Fertiliser, contractors, rates, insurance, interest rates, machinery are all rising fast. Some regulatory costs are on top of this. Overall, the farm expenses price index is increasing the fastest in at least 30 years, and possibly the fastest ever (this data series started 30 years ago).

After a strong on-farm performance in 2021/22, these increasing costs will largely offset and erode the benefits of continuing decent meat and dairy prices in 2022/23.



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b) China trends

The one category that stands out as being significantly down on twelve months ago is the mutton schedule (2022: \$126 average per carcass versus \$147 in 2021). The previous year's highs were largely being driven by the heavy cull of pigs in China as African Swine Fever had run rampant through their herd. This year the disease is largely under control and herds within China are building back up. This year pork production is expected to be up 5% on 2021 and imports of pork and mutton are reducing.

The Chinese response to African Swine Fever has been to allow intense multi-storey pig 'factories' to rapidly rebuild pig numbers. Food supply security and price is more important than animal welfare. Multi-level pig 'hotels' are now allowed and have been popping up all over the country.

Below is one of the largest of these "hotels" – a 400,000m2 26 storey structure housing 600,000 pigs. The foundations to the right are the 2^{nd} of these structures being built.



A mega Chinese 'hog hotel' in Ezhou, Hubei province. What our locally regulated pig producers compete against Source – Guy Trafford - Interest.co 2nd November 2022

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This is what New Zealand farmers are competing against. There are no laws to stop imports of the pork produced in these factories. While we have strict and increasing animal welfare regulations much of the World does not. New Zealand will have to market entirely at the premium end of the market in the future as it will be impossible to compete with this sort of system.

As China is our #1 export market these trends have a big impact on future demand for Tararua farm products. China (President Xi) committed China to building strength in agriculture, food security and the protection of farmland (that's at least 120 million hectares). They aim to develop large areas of this land to ensure their food supply remains firmly in their control.

While the long term may see less demand for our exports (also as their population declines), in the short to medium term It is unlikely that New Zealand will have too much to worry about losing food exports access to China.

c) Stock Numbers

The latest regional data is for the year to June 2021. Tararua data is last available for 2017. A new Agriculture Census with data at Tararua level is underway currently and will be available in 2023.

Tarmed stoc	k numbers m th		manganui Neg	gion (nom sta	ts NZ) are.	
June Years	2015	2019	2020	2021	% Change	% Change
					2015 - 21	2020 - 21
Dairy	451,421	467,626	436,747	443,824	-1.7%	+1.6%
Cattle						
Beef Cattle	567,333	574,889	571,743	594,771	+4.8%	+4.0%
Sheep	5,518,950	4,791,398	4,680,562	4,709,345	-14.7%	+0.6%

Farmed stock numbers in the Manawatu Whanganui Region (from Stats NZ) are:

It is very interesting to see a bounce in Dairy cattle numbers after substantial drop in numbers since 2019. Also of interest was the increase in Beef and Sheep. The later has been on a steep downward trend since the 1970's. These trends are usually mirrored in Tararua stock numbers depending on drought differences between East and West coasts (we only get local data every 5 years and the latest is June 2017).

c) 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 - moderate	High
District Promotion and Development	Moderate	Medium
Roading and Footpaths	moderate (10 years) High (30	Medium
	years)	

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7) Wildcards – Black Swans

a) Strange and Unlikely things are going to Happen

What is certain is that major unknown events will occur. The problem is that you cannot forecast these (especially timing), or what the impact will be as technology and society change. Major natural disasters can happen at any time in New Zealand – earthquakes, tsunami, floods, and droughts are the likely ones.

The macro-economic situation assumes that the World economic system does not crash, or that the New Zealand society and economic system does not change radically. Given the vast and increasing amount of debt and rapidly increasing interest rates around the World anything is possible.

Over the last few years the open global trade system that encouraged cheap offshore manufacturing and material sourcing has been in retreat. The pandemic has resulted in a reassessment of supply chains and globalisation. Shortages in critical resources has disrupted supply chains and created shortages of products. Manufacturers and retailers were already pulling back to more local production and more resilience through having more stock in local warehouses. The war in Ukraine and the lockdowns in China have significantly increased this trend change. The result is things are getting more expensive, if you can source it at all.

Will the supply systems settle down? Yes and they already are, but it will take another year to settle. Some permanent trend changes are likely and a supply of ever cheaper consumer goods could well be gone for a generation. Manufacturing of many consumables is shifting from China to Vietnam, Thailand, Cambodia, India and Laos.

Technology change is likely to change the way we operate over time. Autonomous vehicles, power generation and storage, healthcare breakthroughs etc could disrupt current economic systems. As we have seen over the last 30 years this has not changed the fundamental role of Council or the need for core services. This is also true of government structural changes.

b) Population Impacts

Demand to live in New Zealand is likely to remain strong. Pandemic, temperature and other climate extremes, war and political instability. Whether kiwis 'coming home' will outnumber those about to leave is unknown. There are around 500,000 NZ born people living in Australia, plus more people that could be NZ citizens by ancestry in Australia. Across the World estimates range from 600,000 to 1 million depending on assumptions.

While we like to think that many of these New Zealanders want to return to NZ but the reality is that housing is still among the most expensive in the world, wages are low and opportunities for young people limited. In 20 years time the population could be doubled or more – or decline. Trend changes can happen quickly, but not overnight. It takes time to build houses for people to live in. Council will have time to respond to events and shifts in the flow of people – but maybe not much time.

Council Group	Impact – Resources Required	Likelihood
All – but CD especially	Who knows!	High

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4.1 Risk and Assurance Management Report

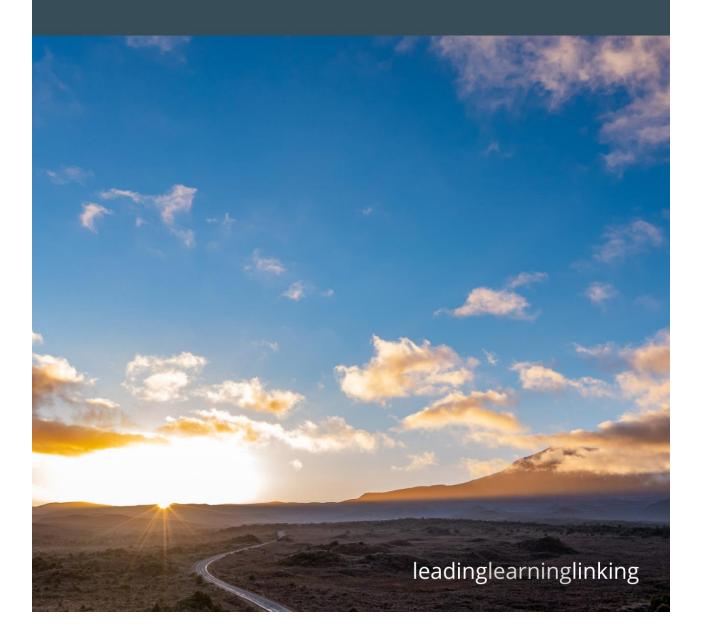
Attachment 9 He mata whāriki, he matawhānui Future for Local Governement draft report - A briefing for Taituarā



He mata whāriki, he matawhānui Future for Local Government draft report

A briefing for our members.

December 2022



The independent Panel conducting the Review of the Future for Local Government has released its draft report <u>He mata whāriki, he matawhānui</u> (28 October 2022), which outlines the need for a community-focussed, citizen centred local governance system for Aotearoa that puts wellbeing outcomes at the centre of everything councils do.

The report develops the key findings set out in the Panel's Interim report <u>*Ārewa ake te*</u> <u>*Kaupapa*</u> and is a provocation, not a 'draft' of the final report. Alongside draft recommendations it asks several questions about the future local governance system that members need to consider and provide feedback on between now and February 2023.

This briefing has been prepared to assist you and your council to contribute to the Taituarā submission and February 2023 regional engagements; and help you develop your own Council submission on the report.

We need to lean into the challenge:

"Ora - people thriving in place - is mission critical for both central and local government, because everyone doing well matters. We have a burning platform for change. The local governance system is not fit for purpose. The size and scale of the challenges facing our communities, central, and local government mean we must think and act differently, as one system. Anything less will be a disservice to the communities of Aotearoa New Zealand."

Taituarā President, Sanchia Jacobs

28 October 2022

What do you need to do?4
Chapter 1: Thriving local government is vital for Aotearoa New Zealand – the key underpinnings
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4.1 Risk and Assurance Management Report Attachment 9 He mata whāriki, he matawhānui Future for Local Governement draft report - A briefing for Taituarā members - December 2022

What do you need to do?

It is important to note that this is the Panel's report and is not a draft of its final recommendations to the Minister. Along with draft recommendations it asks several questions. The Panel will be engaging widely on the report including regional hui with councils prior to Christmas and there will be further events in the New Year.

The submission period for the draft report is open until 28 February 2023. We strongly encourage you and your council to engage with this opportunity.

TIP: At this stage there isn't a concrete comprehensive proposal for the future for local government. You therefore do not need to consult your community on the Panel's report. However, you should ensure your council is familiar with its content and take the opportunity to shape the Panel's thinking by submitting during the consultation period (to **28 February 2023**). You may wish to consider what you know about your communities' views in responding.

This is important given the Government is pressing ahead with other local government reforms (Three Waters, RMA) and for many councils these changes will affect their sustainability and ability to serve their communities into the future. For all councils the world is rapidly changing, system performance has been an issue, and the challenges to local wellbeing (from climate change to poverty and equity) are beyond the ability of any one entity to solve. So, if your council was a little underwhelmed by the report don't let this put them off submitting further.

A key area to focus on would be the central / local government partnership and the opportunity for structural reform.

We would also like you (as the professional staff in local government) to join us at our regional hui in February to help us shape the Taituarā submission. You can also access our previous <u>submission</u> and <u>overview</u>.

4.1 Risk and Assurance Management Report Attachment 9 He mata whāriki, he matawhānui Future for Local Governement draft report - A briefing for Taituarā members - December 2022

Chapter 1: Thriving local government is vital for Aotearoa New Zealand – the key underpinnings

Local Governance: When the Panel talks of local governance it means:

the system by which communities are governed – in essence, who makes decisions, how they are made, and who the decision-makers are accountable to. In any place or community, local governance can involve many decision-makers including central government, local authorities, hapū/iwi and Māori organisations, business and community organisations, and others.¹

The Panel also notes the connections between places and people and wellbeing.

TIP: It may be useful to emphasise that the review focuses on **local governance** especially to new members and staff (i.e., that local government is one participant).

When examining the recommendations this wider focus might be lost on some readers. It is important to consider the wider system, particularly the range of players, values, mindsets, and assumptions that underpin it as well as the structure, partnerships, policies, practices and resources. Small tweaks to local government are unlikely to be sufficient to meet the challenges ahead.

Wellbeing and the purpose of local government: The Panel supports the current purpose of local government and envisions a future where wellbeing is put at the centre of everything councils do. The report emphasises that this requires innovation and collaboration and change.

TIP: Wellbeing was at the heart of many council submissions (and the Taituarā submission) to the Panel:

- "... true shift in intergenerational wellbeing requires a whole-of-system approach that:
- creates the conditions for all people and places to thrive
- is collaborative and long term
- recognises, grows, and strengthens what is already in place and is working
- shares power, expertise, evidence (of all kinds), and learns
- solves problems preferably before they happen
- *is transparent and accountable".*²

Wellbeing is also the focus of the Productivity Commission's inquiry "A Fair Chance for All".

¹ P. 32, Draft report

² Taituarā (2022), People Thriving in Place – Because Everybody Doing Well Matters: A Submission to the Future for Local Government Panel, page 29.

In the latter there is a strong emphasis on the need for an integrated and system-wide approach to tackling issues over the long term. It also emphasises the need to measure performance based on outcomes not (just) outputs, a point also made in our submission to the Panel. Our submission to the Productivity Commission notes the need for a single framework for thinking and acting to promote wellbeing.

How to achieve long term – intergenerational – wellbeing through an integrated strategic approach at place is a critical question us to answer.

Five key shifts: The Panel signalled five key shifts³ in local governance (strengthened local democracy; authentic relationships with hap \bar{u} /iwi and Māori; a focus on wellbeing; genuine partnership between central and local government; and more equitable funding) in its Interim report <u>*Ārewa ake te Kaupapa*</u></u>. These shifts continue to underpin the Draft report and later chapters and recommendations outline more detail about what will be required to make these shifts.

TIP: As the five shifts underpin the chapters and recommendations in the report. You may wish to revisit these shifts with your elected members and staff, particularly if you have experienced change around the council table.

Taken together, this chapter emphasises that change is necessary to the local government (governance) system, roles, structures, legislation and processes and frames the remainder of the report.

Chapter 2: Revitalising citizen-led democracy

This chapter focuses on how rejuvenating community participation in decision-making in local government promotes a healthier, more innovative local democracy, increases trust and connection, and improves services.

It draws on several examples of deliberative and participatory democracy, noting that the LGA doesn't prevent their use but that it should be reviewed to include community engagement principles and provide a general direction to include the use of more deliberative decision-making and participatory mechanisms.

There is also a specific recommendation that "central government leads a comprehensive review of requirements for engaging with Māori across local government related legislation, considering opportunities to streamline or align those requirements", with the text of the report referring to this as a joint central and local government exercise (which sounds more appropriate).

While the use of technology is picked up later in the report, this chapter also recommends greater use of digital tools and technology to enable engagement and participation,

³ Page 36, Draft Report

including good quality engagement with Māori but notes the need for non-digital ways of engagement given accessibility issues. The Panel emphasises the need for collaboration and sharing of technical expertise. There is a statement that digital communication and engagement processes (and ICT systems) across local government should be standardised.

This chapter also recommends wider use of tikanga in council meetings, protocols and engagement practices and within council systems (which includes its staff), with an obligation on chief executives to promote the incorporation of tikanga in these systems.

The report also asks, "What might we do more of to increase community understanding about the role of local government, and therefore lead to greater civic participation?"

TIP: Using a range of participatory democracy approaches enables councils to gain deeper insight into community preferences through working alongside community members when making key community decisions. For those that have limited experience, the report contains examples of deliberative and participative decision making (as does our own <u>submission</u>) and Taituarā are exploring practical tools for the sector to use.

Many councils are already incorporating local tikanga or on the journey towards this. The expression of local tikanga may be more challenging for some councils. Some discussion of your mana whenua and mātāwaka relationships and circumstances may be useful in considering these recommendations.

Civic participation:

Alongside the opportunities that participatory and deliberative democracy provide, local government has called for civics education in schools to increase understanding about the role of local government. This may be more relevant if the voting age is lowered (as is suggested by the Panel).

The things that matter most to people locally cover many activities and issues that are the responsibility of local government. There is also a view that local government needs to be better at telling its story – how it is contributing to thriving communities.

The size and complexity of local government also affects civic participation (e.g. negatively for larger and more urban areas).

Chapter 3: A Tiriti-based partnership between Māori and local government

This chapter sets out a framework for achieving a Tiriti-based partnership between Māori and local government with six interconnected areas:

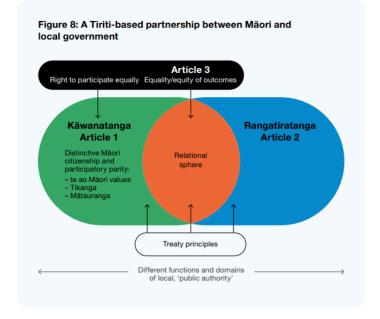
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Setting the system conditions		Supporting the change happening in practice	
A new legislative framework for the Treaty in local governance.	Establishing a strategic role for Māori in multi-lateral local governance.	Building local government and Māori capability and capacity to build and maintain a Tiriti-based relationship.	
Fostering the related at a number of le			
Specific arrangements for partnership and co-governance.	Improving Māori participation in local government processes.	Improving Māori representation in council governance.	

The Panel acknowledges that a national conversation about the place of Te Tiriti in the constitution of Aotearoa New Zealand should occur while noting that the need for a more "substantive relationship that ensures local government is doing its part to fulfil the promise of te Tiriti"⁴.

This does not imply that local government's obligations are the same as the Crown's Tiriti obligations. But given local government exercises functions delegated from the Crown, there

are significant, place-based relationships between councils and hapū/iwi, marae, and other Māori organisations, the Panel considers Te Tiriti is already an influence and that the relational sphere model or framework described below is relevant to the desired future state of the relationship between Māori and local government.



In placing te ao Māori values, tikanga, and mātauranga Māori inside the kāwanatanga sphere (inside local government and the system of local governance), the Panel notes that this may reduce the need for separate or shared decision-making arrangement in the other spheres.

Or perhaps more simply - a less binary "us" and "them" approach; a council that belongs to everybody and works for

⁴ P. 82, Draft Report

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everybody, with Māori inside and councils including Māori people, tikanga, and values in their decision-making.

The chapter discusses options for a general or specific requirement in the LGA about Te Tiriti or Te Tiriti based principles for local governance. Principles could include referencing Te Ao Māori values, Māori wellbeing concepts, and the need to involve Māori and mātauranga Māori in decision-making and service design. Overall, the Panel does not favour a general "give effect to" Te Tiriti clause and recommends a future "legislative reform programme" develop revised Tiriti-related provisions in discussion with Māori, local government, and central government agencies.

The Panel welcomes feedback including how would accountability work – noting that the courts substituting their view would not be appropriate in many cases.

Existing legislated partnership arrangements between Māori and local government would be maintained with the gaps filled based on local conditions, circumstances, and pre-existing arrangements. A requirement for comprehensive, integrated 'partnership frameworks' for this gap filling is proposed, that once negotiated could only be varied with the agreement of all parties.

There is a presumption for Māori appointees to committees with full voting rights (a theme that is echoed in later chapters with a mixed representation model for councils).

In addition (or potentially as part of the above committee process) Māori would be involved early in Long Term Plan processes – before council decisions).

Capacity and capability are to be enhanced by a duty on Chief Executives, a stronger statutory requirement on councils to foster Māori capacity to participate in local government and coordinated organisational and workforce development plans.

Given the significant changes ahead in resource management transformational funding is going to be required for transformational change. The Panel helpfully recommends central government provides funding for both Māori and council capability and capacity building across the system.

TIP: As the Panel notes local context and practice in the Te Tiriti partnership area is varied. This will affect individual councils and their ability to engage with and respond to this section of the report.

Page 86 of the report gives the Panel's definition of co-governance and how they see it enriching the local governance system. This might be useful material for council discussions more generally.

Any statutory requirements should be explored and developed with councils (not just a central government exercise) and should come with appropriate guidance.

A nationwide process, potentially using participatory and deliberative processes such as a citizen's assembly outlined in the report, could de-politicise and advance deliberation on a Tiriti-based partnership between Māori and local government (or constitutional issues more

broadly). It would need to be sufficiently resourced, informed, open and transparent. There may be other processes your council would prefer. For example, later in this briefing we refer to the potential of a Royal Commission to move forward with the functional and structural foundation of future councils.

Central government funding for capability and capacity building will be necessary for transformative change.

Taituarā has advocated for a joint central and local government workforce plan.

Chapter 4: Allocating roles and functions in a way that enhances local wellbeing

This chapter acknowledges that the roles and functions of local government are changing, for example three waters and resource management (with a tendency towards regionalisation and centralisation). It also discusses the large range of functions that have been devolved from central government with limited rationale and often no funding and a lack of clarity and complexity – for example in the areas of climate change and waste management.

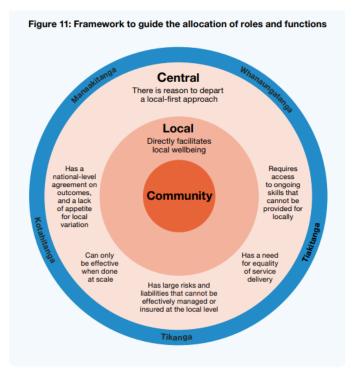
It does not propose specific roles and functions but instead proposes a framework that could be used for the allocation of them. Three core principles are proposed:

- A. The allocation of roles and functions should recognise that local government has significant ability to influence and create conditions for wellbeing in their communities.
- B. The starting point for allocating roles and functions should be at the level of government closest to the affected communities – reflecting the principle called subsidiarity.
- C. The process for allocating of roles and functions should be underpinned by te ao Māori values.

"It is not about a binary allocation – local or central – but rather how the design, accountability, influence and delivery could sit across many actors, with subsidiarity being a key principle."

It is worth noting that the many actors include central and local government, iwi/hapū/Māori, community etc. and that each could have different roles (planning through to commissioning, delivery and monitoring).

The framework starts from "local first".



With departure from the local first approach justified when roles and functions:

- can be done at scale in the interests of community (efficiency, equity, capability etc)
- require access to ongoing skills that cannot be provided for locally (capability)
- have large risks and liabilities that cannot be effectively managed or insured at the local level
- have national-level agreement on outcomes and/or a lack of appetite for local variation
- have a need for equality and consistency of service delivery.

This does not mean that local voice, local aspirations should be lost but rather than be responsible for delivery that there may be more of a role for local in the design, commissioning, or targeting of the service or function.

The Panel recommends that local and central government should conduct a review together using the framework above.

Some functions and roles are singled out for specific discussion:

- housing and urban development (more local)
- economic development (local)
- public health
- waste management (regional)
- climate change mitigation and adaptation (regional)
- transport (regional)

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- building consenting (regional)
- other regulatory functions (animal control, sale of alcohol) (potentially more central but to be assessed for local service delivery).

Libraries are mentioned in the context of scaling up and shared services.

The above list is however not cast in stone but an initial view of opportunities for change.

The Panel would like feedback on what process should be created to allocate roles and functions, the conditions required to avoid confusion and unnecessary uncertainty and any additional principles.

TIP: When considering additional principles or how they would be interpreted you may wish to consider whether they support place making, wellbeing, partnership and Te Ao Māori. This could include equity, social inclusion, participation in democracy and decision making, maximising local input, devolution e.g. of decision making to communities, enabling collective action.

Your council could run through the current functions and functions it wishes to have against the principles (including any the council considers are missing). Not that aspects of functions and activities can sit with different parties. E.g. animal control could have national registration with services delivered locally or sub regionally.

It is worth noting that building consenting is currently under review with the potential for more regional or centralisation, alongside the regionalisation of planning and pan regional three waters planning and delivery.

Post the review, a process to determine the allocation of functions and activities could be led by a Royal Commission (such as in the Auckland case) or some other independent body that could examine national as well as regional and local context and come up with allocations and bespoke arrangements where this is desirable.

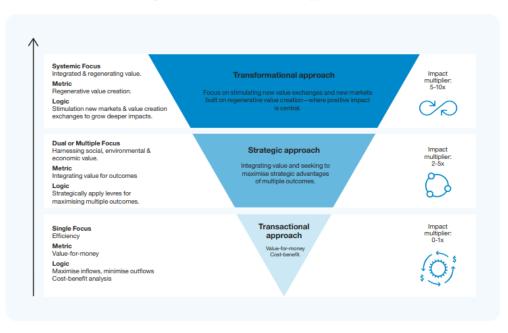
Chapter 5: Local government as champion and activator of wellbeing

As a champion of wellbeing this chapter focuses on moving from transactional approaches to transformational ones. It uses an analogy most councils will be familiar with – libraries. Moving from a place that lends books to an anchor institution in the community – a community hub.

There are other examples from the sector for example councils enabling health provision.

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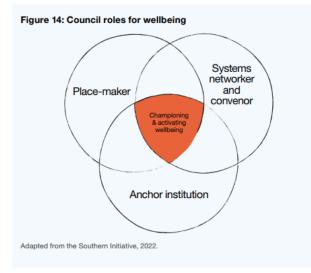
Figure 13: The transformational approach



Source: The Southern Initiative.

This chapter describes the role of councils as:

- an anchor institution (working with others to improve local wellbeing through collective impact; key examples given include using social procurement, workforce development, place based investment, community infrastructure and facilities)
- a systems networker and convenor (place based leadership, innovating to meet local needs, across organisations, sectors, cultures and communities)
- a place-maker (strengthening connections, reflecting diversity, creating a sense of belonging, connecting communities, good design, encouraging community action).



All three arms require a relational approach, which is already evident in many councils. Common features of the relational approach are outlined on page 131 of the draft report.

The Panel notes that such an approach is resource intensive and there is room to build councils' organisational capability and capacity.

The recommendation - that local government, in partnership with central government, should explore funding and resources to enable innovation, experimentation, increased organisational capability and capacity etc - should be read with the next chapter (a stronger relationship between central and local government). This material needs a whole of system approach.

TIP: If this chapter is a bit too theoretical for your council, you may wish to pose questions such as:

How are we championing the wellbeing of our people?

How are we creating and fostering the conditions for communities to use their own strengths and reach their potential?

How do we move from thinking about ourselves as the deliverer of services to focusing on achieving multiple wellbeing outcomes? What are we doing now (that is not a direct service provision)?

What stops us?

What aspects of the relational approach are already happening?

What are the barriers?

It may be useful to combine discussion of this chapter with the next one on the central / local government relationship for a whole of system approach to wellbeing.

The three roles articulated by the Panel resonate with the Taituarā <u>submission</u>. For example, "Council and Māori play the anchor role bringing people and information together – making sure that opportunities, issues, and needs are well articulated, so that everyone can have their say where and when they want to, and that a wide range of community voices are heard." You may find some useful information in the submission to help guide your conversation.

What skills and capabilities would your council need to make the shift? NB capabilities is discussed in chapter 11 of the draft report too.

Chapter 6: A stronger relationship between central and local government

There is a considerable intersection and interdependence between central and local government. There are many examples where central and local government do work in partnership with communities to achieve outcomes, but this is not the norm.

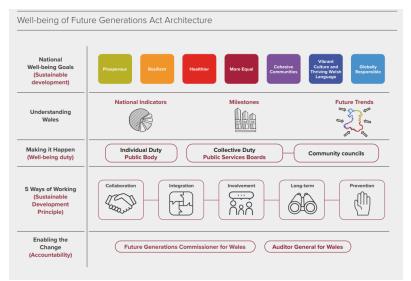
The upshot of this chapter is that the relationship is fundamentally broken and requires a reset.

The Panel proposes co-investment in joint outcomes for wellbeing, with measurement of progress towards those outcomes (with Māori and community). This would include:

- "a shared, agreed strategy between collaborating partners
- a governance approach with shared accountability
- collaborative people working together, supported by effective leadership
- investment in capability and culture to create a shared culture that reflects the partner organisation cultures
- business processes that support collaboration and interdependence
- decision-making that is transparent and works for all partners."

The Panel proposes principles for an interdependent system with a regional format (that retains the ability for local/territorial level priorities and the ability to work across regions). Citizens drive the priority setting and hapū/iwi and significant Māori organisations are represented at the heart of the interdependent system. Other key elements are also outlined.

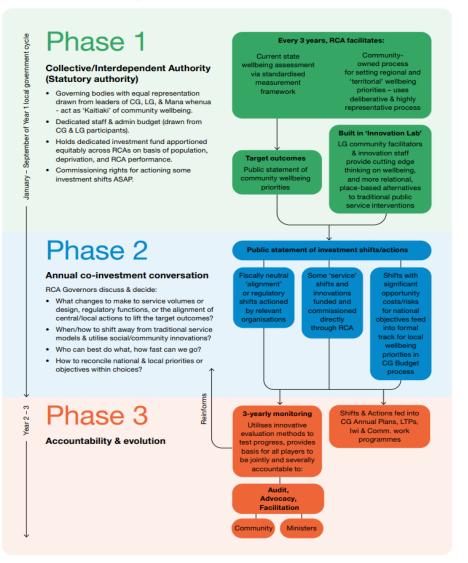
Different models (at place and to deliver national requirements with local input) are provided to stimulate thinking. These include Place Based Initiatives, Social Sector Trials, Urban Growth Partnerships – all of which have been implemented in Aotearoa New Zealand with varying degrees of success – and the UK and Australian City Deals and the Welsh model – referred to in the Taituarā <u>submission</u> as a potential way forward – and described below.



https://gov.wales/sites/default/files/publications/2021-10/well-being-future-generationswales-act-2015-the-essentials-2021.pdf

The Panel then outlines a collective investment model between central and local government that has its own devolved funding and staff, that develops regional and local wellbeing priorities using a deliberative and participative process. This would lead to a statement of actions and investment to achieve those priorities that feed into plans and programmes which is monitored (3 yearly). The model outline is as follows:

Figure 20: A collective/interdependent model



The Panel is seeking views on how to rewire the system of central and local government relationships and develop a shared vision and co-investment in local outcomes. They specifically ask:

"what are:

a. the conditions for success and the barriers that are preventing strong relationships?

b. the factors in place now that support genuine partnership?

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c. the elements needed to build and support a new system?

d. the best options to get there?

e. potential pathways to move in that direction and where to start?

f. the opportunities to trial and innovate now?

How can central and local government explore options that empower and enable a role for hapū/iwi in local governance in partnership with local and central government? These options should recognise the contribution of hapū/iwi rangatiratanga, kaitiakitanga, and other roles."

Some may be disappointed that there are not firmer recommendations on the way forward. However, there is clearly an opportunity for the sector to advocate for what needs to occur.

It is important that feedback is given as this area is the key to achieving wellbeing for communities.

TIP: The central / local relationship is one of the key areas to focus on to really change the system and achievement of wellbeing.

There is an obvious need for an agreed wellbeing plan – an integrated strategic plan for wellbeing that sets out at place the objectives to be achieved, outlines the steps to be taken, by whom and by when and shapes the funding required to deliver. In our submission we referred to it as the Community Wellbeing Plan.

A question you may like to consider is - how should or could this be put into practice?

These plans could be supported by a greater empowerment of the Public Sector Regional Commissioners, including devolution of decision making, backed up by an accountability mechanism. The key would be not to duplicate what is already working but to build on it with the Regional Leads.

We thought the Welsh model could be modified for Aotearoa / New Zealand to provide the framework for these plans, a consistent set of shared values and ways of working and provide a degree of bi-partisan support that could survive successive governments and achieve a consistent overall policy direction.

This approach would fit with a variety of structural models.

There is also an opportunity to integrate statements of community outcomes and statements of regional environmental outcomes, regional spatial strategies (under RM Reform), locality plans (Health Reform), regional leadership group "plans" etc. at place. This would provide a whole of governance response to community needs and aspirations and potentially supplant community outcomes in the LGA or enable community derived outcomes to be included in LTPs.

In addition to the Panel's questions, you might like to consider:

- What would be an appropriate "regional" scale for you to have wellbeing conversations (and on what issues)?
- Would it look like the current regional boundaries for local government, central government or perhaps it would be aligned iwi/hapū rohe?

You may wish to look at the recent <u>Social Sector Commissioning Action Plan (2022-28) and</u> <u>reform</u> and the seven social sector commissioning principles for further information.

Chapter 7: Replenishing and building on representative democracy

The Panel makes a number of recommendations to enhance representation (and diversity) and electoral processes, including consideration of direct representation for mana whenua (or Māori organisations), changes to the electoral term (4 years), better remuneration and training and support for elected members, and new models for governance.

The Panel also raises the potential (and a preference) for introducing capability-based appointments with full voting rights, suggesting an option that could see additional (up to 50% of the number of elected members) council members being appointed (e.g. 10 elected and 5 appointed).

The Panel recommends that the administration of local elections should be conducted by the Electoral Commission and the resolution of barriers to effective online voting. It supports STV to promote greater diversity and lowering the voting age to 16.

The Panel notes the current investigations by the ombudsman into the use of workshops, briefings etc. and the volume and nature of LGOIAM requests and subject to the Ombudsman's finding recommends that central government consider whether the provisions of LGOIMA and the way it is being applied achieves its purpose.

The Panel asks whether the Local Government Commission should play a more (pro)active role in leading (or advising) council representation reviews.

The Panel also recommends stopping the requirement to advertise the role of the CEO at the end of each fixed term. Shared Executive development between central and local government and secondments are also recommended to achieve better integration.

TIP: Your council will no doubt have its own views on the content of this section.

The more controversial part is likely to be the inclusion of capability-based members. There is precedent for this with many committees having independent members and in Canterbury with the mixed-model governance structure of seven elected and up to six appointed councillors for Environment Canterbury for the 2016-2019 local government term. Capability based membership may enable central government to commit to co-investment more easily. NB presence of a central government representative on Regional Planning Committees for

Regional Spatial Plans is meant to enable the government's priorities for a region (and future investment) to be agreed.

Direct Māori representation is a contentious issue in Aotearoa New Zealand and for some if not many councils the appointment of mana whenua / Māori organisations will also be a challenging conversation. The Panel askes:

"To support a differentiated liberal citizenship, what are the essential key steps, parameters, and considerations that would enable both Tiriti- and capability-based appointments to be made to supplement elected members?"

Again, there is precedent for this proposal - Ngāi Tahu representation (with voting rights) on the Canterbury Regional Council was enabled this election under a Local Act. Rotorua is also seeking their own bespoke arrangements for mana whenua representation on Council and it, and other councils have mana whenua appointments to committees (with voting rights across a range of delegated matters).

Originally the Royal Commission on Auckland Governance recommended three dedicated Māori seats - two elected by those on the Māori roll, and one appointed by mana whenua. Instead, the Independent Māori Statutory Board model was adopted.

Taituarā does not have a position on these matters. The Panel's question is complex and has been the subject of Cabinet consideration previously (2018). The arguments for and against this type of representation are well rehearsed. From "one person, one vote" and proportionality to ensuring a voice (potentially as part of a right of self-determination) for mana whenua and Māori as citizens with a right to share in governance. There may be questions about recognising mātāawaka.

Where possible professional staff will no doubt encourage conversations with mana whenua to occur. This could be timely given RM reform. Your council may wish to raise questions, concerns or opportunities rather than express a definitive view or process. Asking the right questions is, after all, the hallmark of effective policy. One size won't fit all. What would a good process look like? Who should conduct it? What would a solid foundation for developing local solutions look like?

NB. There is precent for the use of a Royal Commission (into the Electoral System and for Auckland council). Findings and recommendations are not binding upon any party, including the Government.

On other matters, the Supreme Court has recently decided that the current voting laws (age 18) are inconsistent with the Bill of Rights Act. Politicians are due to debate the age soon as part of the review of electoral law prior to the 2026 General Election.

On the management aspects of these recommendations, Taituarā is likely to support changes to Chief Executive appointments and has proactively advocated for a joined-up workforce and workforce planning and training.

Chapter 8: Building an equitable, sustainable funding and financing system

This chapter concludes that the current funding system is not sufficient for the future. It is disjointed and little effort is made to ensure the resources of local and central government are applied to best effect to local wellbeing priorities. There are significant affordability issues.

Key recommendations include:

- Retention and simplification of the rating system
- Central/local co-investment in public goods (with certainty of funding and local choice to invest in priorities).
 - One source for an initial fund could be the GST collected on rates @NZ\$1 billion (per annum).
 - Potential for fiscal equalisation recognising local context, demographics, deprivation, geography and equity
- A large national climate change adaptation and mitigation fund that is spent using regional and local input.
- An end to unfunded mandates
- Some new (small scale) funding tools (consistent with previous Productivity Commission recommendations – road user charges, bed taxes/visitor levies, value capture, revenue bonds, volumetric charging etc).

There is also a recommendation to simplify the Long-Term Plan (LTP) process, including the performance framework (which will have to change as a result of three waters anyway) to focus on outcomes and reduced audit scope). The Panel recommends the Crown should pay rates and charges on all properties. Local GST is not ruled out, but local income tax is. Changes to LIMS (which are already in train) are supported.

The Panel also recommend that central government expands its regulatory impact statement assessments to include the impacts on local government and revues current regulation and invests in its delivery to reflect the national public-good elements.

The Panel proposes five principles to guide the development of revenue system design:

- Workable
- Fair
- Sustainable
- Incentivised
- Nationally consistent

and asks "What is the most appropriate basis and process for allocating central government funding to meet community priorities?"

TIP: There is not a lot of new information in the chapter and most of the recommendations have already been supported by local government and other parties. One area not picked up is allowing Council tenants access to income-related rental subsidies.

Some thought could be given to the co-investment principles and the method for setting priorities and commitments (such as a strategic Wellbeing Plan and implementation agreement). Co-investment for wellbeing is covered earlier in the report but is an important aspect of any future funding system.

Chapter 9: Designing the local government system to enable the change we need (structure of local government)

This chapter concludes that the current structure is not fit for the future due to changes ahead in three waters, resource management, current duplication, capacity and capability challenges – particularly for smaller councils, lack of collaboration, funding constraints and future cost escalation, and the complexity of the operating environment.

While the Panel does not propose a specific structure for the future it proposes five interconnected design principles, underpinned by Te Tiriti consistency:

- 1. Local
- 2. Subsidiarity (allocation to the lowest level of government possible)
- 3. Resourced (people, funding etc)
- 4. Partnership (flexibility to partner, collaborate etc to achieve community outcomes)
- 5. Economies of scope (like activities and resources together)

Three models are tested against these principles to illustrate how they could apply in practise:

- One (unitary) council for the region supported by local or community boards
- Local and regional councils with separate governance (potentially with local or community boards) – potential for a number of district council functions are carried out at the regional level (e.g. building consenting); Mayor elected at large for both levels
- Local councils and a combined council with shared representation (similar to Greater Manchester Combined Authority) combined council has regional functions, backbone support to local councils, membership from each council with a Mayor elected at large.

While these are not final models, the Panel wants feedback on them. It also notes that "A one-size-fits-all approach to roles, functions, and governance arrangements is unlikely to meet the needs of all communities" and welcomes feedback on the best way to enable it and whether more than one organisational form is feasible or desirable.

This chapter also addresses the need for greater collaboration and shared services, with a particular emphasis on common systems, standardisation and capability. The Panel is particularly interested in progressing a joined up digital partnership.

There is also mention in this chapter of a unified public service, with capability building across local government and between local government and central government.

TIP: Structural reform is likely to be one of the big issues that will make a difference, particularly considering the challenges ahead (not least of which is a system stretched to breaking point). Changes in structure should be considered in light of the other significant reforms (resource management and three waters).

Unlike the other models mentioned, the combined authority model for regional collaboration has no parallel in New Zealand. It enables councils to combine resources to address cross-boundary issues without requiring them to undergo amalgamation. There are some similarities between this model and the proposed Regional Planning Committees under the Resource Management reforms.

The proposed models need not constrain thinking (they are presented as models that are consistent with the proposed principles) and they need not be applied uniformly across the country.

Are there other design principles that are important to your council and community?

Are there other models that meet the design principles?

What doesn't need to wait for structural reform? E.g. agreeing local priorities and regional outcomes, developing solutions, planning for delivery....

Are there other councils in your area that you could work with to design a future model that suits your communities?

What process needs to be used to advance structural reform? Consider the likelihood of consensus given vested interests in the detail and who needs to be involved. Options such as an independent commission could be used.

Taituarā will be getting advice on the Greater Manchester Combined Authority model and its applicability to Aotearoa New Zealand. We will also be running a shared services event so councils can learn from each other. We have also been strong advocates for a unified public service, joint workforce planning and training. This could be happening now.

Chapter 10: System stewardship and support

This chapter focuses on overcoming a lack of system stewardship and recommends that central government, local government and hapū/iwi need to jointly develop a model to ensure all actors are working towards the same outcomes for communities.

The Panel recommends a nationally coordinated stewardship function that:

- ensures coordination and coherence across central government convening multiple agencies to resolve strategic / cross cutting issues - as well as between "tiers" of local government
- prioritises strategic issues

- ensures timely advice
- sets standards
- proactively monitors and review the system to ensure it is fit for purpose.

The Panel floats the Local Government Commission performing an independent role and an independent Māori Advisory role at the system level.

There is specific commentary about the roles of Taituarā and LGNZ – i.e. that they are well placed to play a greater role. We will be discussing the structural (membership body) points made with the Panel in the future.

TIP: A nationally co-ordinated view of system performance is needed. This supports a whole of governance / government (both central and local) approach to wellbeing and a strong partnership.

Taituarā recommended that there be joint oversight of the system, its performance (and the performance of the local and central government partnership), capability and the resourcing used to achieve outcomes and joint programmes to respond to existing needs and opportunities.

We also recommended an accountability framework similar in form to that of the Parliamentary Commission for the Environment or the office of the Future Generations Commissioner for Wales charged with oversight of whole-of-government performance vis a vis its collective responsibilities and contributions to improving wellbeing. We also saw an Office for Local Government sitting alongside the Public Service Commission with monitoring and reporting roles. These suggestions might usefully stimulate discussion within your council.

System stewardship by Māori has precedent. See for example Te Aka Whai Ora (the Māori Health Authority) and the proposed resource management entity.

Chapter 11: The pathway forward

The Panel emphasises the cultural shifts that need to occur – mindsets, behaviours and practices for the transition and for the future (leadership and relational capabilities, te ao Māori, empowering people in place, developing an equity and wellbeing mindset, culture of learning) and the need for a strong process for change and reform.

You may also wish to consider the things the Panel has not addressed such the constitutional status of local government.



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T 04 978 1280 E info@taituara.org.nz W taituara.org.nz Attachment 10 Spatial Planning Act (SPA) and Natural and Built Environment Act (NBA) - Taituarā overview for



Spatial Planning Act (SPA) and Natural and Built Environment Act (NBA) overview

November 2022



Spatial Planning Bill

The Spatial Planning Bill will introduce mandatory spatial planning – this has the potential to be a game changer for the sector and our communities.

Up to fifteen¹ Regional Spatial Strategies (RSSs) will set out the vision, objectives, strategic direction, and priority actions for each region for at least 30 years.

The Strategies must consider areas that require protection and enhancement, areas that are appropriate for development, resource use and land use change, areas that are vulnerable to hazards and climate change, areas of cultural heritage, areas with resources that are of significance to Māori and key infrastructure including the co-ordination of infrastructure between providers.

Regional Planning Committee

RSSs will be developed by Regional Planning Committees with a minimum membership of six. Central government will be at the table, with councils and iwi, hapū, and Māori (a minimum of two Māori appointments). All councils can be represented (at least one appointment per council), but do not have to be. The process for Māori appointments is contained in the Natural and Build Environment Bill, with iwi and hapū running their own processes via a committee set up for this purpose.

The overall composition of the committee is flexible subject to these minimums, however effective representation (urban, rural, regional, district, Māori) and effective and efficient decision making², the purpose of local government and populations served are to be considered. Existing relationships with and between iwi, hapū, and other Māori groups also need to be considered. The Local Government Commission receives the proposed composition, considers it in light of the requirements, and confirms it. If composition decisions cannot be reached there is a role for the Local Government Commission in determining the composition. Facilitation support is available from the Crown (funding support for six weeks).

There is a role for the Māori Land Court should iwi and hapū appointments and resolution processes be disputed.

Sub-committees are allowed. Within the Natural and Built Environment Bill there is specific provision for a freshwater subcommittee to be established on the recommendation of the Minister for the Environment.

Retaining local voice and accountability in the regionalised system was a key concern for the sector. In addition to enabling all councils to be represented on the Committee, the Government has taken up the Local Government Steering Group's proposal to include Statements of Community Outcomes and Statements of Regional Environmental Outcomes

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¹ Nelson and Tasman will prepare one combined strategy and a combined plan. Cross regional spatial strategies may also be prepared.

² Lessons might be drawn from Auckland's experience.

in the Bills. There are concerns that this will not be sufficient to ensure democratic accountability.

The Committee will have a Secretariat to support it to carry out its functions, and the arrangements for the Secretariat are provided for in the Natural and Built Environment Bill (see below).

Implementation of Regional Spatial Strategies

Each strategy will be accompanied by an agreed implementation plan and will influence regional land transport plans and future local government long-term plans.

A key issue is how to guarantee delivery of RSSs. The Taituarā Resource Management Reform Reference Group will be carefully looking at the non-binding nature of the proposed optional implementation agreements.

Strategic role for Māori participation.

Both the Spatial Planning Bill and the Natural and Built Environment Bill provide a greater, more strategic role for Māori participation as well as requiring decision makers (and the strategies and plans in the Bills) to give effect to the principles of Te Tiriti o Waitangi.

Natural and Built Environment Bill

The Natural and Built Environment Bill is the main replacement for the Resource Management Act 1991 (RMA). It will regionalise plan making, replacing over 100 district and regional plans with up to 15 NBE plans that aim to provide an integrated framework for use and development within environmental limits. It is expected that by reducing the number of plans and fronting decisions at the plan-making stage, the system will become more efficient. This is something our Taituarā Resource Management Reform Reference Group will be especially focused on.

The Bill proposes a system of <u>non-hierarchical</u> positive outcomes that will guide strategies, plans and ultimately resource consents, with the intent of resolving conflicts between outcomes at the highest appropriate level. Guidance will be needed on how these conflicts should be resolved, and potentially more should be resolved at the national level than is obvious from the Bill. We note there is still limited (but slightly more) information on outcomes for the built environment.

The Bill also provides for limits and targets (to improve, including "minimum level targets") and management units. This has proven difficult (if not unworkable) at the regional level and will need to be carefully worked through if previous issues with national direction are to be resolved.

While the legislation is touted as moving away from effects-based management to managing for outcomes, the Bill maintains a general duty to avoid, remedy, offset or redress adverse effects on significant biodiversity areas and specified cultural heritage, and introduces a new pathway for "trivial effects".

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National Planning Framework

In addition to this, the Bill introduces a National Planning Framework (which will be a regulation under the Act) to give consistent and stronger national direction to the plans and a framework for allocating resources (for example market-based mechanisms – with the exception of freshwater). There are new provisions in the Bill for freshwater allocation, including the Establishment of a Freshwater Working Group and short-term consents during the transition phase.

The National Planning Framework (NPF) can set limits and targets. Some limits are mandatory e.g. air, indigenous biodiversity, coastal water, estuaries, freshwater and soil. Limits on other aspects of the natural environment may be set, and there may be exemptions (if approved by the Minister). These limits may be set directly in the NPF, or the NPF may require that they are set out in NBE plans. Targets are either set directly in the NPF or prescribed to be set out in NBE plans made under the NBA.

The NPF can also apply the effects management framework, provide for standards and methods, processes and exemptions. It may give directions to Regional Planning Committees or local authorities on monitoring and reporting, or direct a plan to use an adaptive management approach. It may also direct NBE plans to make rules that will affect existing rights and land use consents when there is harm to the natural environment or risks associated with natural hazards, climate change, or contaminated land.

The NPF is required to provide direction on each system outcome and direction to help resolve conflicts. Without a draft NPF being produced alongside the Bills, it is impossible to assess how successful it will be on these matters.

The NPF will be rolled out in stages. At this stage we think the first iteration will largely consolidate and reconcile existing policy statements and standards (and include the recent medium-density residential standards for housing) with additional content on infrastructure and natural hazards. It is unlikely that mātauranga Māori will be incorporated. This appears to be a lost opportunity.

It will be critical that the first and next iterations involve significant local government input and co-design, and it is a negative that a draft NPF has not been published alongside the Bills to enable alignment and scrutiny.

Plans

NBE plans will be developed by the Regional Planning Committee (minus the central government representative). Plans must give effect to the NPF and be consistent with the Regional Spatial Strategy. Plan evaluation reports will occur earlier and be simpler than existing section 32 RMA reports and plans will be audited by the Ministry for the Environment.

An Independent Hearing Panel (IHP) will hear submissions on an NBE plan and make recommendations to the Regional Planning Committee on the proposed plan. If the Regional

Planning Committee agrees, appeals are limited to points of law. If it does not, merits-based appeals can occur.

Plans can be more restrictive than the NPF (as can bylaws if the NPF expressly allows this).

Despite the provision for Statements of Community Outcomes (SCOs) and Statements of Regional Environmental Outcomes and representation on the Committee (including the reference to section 10 of the LGA) there are concerns that local democracy is not sufficiently provided for.

Secretariat

To assist the Committee and Independent Hearing Panel the Bill provides for a Secretariat, with a director appointed by the Committee.

The director must appoint employees to carry out the functions of the Secretariat and both the director and these employees are legally employees of the host council, although the Bill makes it explicit that the host council must be treated as having delegated their employment rights and obligations. That said, the host council is responsible for ensuring that the director's legal obligations in that role are met.

We will obtain specific legal advice on this point to clarify legal obligations, liabilities, and the practical effect of this arrangement.

The Secretariat is empowered to enter contracts etc within the scope of an agreed budget.

The host council is chosen by the councils in the region in consultation with iwi and hapū and must provide administrative support for the Committee and Secretariat, including financial management.³ A simple majority of councils can make the decision about the host council, with the default being the regional council if there is no decision. The matter is simpler for unitary authorities and in the case of Nelson and Tasman they need to agree the matter between themselves.

<u>Funding</u>

Funding for the Committee and the Secretariat comes from the councils in the region jointly. The Committee prepares its budget (a draft statement of intent, SOI) and submits it. The SOI must provide funding for Māori participation in the development, implementation, and monitoring of the regional spatial strategies and plans. The councils must work together in good faith to agree the amount of funding and the share each will pay. There is a dispute resolution process (using a Ministerially appointed independent person) if agreement cannot be reached. The councils cannot direct how this funding will be spent, nor can they reduce an agreed budget.

We are working with LGNZ to get legal advice around funding arrangements, including where funding is required from councils to defend appeals (where the council may also be the appellant).

³ Note the host must be a council at this stage.

Functions of councils

Councils will have an important role in ensuring local voices are heard by producing Statements of Community Outcomes and Statements of Regional Outcomes. Councils will also contribute to Plan development both through membership on RPCs but also providing resource and expertise to the RPC's process.

The functions and areas of responsibility of regional councils (section 30 of the RMA, new clauses 643 and 644) and territorial authorities (section 31 and clauses 645 and 646) remain broadly the same, with the necessary amendments to reflect the preparation of SCEOS, SREOS and participation with the RPC. Unitary authorities of course get both sets. There may be some difficulties in seeing these areas of responsibility sitting with councils, when the content of the plans has been developed by a different body (the RPC) and non-regulatory tools need to be embedded in other council processes (such as the Long-Term Plan). An example might be environmental education which is traditionally resourced through the LTP process.

With the RPC responsible for policy decisions and others responsible for implementation there is an inherent tension. This is less complicated in the unitary council structure.

We suspect pan-regional issues will also be complex.

Councils will retain their current consenting, compliance monitoring and enforcement roles, for now at least. While not referred to in the Bills there is the potential for some or all of these roles to move to a permanent regional hub or a future Environmental Protection Agency structure. Given the significant changes that lie ahead for local government (three waters and local government review and potential reform), the significant investment that is needed to transform the resource management system, and current capacity constraints the institutional structures, functions and funding for the future would, ideally, be addressed holistically (potentially post the developed of all Regional Spatial Strategies as initially suggested in the Taituarā submission on exposure draft).

Consents

As has been widely signalled there are four activity categories proposed – permitted, controlled, discretionary and prohibited and rules for determining which category applies (clause 154). Types of consent appear the same (land use, subdivision, coastal permit water permit, discharge permit). There are alternative consenting pathways for proposals of national significance and communications, energy housing, transport, water and other central and local government assets. There is no longer a need to hold a hearing on a notified consent.

Processing timeframes have changed.

- Non-notified consent without hearing is 20 working days.
- Non-notified consent with hearing is 50 working days.
- Limited notified consent without hearing is 60 working days.
- Limited notified consent with hearing is 100 working days.

- Publicly notified consents without hearing is 60 working days.
- Publicly notified consent with hearing is 130 working days.

There are interim limits within the overall processing timeframe. There are excluded periods too. There are a number of clauses that detail the mechanics (of notification, approvals, mediation, hearings etc) that will be reviewed as soon as possible. As for conditions, adaptive management conditions are explicitly proved for. At first glance several RMA provisions have been rolled over. Financial contributions are now "environmental contributions". Alternative Dispute Resolution is provided for (mandatory if required by a plan or voluntary).

A rule in a proposed plan has immediate legal effect if the rule protects, or relates to, water, air, or soil (for soil conservation); protects areas of significant indigenous vegetation; protects areas of significant habitats of indigenous animals; protects cultural heritage or provides for, or relates to, aquaculture activities. The Environment Court can set a different date, as can a Regional Planning Committee. All other rules take effect after decisions are made and are treated as operative if the time for making submissions or lodging appeals on the rule has expired (and there are no submissions, opposing submissions or appeals are determined or withdrawn (or dismissed). This may cause issues for councils running parallel plans. Something that could cause further issues for councils will be that, where a rule has immediate effect, applicants will need to apply for all consents required and will not be allowed to bundle consents across the RMA and NBA.

There are a couple of alternative processing pathways included in the Bill. In addition to retaining the direct referral to the environment court, proposals of national significance can be consented in a process akin to the COVID-19 fast-track consenting process.

Designations

Designations will be available through a two-stage process. Firstly, securing the spatial footprint through a notice of requirement, then secondly, Construction and Implementation Plans will identify and authorise the works. Requiring authority eligibility will also now include fire and emergency services and port operators.

Allocation Framework

The NBE proposes an allocation system where RPCs must set allocation approaches for freshwater and may set allocation approaches for geothermal resources, discharges to air, discharges to coastal water or the taking or use of heat or energy from open coastal water using the principles of sustainability, equity, and efficiency. While a range of allocation methods will be available only non-market based mechanisms can be used for freshwater.

Short transitional consents will be issued while the new system is being implemented to mitigate the risk of allocations being locked in for the long term. Post-transition the maximum consent duration will be 35 years.

Compliance, Monitoring, and Enforcement

The reforms also propose changes which will enable better compliance monitoring and enforcement. This includes prohibiting the use of insurance for infringement fines, allowing

an applicant's compliance history to be considered, and broadening cost recovery provisions which will now allow:

- Costs to be recovered for compliance monitoring of permitted activities.
- Substantial increase in financial penalties.
- Increased range of offences subject to fines.
- Statute of limitations extended to 24 months.
- Regulators to apply to have a consent revoked.

Councils will also be required to publish a compliance, monitoring, and enforcement strategy which will outline how they will deliver their functions, duties, and powers.

System Monitoring and Oversight

Councils will continue to monitor the efficiency and effectiveness of processes, plans and consents. Each RPC will be responsible for developing a regional monitoring and reporting strategy to coordinate the work of local councils and will be required to produce a five-yearly assessment.

A new National Māori Entity will be established to provide proactive monitoring of Te Tiriti o Waitangi performance. In addition to this, the ongoing operation and effectiveness of the system will be monitored and reported on by government, and the Parliamentary Commissioner for the Environment will review the government's reporting on system performance.

Implementation of the new system

Transitioning to the new system will be a significant undertaking, especially in light of the capacity constraints the sector is already facing. As such, the Government is proposing to implement the reforms in three tranches. Select model regions will begin transitioning immediately and it is expected that lessons and templates from the model regions will be shared with later tranches. Given the pace of transition however the opportunity for a learning system is likely to be reduced.

For those regions who will transition later, the Government expects that current RMA plans will continue to be amended to incorporate national direction and respond to changing circumstances. This could drain already stretched resources and we will review the Bills with a view to submitting ideas to reduce the burden.



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INVESTMENT AUDIT REPORT

Procedural Audit of Tararua District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Caroline Reddie 7 November 2022 FINAL



New Zealand Government

Approved Organisation (AO):	Tararua District Council
Waka Kotahi NZ Transport Agency Investment (2018-2021 NLTP):	\$41,693,100 (budgeted programme value)
Date of Investment Audit:	10 - 13 Oct 2022
Auditor(s):	Caroline Reddie - Senior Investment Auditor
Report No:	RACRI - 2276

AUTHORITY SIGNATURES

Prepared by:

eddie

Caroline Reddie, Senior Investment Auditor

Approved by:



Yuliya Gultekin, Practice Manager Audit & Assurance

13/12/2022

Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

WAKA KOTAHI NZ TRANSPORT AGENCY

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EXECUTIVE SUMMARY

Tararua District Council's land transport programme is managed through a collaborative working agreement between Tararua District Council and Downer NZ Ltd (entitled the Tararua Alliance).

The original agreement is supported by the following:

- variation to the rules in the Procurement manual, section 10.21 allowing Tararua District Council to use a maximum term of ten-years (10 years) for the Tararua Alliance contract for road maintenance, operations, and renewals (per Appendix C).
- variation to the rules in the Procurement manual, section 10.05 allowing Tararua District Council to
 use a shared risk delivery model for the Tararua Alliance contract for road maintenance, operations,
 and renewals (per Appendix C).
- approval for continued use of in-house professional service and has a current Waka Kotahi endorsed Procurement strategy that expires on 31 March 2023 (per Appendix C).

The Alliance is responsible for the district's public roads (not including state highways), maintaining sealed and unsealed roads, bridges, streetlights, footpaths, road marking, traffic signals, signs, walkways, cycleways, and roadside vegetation. Tararua District Council manages the claims for funding through the National Land Transport Programme (NLTP) and the Alliance manages all procurement and delivery of the roading activities funded under the NLTP. There is an arrangement with Downer NZ where Council staff are co-located with Downer staff to deliver the programme. The arrangement works well and is supported by Waka Kotahi staff.

Claims for funding assistance for the three financial years 1 July 2018 to 30 June 2021 were reconciled with difficulty against Council's final TIO claim submissions. The structure of the financials includes independent financial systems used by the Alliance and by Council. It was difficult to verify the change in costs from the Alliance invoice to the Council claim in TIO. Council also needs to document a process that shows the methodology used to calculate the professional services.

Subje	ct Areas	Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Significant Improvement Needed
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Some Improvement Needed
Overall Rating		Some Improvement Needed

AUDIT RATING ASSESSMENT

* Please see Introduction for Rating Assessment Classification Definitions

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RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We reco	ommend that Tararua District Council:	Implementation Date
R2.1	Ensures the final TIO claim submission is from a reconciled General Ledger.	30/6/2023
R2.2	Reviews and documents a clear process for checking that financial information correctly correlates between the two financial systems (Tararua District Council (TDC) and the Alliance).	30/6/2023
R2.3	Reviews and documents a clear process identifying Waka Kotahi funded transactions so there is a clear audit trail and documentation substantiating amounts claimed.	30/6/2023
R2.4	Ensures the cost of work qualifying activities for WC140 (Minor Events) do not exceed the \$100k cap per event per approved organisation.	30/6/2023
R3.1	Seeks prior written approval from Waka Kotahi for each variation carrying forward to the new strategy and keep a letter of approval on file.	30/6/2023
R3.2	Submits a new Procurement Strategy within 40 days prior to the expiration date on 21 March 2023.	30/6/2023
R3.3	Publishes the Procurement strategy to the Council website.	30/6/2023
R4.1	Updates the Low-cost/Low-risk Improvements Activity List by the 31st of August of each year.	30/6/2023
R5.1	Reviews the professional services costs and applies the actual costs for the administration of the financially assisted activities.	30/6/2023

WAKA KOTAHI NZ TRANSPORT AGENCY

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1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that the Waka Kotahi NZ investment in Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes, and management practices require improvement.	Inadequate systems, processes and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on- going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

1.3. Council Comments

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2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

There were no recommendations from the 2019 procedural investment audit.

* *

2. Financial Processes

Significant Improvement Needed

Claims for funding assistance for the three financial years to 30th June 2021 were reconciled with difficulty against the Council's final TIO claim submissions. The structure of the financials includes independent financial systems used by the Alliance and by the Council.

The structure of the Alliance financial system is well laid out and easy to follow. Monthly invoices are generated by the Alliance and sent to the Council to process the funding claims from Waka Kotahi.

The structure of the Council's financial system did not correlate with the Alliance financial system making it difficult to follow, and the separate spreadsheets provided from the Council did not match the final TIO claims submitted by the Council for funding.

Identified issues included (but not limited to):

- where the work order legend provided by the Council did not match the Alliance system.
- the amounts in the Council work orders did not match the final TIO claim amounts.
- when using the Council legend to verify individual transactions that made up the funding claimed for the different work categories, the amounts did not correlate with either the claim or the Alliance invoice transactions.
- For work category 140 Minor Events (any activities that would otherwise qualify as emergency works_except that the total cost of the works is less than \$100,000 per event per approved organisation) four instances were noted where the amounts claimed for funding from Waka Kotahi exceeded the cap. When checking the Alliance invoices submitted to the Council for payment against the Council's claim. The amounts did not correlate and a further break down was then required by Tararua Council staff to work out if the funding claimed was for each separate event, for a single event where the cap has been exceeded. The funding claim was ambiguous.
- when checking Emergency works funding the Alliance claims did not match the Council's claims and a break down was required.
- The Low Risk Low Cost (LR-LC improvements activity list in TIO has a condition of funding that requires the template must be updated by the 31st of August of each year. This has not been updated and amounts listed did not match amounts claimed for funding or the projects listed in the activity list.

The reconciliation process was difficult to follow, with notable differences between the two finance systems. There must be regular reconciliation between the General Ledger and the records held by the

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4.1 Risk and Assurance Management Report Attachment 11 Waka Kotahi Investment Audit Report - November 2022

Report Number: RACRI - 2276

Audit: Tararua District Council

Alliance to ensure that the claims align to the General Ledger. Waka Kotahi can only verify claims for funding assistance against the Council's audited set of accounts

Recommendations	We recommend that Council:
	R2.1 Ensures the final TIO claim submission is from a reconciled General Ledger.
	R2.2 Reviews and documents a clear process for checking that financial information correctly correlates between the two financial systems (TDC and the Alliance).
	R2.3 Reviews and documents a clear process identifying Waka Kotahi funded transactions so there is a clear audit trail and documentation substantiating amounts claimed.
	R2.4 Ensures the cost of work qualifying activities for WC140 (Minor Events) does not exceed the \$100k cap per event per approved organisation.
Tararua District Council's comment	R2.1 - Council completes a reconciliation of its TIO claims to the general ledger monthly as part of its process for submitting the monthly claim
	R2.2 - Council will implement this into its monthly TIO claim process
	R2.3 – This is completed as part of our TIO monthly claim process, with supporting documentation saved as part of the claim
	R2.4 – No comment entered

* * *

3. Procurement Procedures

Some Improvement Needed

Tararua District Council has a current Waka Kotahi endorsed Procurement Strategy. This strategy expires on 31 March 2023. The Procurement Strategy is not published to the Council website.

- Tararua District Council has a current agreement in place with Tararua Alliance to be the supplier for its contract for road maintenance, operations, and renewals.
- Tararua District Council has an endorsed use of a variation to the rules in the Procurement manual, section 10.5 Procurement procedure advanced components allowing Tararua District Council to use a shared risk delivery model for the Tararua Alliance contract for road maintenance, operations, and renewals, entitled the Tararua Alliance.
- Tararua District Council has an endorsed approval for continued use of in-house professional services.
- Tararua District Council has an endorsed variation to the rules in the Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice allowing Tararua District Council to use a maximum term of ten-years (10 years) for the Tararua Alliance contract for road maintenance, operations and renewals, entitled the Tararua Alliance. However, there is no endorsed approval for a variation to the rules of section 10.21 prior to the Endorsed Procurement Strategy that expires on 31 March 2021.

Waka Kotahi endorsement of the upcoming new Procurement Strategy is therefore subject to the following conditions:

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• That prior written approval is required from Waka Kotahi to vary the Rules outlined in the Procurement Manual, including the use of a term service contract for a term greater than five years and the use of procurement procedure advanced components including shared risk delivery models (i.e., Alliance contracts). As the Procurement Strategy will expire on 31 March 2023, Council will need to apply to have all the variations endorsed prior to the 40 days before the current strategy expires.

Recommendations	We recommend that Tararua District Council:
	R3.1 Seeks prior written approval from Waka Kotahi for each variation carried forward to the new strategy and keep a letter of approval on file.
	R3.2 Submits a revised Procurement Strategy within 40 days prior to the expiry date 21 March 2023.
	R3.3 Publishes its Procurement Strategy in the Council's website.
Tararua District	R3.1 – No comment entered
Council's comment	R3.2 – Council is currently working on this and will have this submitted 40 days prior to the expiry of the existing procurement strategy.
	R3.3 – Council will publish the updated procurement strategy to its website

* * *

4. Contract Management

Some Improvement Needed

Contracts and Projects are managed by the Tararua Alliance (the Alliance) and an invoice is generated to Tararua District Council for costs at the end of each month. Tararua District Council generates the TIO claim to Waka Kotahi for funding. Updating of the TIO - *TDC Roading_LC-LR_Improvements_Activity list* is managed by Tararua District Council.

- There is a contract in place between Tararua District Council & Downer New Zealand entitled *'Tararua District Council & Downer New Zealand Corridor Network Maintenance Agreement* (CT32-14) Alliance Agreement 2019'.
 - The agreement states that The Council has combined its roading and utilities corridor network maintenance contracts to be delivered using a full delivery alliance type model. The relationship will be called the Tararua Alliance (the Alliance).
- The TIO 'TDC Roading_LC-LR_Improvements_Activity list' does not match the projects claimed under work category 341. Funding approval for the Low-cost/ Low-risk programme is conditional on each programme being supported by a list of projects and on the cash-flows of these projects being captured in the Low-cost/ Low-risk roading improvements template. The template is a condition of funding and is to be maintained and updated regularly and by the 31st of August of each year. Based on the projects claimed for funding under work category 341, the activity list has not been updated.

Red	commendations	We re	ecommend that Council:
		R4.1	Updates the Low-cost/Low-risk Improvements Activity List by the 31 st of August of each year.

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4.1 Risk and Assurance Management Report Attachment 11 Waka Kotahi Investment Audit Report - November 2022

Report Number: RACRI - 22	76	Audit: Tararua District Council
Tararua District Council's comment	No comment entered	

* * *

5. Professional Services

Some Improvement Needed

There is no clear process on how in-house professional services are calculated by the Council then added to the TIO claim for funding. There is a clear process showing professional services calculations in the Alliance system. It was difficult to verify the change in costs from the Alliance invoice to the Council claim in TIO. Council will need to document a process that shows a methodology used to calculate the professional services.

Recommendations	We recommend that Council:		
	R5.1 Reviews the professional services costs and applies the actual costs for the administration of the financially assisted activities.		
Tararua District Council's comment	No comment entered		

* * *

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3. APPENDICES

APPENDIX A

Council Feedback

WAKA KOTAHI NZ TRANSPORT AGENCY

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APPENDIX B

Audit Programme

- 1. Previous audit April 2019
- 2. Land Transport Disbursement Account
- 3. Final Claims for 2018/19, 2019/20, 2020/21
- 4. Transactions (accounts payable)
- 5. Retentions Account
- 6. Procurement Procedures
- 7. Contract Management & Administration
- 8. Professional Services
- 9. Transport Investment On-line (TIO) Reporting
- 10. Other issues that may be raised during the audit
- 11. Close-out meeting

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APPENDIX C

Audit Documents



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30 April 2020

Raj Suppiah Chief Financial Officer Tararua District Council P O Box 115 Dannevirke 4942

Dear Raj

Transport Activity Procurement Strategy Endorsement

Thank you for your request seeking endorsement from the Waka Kotahi NZ Transport Agency for the Procurement Strategy dated 28 January 2020.

I am pleased to confirm that Waka Kotahi has reviewed the Procurement Strategy dated 27 January 2020. This document forms Tararua District Council's Procurement Strategy, the requirements of which are outlined in the Waka Kotahi Procurement Manual.

We are satisfied that it meets the requirements of the Waka Kotahi Procurement Manual and formally endorse the Procurement Strategy effective 31 March 2020.

We would like to draw your attention to the following matters. Waka Kotahi:

- approves the continued use of in-house professional services by Tararua District Council, in accordance with s.26 of the Land Transport Management Act, with much the same scope and scale as it has in the past.
- approves the use of a variation to the rules in the Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice allowing Tararua District Council to use a maximum term of ten-years (10 years) for the Alliance contract for road maintenance, operations and renewals, entitled the Tararua Alliance.
- approves the use of a variation to the rules in the Procurement manual, section 10.05
 Procurement procedure advanced components allowing Tararua District Council to use a shared
 risk delivery model for the Alliance contract for road maintenance, operations and renewals,
 entitled the Tararua Alliance.
- 4. notes that Tararua District Council concluded that it would not use competition to find the supplier for its contract for road maintenance, operations and renewals, entitled the Tararua Alliance, but would in effect apply Procurement manual, section 10.11 Direct appointment where competition will not help obtain best value for money.

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WAKA KOTAHI NZ TRANSPORT AGENCY

Our endorsement of the Procurement Strategy is therefore subject to the following conditions:

 Tararua District Council noting that prior written approval is required from Waka Kotahi to vary the Rules outlined in the Procurement Manual, including the use of a term service contract for a term greater than five years and the use of procurement procedure advanced components including shared risk delivery models (e.g. Alliance contracts).

The Waka Kotahi Procurement Manual requires approved organisations to review their Procurement Strategy at a minimum once every three years and ensure that they always remain fit for purpose. The Procurement Strategy's endorsement will expire on the 31 March 2023 and you are encouraged to seek endorsement of a new or revised Procurement Strategy in advance of this date.

If you would like to discuss this matter further, please do not hesitate to contact Philip Walker, Approved Organisations Senior Procurement Advisor, directly on 021 633986.

Yours sincerely

pm

Tara Macmillan Senior Manager Procurement

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APPENDIX D

Contracts Audited

No Contracts were audited as Tararua District Council has a current agreement in place with Tararua Alliance to be the supplier for its contract for road maintenance, operations, and renewals.

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Report

Date	:	23 December 2022
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Angela Rule Policy and Planning Advisor
Subject	:	Policy Development Framework
Item No	:	4.2

1. Recommendation

1.1 That the report from the Policy and Planning Advisor dated 21 December 2022 concerning the Policy Development Framework (PDF) be received.

2. Reason for the Report

2.1 To inform elected members of the process developed for writing new, and reviewing, internal policies.

3. Background

- 3.1 The role of Policy and Planning Advisor is new to Tararua District Council (TDC). (February 2022).
- 3.2 Our Policy Development Framework (PDF) is based on The Policy Project at the Department of Prime Minister and Cabinet which draws on information from the UK government, OECD, European Commission, World Bank, University College UK, Dept PM and Cabinet Australia.

Other sources of information referenced to adapt the above to local government and TDC specifically:

- Auckland Council
- Far North District Council
- Central Hawkes Bay District Council
- Palmerston North City Council

Third tier leaders across Council have been involved in discussions during development of the framework because they will often be subject matter experts who will manage a policy development project and write policies.

- 3.3 The PDF compliments and integrates our Risk Management Framework and our Project Management Framework. The benefits of these three frameworks are the same:
 - Clearly defined outcomes/benefits.
 - Cost, time, scope accuracy and containment.
 - Clear communication and stakeholder management.
 - Quality control.
 - Accurate estimation of impact on Council resources.

4. Progress To Date

- 4.1 Formally "Initiating" a new, or review of, policies has been very well received by those involved. The key to Initiation is the multidisciplinary team bringing a range of specialist and institutional knowledge to the table.
- 4.2 The user guidelines and templates have been adjusted over time to be as simple and practical as possible without losing important information or steps.
- 4.3 The Risk and Assurance Advisor has begun using Promapp to improve staff access to training about policies and to enable monitoring of completion rates.
- 4.4 A policy work schedule with updates is provided to the Strategy, Growth and Planning Committee and risk policies presented for feedback to the Audit and Risk Committee.

5. Significance Assessment

5.1 Not applicable in terms of Council's Significance and Engagement Policy, however this process is a risk mitigation tool. See 3.3, above.

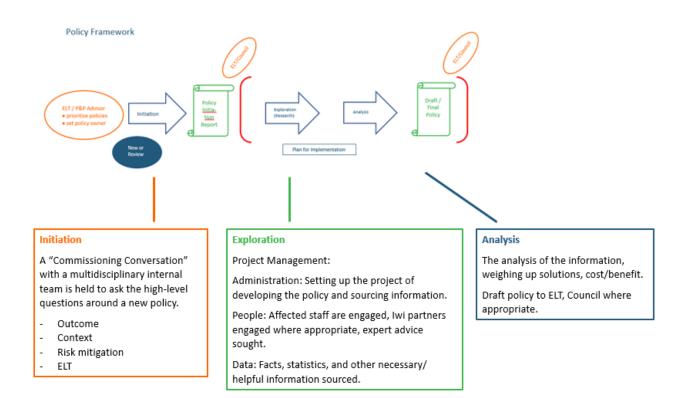
6. Next Steps

- 6.1 Better at implementation. Identifying a Policy Owner who will oversee:
 - internal comms
 - guidelines
 - monitoring
- 6.3 Staff education through Pānui and posters about all of Council's policies.

6.4 Getting better at monitoring the value/intent/outcomes of policies?

7. Conclusion

7.1 This is another process here at Council that will be under continuous improvement, along with the skills of the incumbent.



Attachments

Nil.



Report

Date	:	17 January 2023
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Angela Rule Policy and Planning Advisor
Subject	:	ICT Acceptable Use Policy
Item No	:	4.3

1. Recommendation

- 1.1 That the report from the Policy and Planning Advisor dated 21 December 2022 concerning the ICT Acceptable Use Policy be received.
- 1.2 That the Audit and Risk Committee provide feedback on the ICT Acceptable Use Policy.

2. Reason for the Report

- 2.1 To notify the committee of the reviewed policy.
- 2.2 Feedback is welcomed as this policy has not been workshopped with any committee. See 3.2.

3. Background

3.1 In July 2022 Manager Information Services, initiated the review of this policy with the Risk and Assurance Advisor, the Records and Information Manager, and the District Librarian, facilitated by the Policy and Planning Advisor.

The existing policy was 9 years old.

3.2 This policy has been through the policy development framework process. Because this was a review and relatively straight forward it is being presented to the Audit and Risk Committee as a final document.

Normally a draft policy would be presented to the appropriate committee for discussion.

4. Purpose of Policy

4.1 The purpose of this policy is to ensure all computer systems (software, hardware, and networks, owned or managed by Council) are operated in an effective, safe, and lawful manner by all users (employees, contractors, consultants, elected members, and authorised third parties).

5. Risks Addressed

- \circ $\;$ Data and information loss.
- Cyber attack.

6. Implementation

- 6.1 Staff have been made aware of this reviewed policy and are required to sign that they have read it (upon engagement with the organisation, which assumes all subsequent versions will be adhered to).
- 6.2 Our induction programme introduces new employees to all employee policies.
- 6.3 This policy has an annual review cycle.

Attachments

1. ICT Acceptable Use Policy



ICT Acceptable Use Policy



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1 Purpose

The purpose of this policy is to ensure that all computer systems (software, hardware, and networks) owned or managed by Tararua District Council (Council) are operated in an effective, safe, and lawful manner. This protects the user, Council, and our data and information.

It is the responsibility of every person that uses Council systems to understand this policy and to comply with it.

2 Definitions

Authentication The process of gaining access to computer systems by confirming that someone is who they purport to be. This may include using passwords, PINs, facial identification, single sign on, or two-factor authentication.

Authorisation Approval from the Chief Executive, or a delegated manager, in order to do anything outside of this policy.

Credentials Typically, username and password combination, may also be digital signature, pin, or digital key.

Council Systems This includes any data, information, database, software, device, or technology managed or provided by Council.

3 Scope

This policy applies to:

- All users including employees, contractors, consultants, elected members, and authorised third parties.
- All Council systems used to create and manage data, information, and records.

4 Implementation / Administration

No-one may access any Council systems until the "Code of Conduct" and this "ICT Acceptable Use Policy" have been signed.

Each topic below is broken down into what users must/should do, must not do, or must be aware of.

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4.1 General

4.1.1 Users must:

- 1. Notify Information Services of any situation that could lead to a disruption of normal business system activities.
- 2. Report the loss of any Council equipment to Information Services as soon as possible.
- 3. Involve Information Services and Information Management in the scoping phase of all new information related projects, or new software or service investigations.
- Contact Information Services by email (<u>IS.Requests@Tararuadc.govt.nz</u>) unless the issue is urgent, in which case IT and Desktop Support may be contacted by phone.
- 5. Use Council systems for business purposes only. Some personal use is permitted of Council's systems, but it must be lawful, reasonable, low cost, and not impact on staff productivity or system performance.
- 6. Endeavour to protect any devices that hold data or information from loss, malware, and disclosure of information.
- 7. Not copy or remove official data or digital information from Council approved storage systems without appropriate authorisation (e.g., using email, USB drives, or other removable media).
- 8. Treat communication using email and messaging systems in the same manner, and with the same standards, as other official business communication as described in the Local Government Official Information and Meetings Act 1987.
- 9. Where practical, shut down computers and laptops completely at the end of every day to allow any updates to be installed and to receive a refreshed operating system upon login.
- 10. Return all Council issued equipment and systems at the end of their employment or contract, unless agreed in writing otherwise.

4.1.2 Users must not:

- 1. Carry out any activity that could adversely impact any of Council's systems.
- 2. Use any of Council's systems to engage in any activity which causes, or could be construed as causing, any form of harassment, discrimination or victimisation of another person, or is illegal or <u>objectionable</u>, or could bring Council into disrepute.
- 3. Connect any unauthorised devices to Council's internal computer systems or networks.
- 4. Alter, or add to, any Council system without appropriate authorisation. The only exception to this is the installation of apps on mobile phones and tablets see statement 4.3.3.1.

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5. Lend any Council systems to anyone external to Council including friends and family, except in the case of an emergency.

4.1.3 Users must be aware that:

- 1. Council has the right to conduct inspections of any equipment supplied to users without prior notice to the user or custodian. In the case of mobile devices, this includes the right to request a full history and the content of any communications, in any format, to or from the device, directly from the telecommunications provider.
- Council monitors, and may choose to audit, the use of any of its systems. This includes both personal and business use. Usage reports may be requested by a manager at any time. To be clear, this includes business systems, mobile devices, internet, and remote access.
- 3. Any misuse of Council's systems may be subject to disciplinary action.

4.2 Authentication

4.2.1 Users should:

1. Use different authentication credentials (sign-in/log-in passwords) for work purposes, to the ones used for personal purposes.

4.2.2 Users must not:

- 1. Access any of Council's systems until they have been successfully authenticated to the system.
- 2. Disclose or share authentication credentials with anyone.
- 3. Allow anyone to perform any activity with their authentication credentials and must not perform any activity with authentication credentials belonging to anyone else.
- 4. Use group or generic authentication credentials unless appropriately authorised.
- 5. Write authentication details down and leave them in a location where it may be found by someone else.
- 6. Access Council's systems using personal equipment unless it is through the remote access Citrix solution and two factor authentication is used. The only exception to this is that personal devices may be used to assist with two factor authentication access to Council Systems.

4.2.3 Users must be aware that:

1. They are responsible for all activity performed with their authentication credentials.

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4.3 Mobile Devices

4.3.1 Users must:

- 1. Use "known" Wi-Fi networks, not "unknown" when connecting to external Wi-Fi networks.
- Obtain authorisation for overseas roaming, whether for business or personal, using any Council device. Information Services may be contacted for more information.
- 3. Return any mobile device to Information Services, upon request, for any maintenance and updates.

4.3.2 Users must not:

- 1. Use a mobile device, supplied by Council, in connection with any personal commercial business activities.
- 2. Publish their work mobile number in any publication, or business card, that is not related to the Council's business, without appropriate authorisation.

4.3.3 Users must be aware that:

- 1. They may install personal apps on Council mobile phones and tablets as long as these are used moderately and add no risk to the Council's systems. Installed apps are monitored centrally and may be blocked if considered a risk.
- 2. Certain cell phone numbers are assigned for a specific role in the organisation. These numbers may not be taken by a user as a personal phone number when they leave the organisation.

4.4 Security

4.4.1 Users must:

- 1. Report any suspicious email or digital activity to Information Services through, Phriendly Phishing in Outlook, or an IS Request.
- 2. Lock their device, when practical, if they leave it unattended (Win+L for PCs and laptops).

4.4.2 Users Must Not

- 1. Open files or click on links in attachments, email, or social media if the source is unknown, suspicious, or untrustworthy.
- 2. Password protect individual documents or files unless the password is made available to another employee, or a record is maintained in a secure manner.

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4.5 Internet Use

4.5.1 Users must not

- 1. Carry out any mining of cryptocurrency on Council systems.
- 2. Publish official Council information on any public facing internet site without authorisation. This does not preclude professional business conversations in online user groups or listservs.
- 3. Deliberately misrepresent themselves when conducting Council's business.

5 Related Internal Policies, Processes and Documents

Code of Conduct Disciplinary Policy Fraud, Corruption and Dishonesty Policy Information Management Policy

6 Review

This policy may be reviewed from time to time by Council at its sole discretion with a minimum review frequency of two yearly. This policy remains valid and in force irrespective of whether the review date has passed. Council will notify users of any changes made and may, at its sole discretion, consult users prior to making changes.

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User Acceptance

I have read and understood, and will abide by, this Tararua District Council ICT Acceptable Use Policy.

Signature: _____ Date: _____

Name of User: ______

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Report

Date	:	17 January 2023
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Angela Rule Policy and Planning Advisor
Subject	:	Privacy Policy
Item No	:	4.4

1. Recommendation

- 1.1 That the report from the Policy and Planning Advisor dated 21 December 2022 concerning the Privacy Policy be received.
- 1.2 That the Audit and Risk Committee provide feedback on the Privacy Policy.

2. Reason for the Report

2.1 To provide information about the draft policy.

3. Background

3.1 Council has not previously had a privacy policy.

Development of this policy has involved Information Services staff, the District Librarian, Records and Information Manager, Manager Democracy Services, Risk and Assurance Advisor, GM-People and Capability, Legal Counsel.

4. Purpose of Policy

4.1 The purpose of this policy is to ensure that employees, contractors, consultants, secondees, volunteers, and elected members of Tararua District Council ("Council") are aware of their obligations and how to comply with the Privacy Act 2020 and the Local Government Official Information Act.

4.2 Exclusions:

- Non-personal Council business information is covered in the Information Management Policy and the Security Policy (to be developed).
- Use of equipment is covered in the ICT Acceptable Use Policy.
- Commercially sensitive information to be covered in the Security Policy.
- 4.3 This policy has a 3 yearly review cycle.

5. Risks Addressed

Unlawful or inappropriate collection, use, distribution, or disposal of personal information.

6. Implementation

- 6.1 After this meeting this policy will be notified to employees in the Pānui (Staff newsletter).
- 6.2 Our induction programme introduces new employees to all employee policies.
- 6.3 The Democracy Services Manager is the Privacy Officer.
- 6.4 The Privacy Officer, Risk and Assurance Advisor and the Policy and Planning Advisor will convene to develop an implementation plan including monitoring.

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1. Privacy Policy



Privacy Policy



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1 Purpose

The purpose of this policy is to ensure that employees, contractors, consultants, secondees, volunteers, and elected members of Tararua District Council ("Council") are aware of their obligations and how to comply with the Privacy Act 2020 ("the Act").

2 Context

The Act requires Council to manage information it holds relating to individuals in accordance with the principles of the Act. It requires Council to have policies and processes in place for the management of personal information and for any detected breach.

3 Scope

This policy applies to all employees, contractors, consultants, secondees, volunteers, and elected members that have any contact with personal information in the course of their work for Council.

4 Definitions

Council	Tararua District Council
IPP	Information Privacy Principle
Personal	Information that portrays the identification of a person. This includes but is
information	not limited to name, address, phone number, date of birth, gender, financial
	details, purchase records

5 Related Legislation, Internal Policies, Processes and Documents

- Local Government Official Information and Meetings Act 1987
- Council Code of Conduct
- Council ICT Acceptable Use Policy
- Council Information Management Policy
- Council Retention and Disposal Schedule

6 Policy Statements

6.1 Purpose for collection of personal information (IPP1)

We will only collect as much personal information as we require to provide our services and no more.

6.2 Source of personal information (IPP2)

Personal information should be collected directly from the person it is about.

It can be collected from other people in the following situations:

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- if the person concerned authorises collection from someone else;
- if collecting information from the person directly is not practicable or would undermine the purpose of collection;
- If the person is under 16 and it is deemed appropriate to collect the data from the child's parents or caregivers, and we can confirm their identity and relationship;
- if the information is collected from a publicly available source.

6.3 What to tell the individual we are collecting information about (IPP3)

We must take reasonable steps to make sure that the person knows:

- why the information is being collected;
- who will receive it;
- whether giving it is compulsory or voluntary;
- what will happen if the information is not provided.

We will ensure that we have a suitable privacy statement on our website, any forms that we use to collect personal information, and any documentation relating to the use of information obtained from the deployment of CCTV cameras.

We will ensure that confidentiality and/or non-disclosure statements are included in any relevant contract templates.

6.4 Manner of collection (IPP4)

Personal information must be collected in a way that is lawful and seen as fair and reasonable in the circumstances.

6.5 Storage and security of information (IPP5)

We must ensure there are safeguards in place that are reasonable in the circumstances to prevent loss, misuse or inappropriate disclosure of personal information.

6.6 Access to personal information (IPP6)

We will provide access to the personal information we hold about someone if the person in question asks to see it.

6.7 Correction of personal information (IPP7)

We will allow a person to correct information about themselves if they think it is wrong. If we do not agree that the information needs correcting, we will attach a statement of correction to our records.

The above correction process does not include information held within the rates module. Any changes to rating information much be compliant with the Local Government (Rating) Act 2002.

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6.8 Accuracy of personal information (IPP8)

Before using, or disclosing, personal information we will check that it is accurate, up to date, complete, relevant and not misleading.

6.9 Retention of personal information (IPP9)

We will not keep personal information for longer than it is required for the purpose it was collected. Disposal will be implemented in compliance with the approved Council Retention and Disposal Schedule.

6.10 Use of personal information (IPP10)

We will only use personal information for the purpose it was collected, unless the use is directly related to the original purpose, or if the person in question gives their permission for their information to be used in a different way.

6.11 Disclosure of personal information (IPP11)

We will only disclose personal information if:

- disclosure is one of the purposes for which we collected the information;
- the person concerned authorises the disclosure;
- the information is to be used in a way that does not identify the person concerned;
- disclosure is necessary to avoid endangering someone's health or safety;
- disclosure is necessary to uphold or enforce the law.

6.12 Disclosure outside New Zealand (IPP12)

We will only disclose personal information to another organisation outside New Zealand if IPP11 is met and the receiving organisation:

- is subject to the Act because they do business in New Zealand;
- will adequately protect the information, e.g. by using model contract clauses; or
- is subject to privacy laws that provide comparable safeguards to the Act.

If none of the above protections apply in respect of the receiving organisation, the permission of the person concerned is required, and they must be informed that their information may not be given the same protection as provided by New Zealand's Privacy legislation.

6.13 Unique identifiers (IPP13)

We will only assign a unique identifier to someone when it is necessary to carry out our business.

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6.14 Notification of Privacy Breach

A privacy breach occurs when an organisation or individual either intentionally or accidentally:

- Provides unauthorised or accidental access to someone's personal information;
- Discloses, alters, loses, or destroys someone's personal information.

A privacy breach also occurs when someone is unable to access their personal information due to, for example, their account being hacked.

If we become aware of a privacy breach, the Privacy Officer will notify the Privacy Commissioner and any affected people as soon as possible. Breaches can be notified at the following page on the Privacy Commission web site <u>Report privacy breaches</u>.

6.15 Training

We will ensure that all new staff receive adequate training in privacy.

7 Roles and Responsibilities

Chief Executive is responsible for this privacy policy and the establishment and support of a privacy culture at Council.

Executive Leadership Team provides strategic direction to ensure Council provides a work environment where privacy is respected and managed well.

Privacy Officer ensures that we comply with the Act, deals with any privacy concerns in relation to any official information requests, and works with the Privacy Commissioner during any investigation of complaints.

People and Capability Group, Records and Information Management Team, and the Information Services Team provide operational oversight of privacy practices, policy and guidance across Council.

People leaders ensure their team members handle personal information in a way that complies with the Act and Council's policies, including this policy.

Employees and **contractors** ensure they deal with personal information in a way that complies with the Act.

8 Review

This policy may be reviewed from time to time by Council at its sole discretion with a minimum review frequency of two yearly. This policy remains valid and in force irrespective of whether the review date has passed. Council will notify users of any changes made and may, at its sole discretion, consult users prior to making changes.

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Report

Date	:	17 January 2023
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Angela Rule Policy and Planning Advisor
Subject	:	Fraud and Corruption Policy
Item No	:	4.5

1. Recommendation

1.1 That the report from the Policy and Planning Advisor dated 23 December 2022 concerning the Fraud and Corruption Policy be received.

2. Reason for the Report

2.1 To notify the committee of the finalised policy

3. Background

- 3.1 A review was initiated because Fraud & Corruption and Protected Disclosures were removed from the Conflicts of Interest Policy (reviewed earlier this year).
- 3.2 The Risk and Assurance Advisor, GM-Corporate, GM-People and Capability, Manager Strategy and Climate Change have been involved in the development of this policy.
- 3.3 The process for reporting fraudulent or corrupt behaviour is the same as in the Protected Disclosures Policy. Hence these two policies will be released to staff at the same time.
- 3.4 Examples and guidelines from the Ministry of Justice and the Office of the Auditor General were researched.
- 3.5 The draft policy was workshopped with the Audit and Risk Committee in September 2022.

4. Purpose of Policy

4.1 The purpose of this policy is to provide pathways for prevention, detection and response to fraud and corruption at Tararua District Council (Council).

5. Risks Addressed

- 5.1 This policy applies to all former and current employees, contractors, consultants, secondees, and volunteers of Council. It is strongly related to the Protected Disclosures, Conflicts of Interest and Disciplinary policies which should be read in conjunction with this one.
- 5.2 This policy applies to any suspected, alleged, or proven instances of theft, fraud and corruption that are committed against Council or a person (legal or natural) or that appear to have been committed by a Council employee or representative.

6. Implementation

6.1 An implementation plan for this, and the Protected Disclosures Policy, will be developed, and will include information in the pānui regularly, policies uploaded to intranet, release of posters and monitoring/measuring success.

Attachments

1 \underline{U} . Fraud and Corruption Policy



Fraud & Corruption Policy

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1 Purpose

The purpose of this policy is to provide pathways for prevention, detection and response to fraud and corruption at Tararua District Council (Council).

2 Scope

This policy applies to all former and current employees, contractors, consultants, secondees, and volunteers of Council. It is strongly related to the Protected Disclosures, Conflicts of Interest and Disciplinary policies which should be read in conjunction with this one.

This policy applies to any suspected, alleged, or proven instances of theft, fraud and corruption that are committed against Council or a person (legal or natural) or that appear to have been committed by a Council employee or representative.

3 Objectives

Prevention

- Zero tolerance to any dishonest behaviour.
- Council will continually improve risk management assessment and processes around dishonest behaviours.
- Education of relevant parties about the problem of and recognising dishonest behaviour.

Detection

• Education about how to identify and report it.

Responding

• A process for reporting and responding to dishonest behaviour including escalating to appropriate authorities.

4 Background

Council's previous Fraud, Dishonesty and Corruption Policy contained sections about conflicts of interest and protected disclosures. These topics are now covered in separate and individual policies.

Please note the below example of the difference between fraudulent/corrupt behaviour and a privacy breach.

Using Council systems to access private information for self-interest is a Code of Conduct/Privacy Policy breach.

Using Council systems to access private information and provide that information to another person or employ that information for illegitimate use including unfair, unjustified, or unlawful gain, is behaviour captured by this policy.

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5 Implementation/Administration

The process for reporting fraudulent or corrupt behaviour is the same as in the Protected Disclosures Policy.

A person reporting suspected or identifiable fraudulent or corrupt behaviour may report under the Protected Disclosures Act.

5.1 Prevention

5.1.1 Structural

Council supports an ethical culture, a senior management commitment to prevention, detection and response to serious misconduct, periodic assessments of fraud and corruption risks, management and staff awareness, fraud and corruption control planning.

5.1.2 Operational

Council currently has or will develop the following controls - internal controls, fraud detection programmes, mechanisms for reporting suspicions of fraud or corruption, dealing with detected or suspected fraud or corruption, line management accountability for the control of fraud and corruption risk, internal audit strategy, protected disclosures policy, allocation of resources to control fraud and corruption risks, insurance, and pre-employment screening.

5.1.3 Maintenance

Council will review the effectiveness of the fraud and corruption control strategies and adjust where necessary, and continually monitor the ethical culture of the organisation.

5.2 Detection

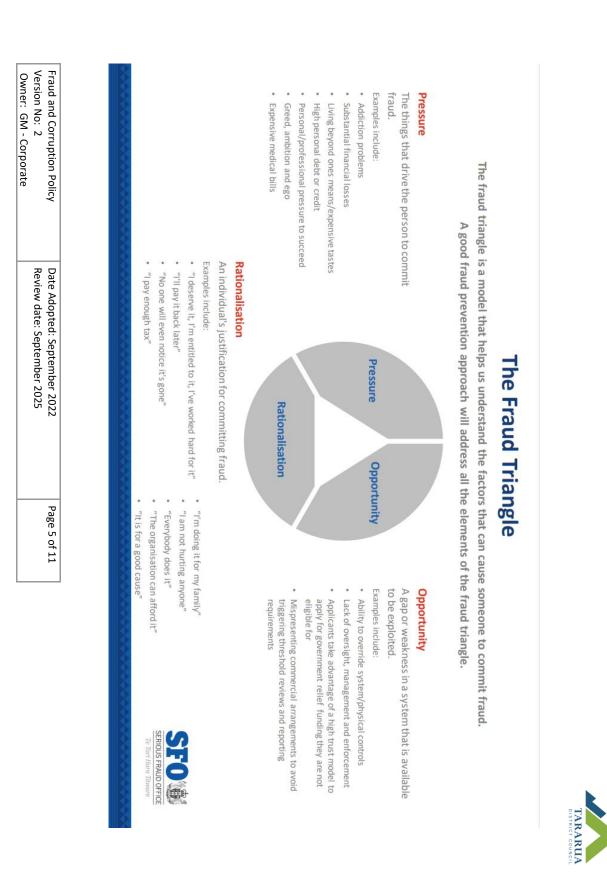
Council will provide information to employees about what to look out for.

The Serious Fraud Office has developed The Fraud Triangle, a framework that helps us understand why someone may participate in fraudulent or corrupt activities, and The Seven Personas explains the personality features of people most likely to carry out fraudulent or corrupt activities. See next page and Appendix 1.

Click here to learn more from the Serious Fraud Office. (You may need to create a login.)



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Refer to Council's Protected Disclosures Policy for the process to report fraudulent or corrupt behaviour.

The person reporting this sort of wrongdoing will be afforded the same level of confidentiality and treatment as per the Protected Disclosures Policy.

Refer to the Disciplinary Policy for reporting less serious misconduct.

5.3 Response

Council will follow the same procedure as for a protected disclosure. Please refer to that policy.

Council will follow the investigation process in the Disciplinary Policy.

5.3.1 Recovery Actions

Council will make every reasonable effort to fully recover losses from those who have realised a gain through fraud or corrupt actions. This includes, but is not limited to, recovery of intellectual property, physical assets, money, incurred third party expenses and investigation costs.

5.3.2 Fraud Register

The Risk and Assurance Advisor will compile and maintain a fraud register.

This register will contain information on all suspected fraud notifications and how these were managed. It will record how the notification was resolved, the outcome by way of any financial loss and details of amounts recovered, and if any changes are required to existing management policies, procedures, or systems.

The register will not contain any employee information of a private nature. Access to the register will be restricted to the Executive Leadership Team and the Risk and Assurance Advisor.

All information in the register will be removed after a period of two years unless management action in respect of a recorded item remains incomplete.

The following information will be recorded in the register:

- Parties involved.
- Nature of the event.
- Amounts involved (if any) and/or losses recovered.
- Investigation details.
- Recommendations and outcome.
- Control environment issues/weaknesses.
- Control improvements made (if any).

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5.4 Gifts or Gratuities

Persons covered by this policy may not abuse their official position for private purposes or solicit or accept gifts, rewards, or benefits which might compromise, or be seen to compromise, their integrity.

The line between token gifts of appreciation and those which might compromise the recipient is often not easily defined. However, as a general rule, a line will be drawn where a gift (whatever its nature or value) could be seen by others as either an inducement or a reward which might place the person under an obligation to a third party.

Where such offers are made, they should be reported to an appropriate manager, who will determine the appropriate response, or final disposal of any gift already received.

Any gift received is recorded in a gift register. This will record the date, giver, receiver, gift, occasion of gift, estimated value, and the purpose who which they were put.

Role	Responsibility
Audit and Risk Committee	Assessing the adequacy of this policy and controls.
Chief Executive (CE)	Overall responsibility and accountability for preventing fraud and corruption.
	Primary responsibility for the investigation of all suspected fraud and corruption (unless s/he is committing the wrongdoing).
Group Managers	May instigate an investigation into suspected fraud or corruption.
Risk and Assurance Advisor	Reviewing the Fraud and Corruption Policy on a regular basis and promoting the prevention and detection of fraud and corruption in Council. Maintaining the fraud register.
	Updating the Audit and Risk Committee as appropriate.
GM – People and Capability	Providing appropriate guidance to an investigation to ensure employees are fairly treated, and that the requirements of Council's disciplinary process are followed correctly. Overseeing employee education and training.
Managers and Team Leaders	Fostering effective fraud risk management, internal control processes, training, and awareness of fraud and corruption within their areas of responsibility.
All Employees	Adhering to and complying with this policy, including assisting with the prevention and detection of fraud and corruption, and immediately reporting any instances of suspected fraud or corruption as per the Protected Disclosures Guidelines).

6 Roles and Responsibilities

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7 Related Internal Policies, Processes and Documents

Protected Disclosures Policy Code of Conduct Conflicts of Interest Policy Delegations Policy Disciplinary Policy Sensitive Expenditure Policy Procurement Policy Risk Management Policy and Framework

8 References

The Crimes Act 1961 Secret Commissions Act 1910 Protected Disclosures (Protection of Whistleblowers) Act 2022 Local Government Act 2002 Privacy Act 2020

For further information: Counter Fraud Centre Portal - Serious Fraud Office, New Zealand (sfo.govt.nz)

9 Definitions

Corruption can be defined as behaviour on the part of officials in the public or private sector in which they improperly and unlawfully enrich themselves or those close to them, or induce others to do so, by misusing the position they hold in an organisation.

Corrupt behaviour may include, but is not limited to:

- Improper use of the knowledge, power, or the resources of a position for personal gain, unwarranted benefits, privileges, or the advantage of others.
- Payment, receipt or solicitation of bribes, inducements, or secret commissions (kickbacks).
- Manipulation or circumvention of Council's tendering and procurement processes.
- Undisclosed material conflicts of interest.
- Undisclosed giving or receiving of gifts.
- Disclosure of private, confidential, or proprietary information to outside parties without implied or expressed consent.

Errors are unintentional misstatements of information including an unintentional omission or disclosure.

Fraud is the deliberate practice of deception in order to receive unfair, unjustified or unlawful gain.

Examples of fraud include, but are not limited to:

- Forgery or alteration of any financial instrument.
- Unauthorised possession, use or misappropriation of Council funds or assets.
- Deliberate mishandling or misreporting of money or financial transactions.

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- Destruction, removal, alteration, or inappropriate use of Council records for unfair, unjustified, or unlawful gain.
- Knowingly providing false, incomplete or misleading information to Council for unfair, unjustified, or unlawful gain.
- Knowingly submitting a false timesheet or personal expense claim, including false travel requests.
- Knowingly issuing false or deliberately misleading purchase orders.

Serious Wrongdoing (from the Protected Disclosures (Protection of Whistleblowers) Act 2022

In this Act, serious wrongdoing includes any act, omission, or course of conduct in (or by) any organisation that is 1 or more of the following:

- a) an offence:
- b) a serious risk to—
 - public health; or
 - public safety; or
 - the health or safety of any individual; or
 - the environment:
- c) a serious risk to the maintenance of law, including-
 - the prevention, investigation, and detection of offences; or
 - the right to a fair trial:
- d) an unlawful, a corrupt, or an irregular use of public funds or public resources:
- e) oppressive, unlawfully discriminatory, or grossly negligent, or that is gross mismanagement, and is done (or is an omission) by—
 - an employee (if the organisation is a public sector organisation):
 - a person performing (or purporting to perform) a function or duty or exercising (or purporting to exercise) a power on behalf of a public sector organisation or the Government.

10 Review

This policy will be reviewed 3 yearly or earlier where any internal risk management processes, related policies or legislation affect content. This policy remains valid and in force irrespective of whether the review date has passed.

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11 Appendix One

See the video on the Serious Fraud Office's website about Fraudster Personas <u>here</u>. (If you don't already have a login, please create one so you can watch the video and access all their other information.)

7 fraud personas

The Fabricator

The Fabricator invents or produces documents that are false to dishonestly gain a benefit for themselves or another person.

The Corruptor

The Corruptor abuses their position of entrusted power to gain a benefit for themselves or another person.

The Deceiver

The Deceiver makes others believe something that is not true to dishonestly gain a benefit for themselves or another person.

The Organised

The Organised are a group or people who use a combination of sophisticated methods, in a planned and coordinated way, to dishonestly gain a benefit for themselves.

The Enabler

The Enabler knowingly or complacently enables fraudulent activity to dishonestly gain a benefit for themselves or another person.

Magazina The Impersonator

The Impersonator pretends they are another person or entity to dishonestly gain a benefit for themselves or another person.

The Exploiter

The Exploiter uses something for a wrongful purpose to dishonestly gain a benefit for themselves or another person.

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Report

Date	:	17 January 2023
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Angela Rule Policy and Planning Advisor
Subject	:	Protected Disclosures Policy
Item No	:	4.6

1. Recommendation

- 1.1 That the report from the Policy and Planning Advisor dated 23 December 2022 concerning the Protected Disclosures Policy be received.
- 1.2 That the Audit and Risk Committee provide feedback on the Protected Disclosures Policy.

2. Reason for the Report

2.1 To notify the committee of the reviewed policy.

3. Background

- 3.1 An update to legislation prompted review.
- 3.2 Review initiated by GM-People and Capability, Risk and Assurance Advisor, Legal Counsel and Policy and Planning Advisor.
- 3.3 Guidance from the Ombudsman used.

4. Purpose of Policy

4.1 The purpose of this Policy is to describe Council's responsibilities based on the Protected Disclosures (Protection of Whistleblowers) Act 2022 ("PD (PofW) 2022 Act" or "the Act") and it supersedes the Protected Disclosures Policy of August 2021. 4.2 This policy applies to all current and past Council employees, elected members, secondees, contractors, and volunteers of Council, at all work sites and events, whether they are a discloser or receiver of a protected disclosure.

5. Risks Addressed

Make employees, elected members, secondees, contractors, management, and volunteers of Council aware of:

- the Act.
- Council's procedure for disclosing serious wrongdoing under the Act.
- Council's support of the discloser.
- Council's intolerance of any form of wrongdoing
- Council's encouragement to report wrongdoing.

6. Implementation

- 6.1 This policy will be released to staff alongside the Fraud and Corruption policy as the guidelines for staff are the same for both policies.
- 6.2 A multidisciplinary team will work on an implementation plan that will include regular information and training. Some measures are prescribed in the Act.

Attachments

- 1. Protected Disclosures Policy Guidelines
- 2. Protected Disclosures Policy



Protected Disclosures Policy



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1 Purpose

Tararua District Council (Council) promotes integrity, accountability, and ethical operating practices. Council has zero tolerance of any dishonest behaviour and supports the reporting of wrongdoing.

The purpose of this Policy is to describe Council's responsibilities based on the Protected Disclosures (Protection of Whistleblowers) Act 2022 ("PD (PofW) 2022 Act" or "the Act") and it supersedes the Protected Disclosures Policy of August 2021.

The purpose of the Act is to promote the public interest:

- by facilitating the disclosure and timely investigation of serious wrongdoing in or by an organisation; and
- by protecting the people who disclose in accordance with this Act.

2 Background

Protections accorded to the discloser by the PD (PofW) Act 2022 apply to disclosures made after the commencement of this act (1 July 2022) whether the wrongdoing occurred before or after then.

If substantially the same disclosure was also made under the Protected Disclosures Act 2000, sections 11 to 15 in the PD (PofW) Act 2022 apply with all the necessary modifications.

Protections provided to the discloser by the Protected Disclosures Act 2000 continue to apply to a disclosure made under that Act before the commencement of the PD (PofW) Act 2022.

Not all wrongdoing needs to be dealt with under this Act or the procedures for this policy. Also refer to Council's other policies, listed at the end of this document.

3 Scope

This policy applies to all current and past Council employees, elected members, secondees, contractors, and volunteers of Council, at all work sites and events, whether they are a discloser or receiver of a protected disclosure.

4 Objectives

Make employees, elected members, secondees, contractors, management, and volunteers of Council aware of:

- the Act.
- Council's procedure for disclosing serious wrongdoing under the Act.
- Council's support of the discloser.
- Council's intolerance of any form of wrongdoing
- Council's encouragement to report wrongdoing.

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5 Implementation

5.1 Protections under the Act

Protections under the Act are given to the discloser, and anyone providing supporting information about a disclosure, when it is made about their organisation/workplace to their organisation in accordance with any internal procedures, or to an appropriate authority, at any time.

A discloser is protected if the discloser:

- Believes on reasonable grounds that there is, or has been, serious wrongdoing in or by the discloser's organisation; and
- Discloses information about that in accordance with the Act; and
- Does not disclose it in bad faith.

5.1.1 Confidentiality

The receiver is obliged to keep the discloser's identity confidential. It cannot be released under the Official Information Act 1982 or the local Government Official Information and Meetings Act 1987.

There are specific circumstances, listed in the Act, that allow the release of the discloser's identity. These are where it is essential in order to conduct an investigation. This decision is not made lightly and the discloser will be told.

5.1.2 No Retaliation

A person must not treat another less favourably because of a protected disclosure. And employers must not retaliate or threaten to retaliate against a discloser who is an employee.

5.1.3 No Victimisation

No person shall be victimised by anyone because they (or a relative or associate)

- have made, or intend to make, a protected disclosure,
- have encouraged another person to make a protected disclosure, or
- has given information in support of, or relating to, a protected disclosure, or
- intends to do any of the above.

5.1.4 No Contracting Out

The Act applies despite any agreement, contract, or internal procedure.

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5.1.5 Supporting Information

Another discloser who discloses information in support of, or relating to, a protected disclosure is also entitled to protection under the Act if the discloser:

- Discloses in good faith
- Discloses as described in the guidelines for this policy.

5.2 Advising Employees

Council will publish widely and regularly information about this policy and the procedures for protected disclosures.

5.3 Anonymous Disclosure

An Ombudsman may provide information and guidance to organisations and disclosers about the circumstances in which anonymous protected disclosures may be made.

5.3.1 Right of Access

Any internal investigator who has been delegated this responsibility by the CE will be accorded free and unrestricted access to all Council records and premises, and the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities, when it is within the scope of the investigation.

6 Roles and Responsibilities

6.1 Discloser

It is important that you follow the procedure in the guidelines to this policy.

You may seek advice from the Ombudsman. <u>Contact the Ombudsman | Ombudsman New Zealand</u> info@ombudsman.parliament.nz P O Box 10152, Wellington 6143, 0800 802 602

When you are sure:

- that a serious wrongdoing has happened, and
- you are wanting to report it in good faith, and
- you want the protection of the Act

you may write to or speak with your Group Manager or the CE. If the disclosure is about the CE or the Mayor, you may write to or speak with the Chair of the Audit and Risk Committee.

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If you believe, on reasonable grounds,

- that the person you would have reported to inside Council is involved in the wrongdoing, or
- that it's not appropriate to report to the above role because of your relationship or association with the alleged wrongdoer,

you may make your report to an appropriate authority. See Definitions, below.

6.2 Receiver

It is important that you follow the procedure in the guidelines to this policy.

Advise the discloser:

- the procedure that will now be undertaken.
- what Council will do to maintain the discloser's confidentiality.
- what will happen if potentially identifying information is to be released.
- of the EAP or other service they may access for support.
- who the discloser may escalate any concerns to.

6.2.1 Receiver may decide no action is required

In this case the discloser should be advised, with reasons, why no action will be taken.

6.2.2 Receiver may refer disclosure

Council may refer the matter to an appropriate authority.

6.3 Ombudsman

The Ombudsman may give advice to a discloser, investigate a disclosure either independently or alongside a public sector organisation, may review an investigation by a public sector organisation, and may provide advice to a discloser upon request.

7 Related Internal Policies, Processes and Documents

- Code of Conduct
- IT Acceptable Use Policy
- Health and Safety Policy
- Disciplinary Policy
- Sensitive Expenditure Policy
- Fraud, Corruption and Dishonesty Policy
- Conflict of Interest Policy

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8 References

Protected Disclosures (Protection of Whistleblowers) Act 2022

Protected Disclosures (Protection of Whistleblowers) Act 2022 No 20, Public Act Contents – New Zealand Legislation

Employment Relations Act 2000

Employment Relations Act 2000 No 24 (as at 01 July 2022), Public Act Contents – New Zealand Legislation

Human Rights Act 1993 Human Rights Act 1993 No 82 (as at 10 May 2022), Public Act Contents – New Zealand Legislation

9 Definitions

Appropriate authority: includes:

- the head of any public sector organisation; and
- any officer of Parliament (not a Minister or member of Parliament); and
- (as examples) the persons or bodies listed in the second column of <u>Schedule 2</u>; and
- includes the membership body of a particular profession, trade, or calling with the power to discipline its members.

Refer to Appendix One: Schedule 2 Examples of concerns and the appropriate authorities to report to.

Refer to S30 Role of Ombudsmen in providing information and guidance. <u>Protected Disclosures</u> (Protection of Whistleblowers) Act 2022 No 20, Public Act Subpart 4—Ombudsmen's role – New Zealand Legislation

Discloser: In the PD(PoW) Act, discloser, in relation to an organisation, means an individual who is (or was formerly) –

- a) an employee;
- b) a secondee to the organisation;
- c) engaged or contracted under a contract for services to do work for the organisation;
- d) concerned in the management of the organisation (including, for example, a person who is or was a member of the board or governing body of the organisation);
- e) a volunteer working for the organisation without reward or expectation of reward for that work.

Receiver: means the receiver of a protected disclosure who is either -

- a) the organisation concerned; or
- b) an appropriate authority.

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Retaliate: means -

- a) doing any of the following:
 - (i) dismissing the employee:
 - (ii) refusing or omitting to offer or afford to the employee the same terms of employment, conditions of work, fringe benefits, or opportunities for training, promotion, and transfer as are made available to other employees of the same or substantially similar qualifications, experience, or skills employed in the same or substantially similar circumstances:
 - (iii) subjecting the employee to any detriment or disadvantage (including any detrimental or disadvantageous effect on the employee's employment, job performance, or job satisfaction) in circumstances in which other employees employed by the employer in work of that description are not or would not be subjected to such detriment or disadvantage:
 - (iv) retiring the employee, or requiring or causing the employee to retire or resign:
- b) organising to do anything described in paragraph (a).

Protected Disclosure: a disclosure of information is a protected disclosure if the discloser:

- (a) believes on reasonable grounds that there is, or has been, serious wrongdoing in or by the discloser's organisation; and
- (b) discloses information about that in accordance with this Act; and
- (c) does not disclose it in bad faith.

Serious wrongdoing: does not apply to all possible wrongdoing in your organisation. It does include any act, omission, or course of conduct in (or by) any organisation that is one or more of the following:

- a) an offence:
- b) a serious risk to-
 - (i) public health; or
 - (ii) public safety; or
 - (iii) the health or safety of any individual; or
 - (i) the environment
- c) a serious risk to the maintenance of law, including-
 - (i) the prevention, investigation, and detection of offences; or
 - (ii) the right to a fair trial:
- d) an unlawful, a corrupt, or an irregular use of public funds or public resources:
- e) oppressive, unlawfully discriminatory, or grossly negligent conduct, or gross mismanagement by—

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- (i) a public sector employee:
- (ii) a person performing a function or duty or exercising a power on behalf of a public sector organisation.

10 Review

This policy will be reviewed 3 yearly or as amendments to legislation apply.

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1 Purpose

Tararua District Council (Council) promotes integrity, accountability, and ethical operating practices. Council has zero tolerance of any dishonest behaviour and supports the reporting of wrongdoing.

The purpose of this Policy is to describe Council's responsibilities based on the Protected Disclosures (Protection of Whistleblowers) Act 2022 ("PD (PofW) 2022 Act" or "the Act") and it supersedes the Protected Disclosures Policy of August 2021.

The purpose of the Act is to promote the public interest:

- by facilitating the disclosure and timely investigation of serious wrongdoing in or by an organisation; and
- by protecting the people who disclose in accordance with this Act.

2 Background

Protections accorded to the discloser by the PD (PofW) Act 2022 apply to disclosures made after the commencement of this act (1 July 2022) whether the wrongdoing occurred before or after then.

If substantially the same disclosure was also made under the Protected Disclosures Act 2000, sections 11 to 15 in the PD (PofW) Act 2022 apply with all the necessary modifications.

Protections provided to the discloser by the Protected Disclosures Act 2000 continue to apply to a disclosure made under that Act before the commencement of the PD (PofW) Act 2022.

Not all wrongdoing needs to be dealt with under this Act or the procedures for this policy. Also refer to Council's other policies, listed at the end of this document.

3 Scope

This policy applies to all current and past Council employees, elected members, secondees, contractors, and volunteers of Council, at all work sites and events, whether they are a discloser or receiver of a protected disclosure.

4 Objectives

Make employees, elected members, secondees, contractors, management, and volunteers of Council aware of:

- the Act.
- Council's procedure for disclosing serious wrongdoing under the Act.
- Council's support of the discloser.
- Council's intolerance of any form of wrongdoing
- Council's encouragement to report wrongdoing.

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5 Implementation

5.1 Protections under the Act

Protections under the Act are given to the discloser, and anyone providing supporting information about a disclosure, when it is made about their organisation/workplace to their organisation in accordance with any internal procedures, or to an appropriate authority, at any time.

A discloser is protected if the discloser:

- Believes on reasonable grounds that there is, or has been, serious wrongdoing in or by the discloser's organisation; and
- Discloses information about that in accordance with the Act; and
- Does not disclose it in bad faith.

5.1.1 Confidentiality

The receiver is obliged to keep the discloser's identity confidential. It cannot be released under the Official Information Act 1982 or the local Government Official Information and Meetings Act 1987.

There are specific circumstances, listed in the Act, that allow the release of the discloser's identity. These are where it is essential in order to conduct an investigation. This decision is not made lightly and the discloser will be told.

5.1.2 No Retaliation

A person must not treat another less favourably because of a protected disclosure. And employers must not retaliate or threaten to retaliate against a discloser who is an employee.

5.1.3 No Victimisation

No person shall be victimised by anyone because they (or a relative or associate)

- have made, or intend to make, a protected disclosure,
- have encouraged another person to make a protected disclosure, or
- has given information in support of, or relating to, a protected disclosure, or
- intends to do any of the above.

5.1.4 No Contracting Out

The Act applies despite any agreement, contract, or internal procedure.

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5.1.5 Supporting Information

Another discloser who discloses information in support of, or relating to, a protected disclosure is also entitled to protection under the Act if the discloser:

- Discloses in good faith
- Discloses as described in the guidelines for this policy.

5.2 Advising Employees

Council will publish widely and regularly information about this policy and the procedures for protected disclosures.

5.3 Anonymous Disclosure

An Ombudsman may provide information and guidance to organisations and disclosers about the circumstances in which anonymous protected disclosures may be made.

5.3.1 Right of Access

Any internal investigator who has been delegated this responsibility by the CE will be accorded free and unrestricted access to all Council records and premises, and the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities, when it is within the scope of the investigation.

6 Roles and Responsibilities

6.1 Discloser

It is important that you follow the procedure in the guidelines to this policy.

You may seek advice from the Ombudsman. <u>Contact the Ombudsman | Ombudsman New Zealand</u> info@ombudsman.parliament.nz P O Box 10152, Wellington 6143, 0800 802 602

When you are sure:

- that a serious wrongdoing has happened, and
- you are wanting to report it in good faith, and
- you want the protection of the Act

you may write to or speak with your Group Manager or the CE. If the disclosure is about the CE or the Mayor, you may write to or speak with the Chair of the Audit and Risk Committee.

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If you believe, on reasonable grounds,

- that the person you would have reported to inside Council is involved in the wrongdoing, or
- that it's not appropriate to report to the above role because of your relationship or association with the alleged wrongdoer,

you may make your report to an appropriate authority. See Definitions, below.

6.2 Receiver

It is important that you follow the procedure in the guidelines to this policy.

Advise the discloser:

- the procedure that will now be undertaken.
- what Council will do to maintain the discloser's confidentiality.
- what will happen if potentially identifying information is to be released.
- of the EAP or other service they may access for support.
- who the discloser may escalate any concerns to.

6.2.1 Receiver may decide no action is required

In this case the discloser should be advised, with reasons, why no action will be taken.

6.2.2 Receiver may refer disclosure

Council may refer the matter to an appropriate authority.

6.3 Ombudsman

The Ombudsman may give advice to a discloser, investigate a disclosure either independently or alongside a public sector organisation, may review an investigation by a public sector organisation, and may provide advice to a discloser upon request.

7 Related Internal Policies, Processes and Documents

- Code of Conduct
- IT Acceptable Use Policy
- Health and Safety Policy
- Disciplinary Policy
- Sensitive Expenditure Policy
- Fraud, Corruption and Dishonesty Policy
- Conflict of Interest Policy

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8 References

Protected Disclosures (Protection of Whistleblowers) Act 2022

Protected Disclosures (Protection of Whistleblowers) Act 2022 No 20, Public Act Contents – New Zealand Legislation

Employment Relations Act 2000

Employment Relations Act 2000 No 24 (as at 01 July 2022), Public Act Contents – New Zealand Legislation

Human Rights Act 1993 Human Rights Act 1993 No 82 (as at 10 May 2022), Public Act Contents – New Zealand Legislation

9 Definitions

Appropriate authority: includes:

- the head of any public sector organisation; and
- any officer of Parliament (not a Minister or member of Parliament); and
- (as examples) the persons or bodies listed in the second column of <u>Schedule 2</u>; and
- includes the membership body of a particular profession, trade, or calling with the power to discipline its members.

Refer to Appendix One: Schedule 2 Examples of concerns and the appropriate authorities to report to.

Refer to S30 Role of Ombudsmen in providing information and guidance. <u>Protected Disclosures</u> (Protection of Whistleblowers) Act 2022 No 20, Public Act Subpart 4—Ombudsmen's role – New Zealand Legislation

Discloser: In the PD(PoW) Act, discloser, in relation to an organisation, means an individual who is (or was formerly) –

- a) an employee;
- b) a secondee to the organisation;
- c) engaged or contracted under a contract for services to do work for the organisation;
- d) concerned in the management of the organisation (including, for example, a person who is or was a member of the board or governing body of the organisation);
- e) a volunteer working for the organisation without reward or expectation of reward for that work.

Receiver: means the receiver of a protected disclosure who is either -

- a) the organisation concerned; or
- b) an appropriate authority.

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Retaliate: means -

- a) doing any of the following:
 - (i) dismissing the employee:
 - (ii) refusing or omitting to offer or afford to the employee the same terms of employment, conditions of work, fringe benefits, or opportunities for training, promotion, and transfer as are made available to other employees of the same or substantially similar qualifications, experience, or skills employed in the same or substantially similar circumstances:
 - (iii) subjecting the employee to any detriment or disadvantage (including any detrimental or disadvantageous effect on the employee's employment, job performance, or job satisfaction) in circumstances in which other employees employed by the employer in work of that description are not or would not be subjected to such detriment or disadvantage:
 - (iv) retiring the employee, or requiring or causing the employee to retire or resign:
- b) organising to do anything described in paragraph (a).

Protected Disclosure: a disclosure of information is a protected disclosure if the discloser:

- (a) believes on reasonable grounds that there is, or has been, serious wrongdoing in or by the discloser's organisation; and
- (b) discloses information about that in accordance with this Act; and
- (c) does not disclose it in bad faith.

Serious wrongdoing: does not apply to all possible wrongdoing in your organisation. It does include any act, omission, or course of conduct in (or by) any organisation that is one or more of the following:

- a) an offence:
- b) a serious risk to-
 - (i) public health; or
 - (ii) public safety; or
 - (iii) the health or safety of any individual; or
 - (i) the environment
- c) a serious risk to the maintenance of law, including-
 - (i) the prevention, investigation, and detection of offences; or
 - (ii) the right to a fair trial:
- d) an unlawful, a corrupt, or an irregular use of public funds or public resources:
- e) oppressive, unlawfully discriminatory, or grossly negligent conduct, or gross mismanagement by—

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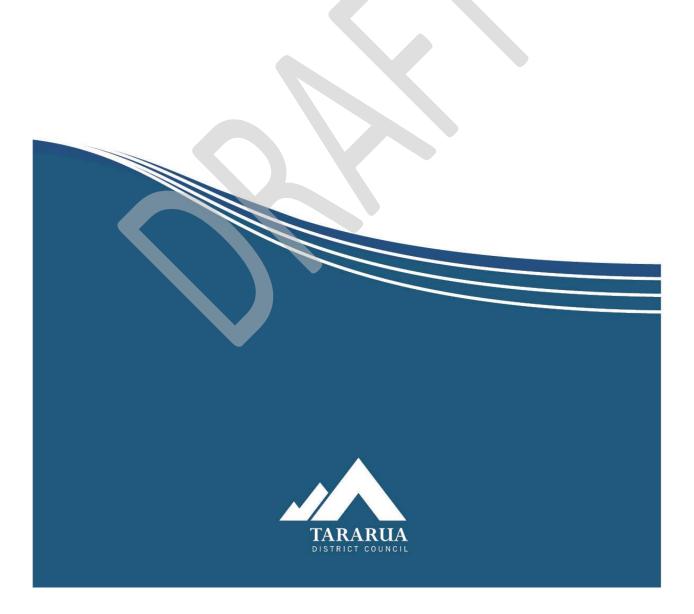


- (i) a public sector employee:
- (ii) a person performing a function or duty or exercising a power on behalf of a public sector organisation.

10 Review

This policy will be reviewed 3 yearly or as amendments to legislation apply.

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Report

Date	:	17 January 2023
То	:	Chairperson and Committee Members Audit and Risk Committee
From	:	Brent Anderson Health and Safety Advisor
Subject	:	Health and Safety
Item No	:	4.7

1. Recommendation

- 1.1 That the report from the Health and Safety Advisor dated 22 December 2022 concerning the Health and Safety be received.
- 1.2 That the Audit and Risk Committee note the following regarding the focus on health and safety matters and this update:
 - The Sitewise app is being updated and exempted contractors reviewed to reduce potential risk to council. Additional staff have been given access to the Sitewise app and training is ongoing.
 - A Wellbeing Committee has been formed and a Chair elected. The committee has already introduced new access to information and support as well as carrying out fundraising activities.
 - A lone worker policy is being formalised to capture the risks across all area's of council business and provide the tools and support necessary. Further training is being given and access to things like Gethome safe as required.
 - The Safe365 app is now available to more staff members with the ability to log on via a desktop. Setup and training is being given as required as well as being part of the council induction process to capture new staff.
 - The next Safe plus audit is now intended to go ahead in October 2023 to allow sufficient time to work through the actions from the previous audit.
 - Risk Register training is ongoing and will allow all departments to update their risk registers every year.
 - The due diligence plan will be implemented this year with site visits to start in February. Schedule will be passed on to relevant people.

2. Reason for the Report

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

3. Sitewise

3.1 The Sitewise app is used as a contractor prequalification process and has been utilised by Tararua District Council for over 18 months now and proving to be a valuable tool so long as it is utilised correctly.

- 3.2 Many contractors were initially exempted from Sitewise due to the scope of the works and/or cost of the works being carried out, but we are now reviewing all of these to ensure the council is not being exposed to any unnecessary risk as well as encouraging contractors to upskill and prove they have all the correct health and safety policies and processes in place before starting any works.
- 3.3 All staff with the ability to manage contracts at any level have been given access to Sitewise and are being given training on how to identify contractors that meet the requirements. A process already exists but will be updated to cover learnings we have identified since implementation of the system.

4. Wellbeing Committee

- 4.1 It was identified in 2022 that our wellbeing program was somewhat limited and focussed on events more than overall wellbeing of staff members. As a result, a volunteer wellbeing committee was formed, and a chairperson elected. The goal being a staff lead committee to provide information and resources to staff to enhance the wellbeing of people at work.
- 4.2 The committee has so far, developed a terms of reference, organised some fund raising events and given all staff access to the "my everyday wellbeing" app which provides a massive amount of professional advice and information and is widely used by councils around the country. The committee will submit an annual plan to the executive leadership team for review, with specific events and opportunities throughout the year.

5. Lone Worker policy

- 5.1 A lone worker policy is being drafted to capture all the risks to council posed by people working alone across all the different aspects of Tararua District Council and its workers. This will capture everyone from animal control officers to people working alone in offices and buildings as we often overlook some of the lower risk activities.
- 5.2 We will get input from all different parts of the council to ensure we are capturing all exposure and have suitable mitigations in place. This will also highlight the training requirements and processes will be developed and implemented as required.

6. Safe365

6.1 The Safe365 app is now available to all staff members with the ability to log on via a desktop. Setup and training is being given as required as well as being captured in the induction process for new staff members.

7. Safe plus

7.1 Safe Plus is the external health and safety audit conducted biannually but due to covid restrictions and staff shortages across the councils involved, it was

requested from the MWLASS to postpone the audit due in March 2023 until October 2023 to allow time for councils to achieve more of the previous audit recommendations. This request was approved.

7.2 Given the level of improvement observed in the 2021 audit from the previous 2019 audit, we feel this is not exposing us to any unnecessary risks. Also, the Safe365 internal audit was completed in August 2022 so gives us further comfort we are trending in the right direction and improving overall.

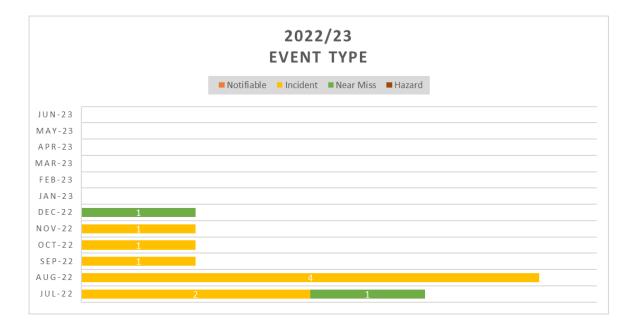
8. Due diligence

- 8.1 The approved due diligence plan will be implemented this year with the first site visit for elected members planned prior to the second audit and risk committee meeting. The first visit will be to customer services and libraries to provide an understanding of the health and safety profile of this work. Details will be sent out in advance to allow as many people as possible to attend. The due diligence plan is attached to this report for your information.
- 8.2 We are reviewing options for elected member due diligence training with the Mayor, particularly for those that have not attended previously.

9. Reporting

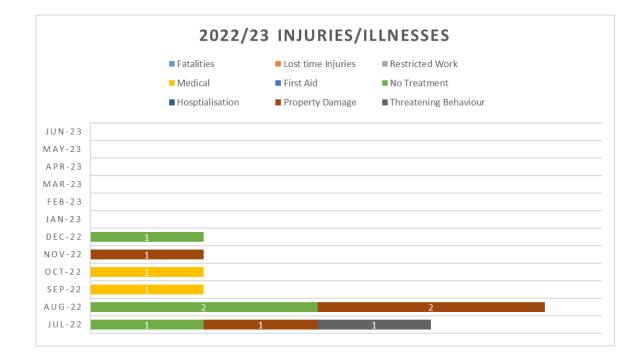
9.1 The number of incidents reported at Tararua District Council remains low but of the incidents we did have there was the potential for them to have been more serious so the level of investigation will reflect that.







9.4



10. Incident Register

Date	Туре	Department	Description	Actions	Resolved
9/09/22	Incident	Infrastructure group, facilities	Knee injury to a staff member who slipped on a wet bathroom floor.	Current controls have been assessed as effective.	yes
26/10/22	Incident	Operations group, programmes and projects	Staff member slipped and fell inside an external storage container resulting in a laceration above the eye and a blood nose. This also resulted in a delayed concussion observed several days later.	Remove container from site. Develop a work alone policy to include office staff. Review the use of Gethomesafe to ensure people have access to help if something happens.	No
3/11/22	Incident	Infrastructure group, facilities	A hook truck rolled over onto it's side while unloading a bin. Driver was uninjured. Chassis rail of the bin had broken free causing the bin to tip.	Awaiting final report from contractor to confirm action items. All bins to be inspected and process in place to inspect bins condition on a reoccurring schedule.	No
22/12/22	Incident	Operations group; District libraries	A staff member driving a council vehicle overtook a car towing a caravan but misjudged the distance to the oncoming car and had to pull in front of the tow vehicle abruptly.	Defensive driving course will be scheduled for staff member.	No

10.1

Attachments

1. Tararua District Council - Health and Safety Due Diligence Plan - 2022/25



Health and Safety Due Diligence Plan 2022-2025



1. Purpose

Under the Health and Safety at Work Act (2015) (HSWA), those in senior governance roles, and those with the ability to exercise significant influence over the management of the organisation must exercise due diligence to ensure that the Council complies with its duties. Holders of such roles are referred to as Officers.

Our Elected Members are Officers under the Act, and good governance practice requires them to meet Due Diligence requirements.

The Chief Executive is also identified as an Officer under the Act, and the Executive Leadership Team should also demonstrate the Due Diligence requirements.

This plan has been created to assist Officer's as defined above, in complying with their duties under the HSWA (2015) and aims to enhance due diligence in health and safety leadership at Tararua District Council (TDC).

2. Due diligence defined

Due diligence is defined in section 44(4) of the Act as taking reasonable steps to:

- Acquire and update knowledge of health and safety matters
- Gain an understanding of the operations carried out by the organisation and the hazards and risks generally associated with those operations
- Ensure the Council has, and uses, appropriate resources and processes to eliminate or minimise those risks
- Ensure the Council has appropriate processes for receiving and considering information about incidents, hazards and risks and for responding to that information in a timely way
- Ensure that there are processes for complying with any duty and that these are implemented
- Verify that these resources and processes are in place and being used.

The Audit and Risk Committee takes lead responsibility for health and safety governance, supported by the Chief Executive and Executive Leadership Team.

3. Creation of the plan

A positive and robust health and safety culture begins at the Council table and spreads throughout the organisation. The Health and Safety at Work Act places a duty on elected

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members – as Officers – to exercise due diligence to ensure that TDC complies with its health and safety duties and obligations.

This Due Diligence Plan is aligned to the Institute of Directors Health and Safety Guide: Good Governance for Directors (March 2016) and aims to enhance due diligence in health and safety leadership at Tararua District Council (TDC). This document outlines four essential elements of health and safety governance; policy & planning, delivery, monitoring, and review.

This Due Diligence Plan outlines the activities that will be undertaken to enhance elected member knowledge and understanding of health and safety matters. Each activity within the plan is aligned to the elements of policy and planning, delivery, monitoring and review.

Scheduled Activities			Due Diligence element				
What	Explanation	Who	Policy & Planning	Delivery	Monitoring	Review	When
H&S induction	All elected members to go through the induction, including re- elected members	All Elected Members ELT		٠			October 2022
Endorse Due Diligence Plan	Confirm due diligence activities	All Elected Members ELT	٠				October 2022
Develop and Sign H&S Governance Charter	An agreement to set the governance commitment to H&S	At Elected Members ELT	•				2 nd Audit and Risk Committe e of 2023
Institute of Directors H&S Governance Training (on- line)	All members to complete an online 1-2 hour course detailing Due Diligence	All Elected Members ELT H&S Advisor		٠			March 2023

4. Due Diligence Plan 2022/25

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	roles and						
	responsibilities						
Appoint Governance H&S Champion	A dedicated champion can then be a focal point for discussions and lead the governance conversations on H&S items	Council	•				December 2022
Annual H&S Activity Plan for Continual Improvement	The activity plan for the year outlining key areas or improvement is shared	Health and Safety Advisor Audit and Risk Committee	•				3rd Audit and Risk Committe e Meeting of 2023
Institute of Directors Advanced H&S Governance Training	Complete a 1 day training course applying H&S compliance to real life situations	Governance H&S Champion Group Manager – People & Capability Health and Safety Advisor		•			March/Apr il 2023
Risk Review session	Conduct H&S risk Review for Customer Services/Libraries	Audit & Risk Committee			٠		Second ARC meeting 2023
SafePlus Assessment	External audit of overarching systems	Whole Organisation				•	October 2023
SafePlus Assessment report to Audit and Risk	Outline results and recommendations for continual improvement. Including plan for implementation of recommendations	Audit and Risk Committee People and Capability				•	Forth ARC meeting 2023

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Risk Review session	Conduct H&S risk Review for Utilities	Audit & Risk Committee		•		Forth ARC meeting 2023
Implement H&S strategy following Safe plus feedback	This will provide a better understanding across all parties and outline our commitment to continuous improvement	Health and Safety Advisor Group Manager – People & Capability	٠			End of 2023
Risk Review session	Conduct risk Review for Facilities	Audit & Risk Committee		٠		Second ARC meeting 2024
Safe365 Internal Audit Report	Results from the internal systems audit and recommendations reported to ARC	Health and Safety Advisor Audit & Risk Committee			•	Third ARC meeting 2024
Risk Review session	Conduct risk Review for Regulatory Officers	Audit & Risk Committee		٠		Forth ARC meeting 2024
Risk Review session	Conduct risk Review for Animal Control	Audit & Risk Committee/ Workshop?		•		Second ARC meeting 2025

In addition to the above activities outlined, the Health and Safety Advisor also reports quarterly to the Audit and Risk Committee providing an update on safety management activities, incident reports, risk management initiatives, and another other relevant items.

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