

**AUDIT & RISK
COMMITTEE MEETING**

ORDER PAPER

THURSDAY, 24 September 2020, 9am

Council Chamber, Rangitīkei District Council
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Chair - Mr Craig O'Connell

Deputy Chair – Councillor Nigel Belsham

Membership

Councillors Angus Gordon and Dave Wilson.

His Worship the Mayor, Andy Watson.

Please Note: Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.

Making this place home.



Rangitikei District Council

Audit and Risk Committee Meeting

Agenda – Thursday 24 September 2020 – 9:00 am

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The quorum for the Audit and Risk Committee is 3.

Council's Standing Orders (adopted 31 October 2019) 11.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

1 Welcome

2 Council prayer

3 Public Forum

4 Apologies/Leave of Absence

5 Members' conflict of interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

6 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, be dealt with as a late item at this meeting.

7 Confirmation of minutes

The Minutes of the Audit/Risk Committee meeting held on 20 August 2020 are attached.

File ref: 3-CT-17-2

Recommendation:

That the Minutes of the Audit/Risk Committee meeting held on 20 August 2020 [as amended/without amendment] be taken as read and verified as an accurate and correct record of the meeting.

8 Chair's report

A verbal report will be provided at the meeting.

9 Update from the Sector Manager at the Office of the Auditor-General

A briefing memo is attached.

Amanda Gray, the Sector Manager, will attend via Zoom.

File: 3-EX-2-5

Recommendation:

That the briefing memo from the Sector Manager at the Office of the Auditor General to the 24 September 2020 meeting of the Audit/Risk Committee meeting be received.

10 Work programme matrix – update

The Work programme matrix – update is attached.

File: 3-CT-17-5

Recommendation:

That the 'Work programme matrix – update' to the 24 September 2020 Audit/Risk Committee be received.

11 Strategic risks – updated framework

The current Strategic risks statement is attached. Changes are in italics in sections 9 and 10.

File: 3-CT-17-5

Recommendation:

That the 'Strategic risks – updated framework' to the 24 September 2020 Audit/Risk Committee be received.

12 Health & Safety Implications of private assets /Club assets on Council parks

A report is attached.

File: 6-RF-1-1

Recommendation:

That the report 'Health & Safety Implications of private assets/Club assets on Council parks' to the 24 September 2020 meeting of the Audit/Risk Committee be received.

13 Late items

As agreed in item 6.

14 Future items for the agenda

Review of the Treasury Management Policy

Insurance

Payroll system review (as a topic for Internal Audit)

Regulatory practice – this will be a greater area of focus for the Auditor-General

15 Next meeting

Thursday 26 November 2020, 9.00am

16 Meeting closed

Attachment 1



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Thursday 20 August 2020 – 9:00 am

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Present: Mr Craig O'Connell (Chair)
Cr Nigel Belsham
Cr Dave Wilson
Cr Angus Gordon
His Worship the Mayor, Andy Watson

Also in attendance: Cr Fi Dalgety
Cr Brian Carter
Cr Waru Panapa

In attendance: Mr Peter Beggs, Chief Executive
Mr Michael Hodder, Community & Regulatory Services Group Manager – *via zoom*
Ms Jo Devine, Group Manager, Finance & Business Support
Ms Bonnie Clayton, Governance Administrator

1 Welcome

The Chair welcomed everyone to the meeting at 9.06am.

2 Council prayer

Mr O'Connell read the Council prayer.

3 Apologies/Leave of Absence

Nil

4 Extraordinary meeting

This extraordinary meeting was called to consider the Government's three waters reform programme and to advise Council on whether to sign the Memorandum of Understanding

5 Confirmation of minutes

Resolved minute number	20/ARK/011	File Ref	3-CT-17-2
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That the Minutes of the Audit/Risk Committee meeting held on 31 July 2020 without amendment be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor/Cr Wilson. Carried

6 Memorandum of Understanding – Three Waters Reform

The Committee considered the briefing note in the agenda, supplemented by commentary from the Community Services Group Manager, the Chief Executive and His Worship the Mayor. This included an outline of the discussions by Te Rōpu Ahi Kā at its extraordinary meeting on 18 August 2020 which resulted in a set of recommendations to the Committee.

The Summary Proposal (provided to the last meeting), Simpson Grierson legal advice and the Memorandum of Understanding were included in the Order Paper together with 'Three Waters Reform Programme – Guide to stimulus funding for local authorities' which sets out what happens if the Memorandum of Understanding is signed.

Resolved minute number	20/ARK/012	File Ref
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That documentation on the Government's three waters reform programme, including the Memorandum of Understanding, to the 31 July 2020 Audit/Risk Committee be received.

Cr Wilson/Cr Belsham. Carried

Resolved minute number 20/ARK/013 File Ref

That, in terms of the delegation made by Council at its meeting on 30 July 2020 (20/RDC/255), the Audit/Risk Committee resolves that His Worship the Mayor and the Chief Executive sign the Memorandum of Understanding, on behalf of the Rangitikei District Council, for the first stage of the Government's Three Waters Services Reform.

Cr Wilson/Cr Gordon. Carried

Resolved minute number 20/ARK/014 File Ref

That having regard to the recommendations from the 18 August 2020 meeting of Te Roopu Ahi Kaa, the Audit/Risk Committee recommends to Council to –

- a. advocate that future decisions on water reform include adequate time for Te Roopu Ahi Kaa members to engage with their people/whanau;
- b. note Te Roopu Ahi Kaa's concern for the long term implications of iwi relationship with a future large entity that is unknown at this stage;
- c. consider that some of the \$4.82m offered to Council by signing the Memorandum of Understanding be assigned for the investigation and assessment of District marae drinking water and wastewater; and
- d. consider supporting an application for funding from the Government's \$30m marae and papakainga sub fund.

Cr Belsham/Cr Wilson. Carried

Resolved minute number 20/ARK/015 File Ref

That the Audit/Risk Committee recommends that Council request the other territorial authorities in the Horizons region to agree to the investigation and assessment of marae and papakainga drinking water and wastewater on a regional basis, using some of the stimulus funding allocated on a regional basis and consider supporting an application for regional funding from the Government's \$ 30 million marae and papakainga sub fund.

Cr Belsham/Cr Gordon. Carried

7 Next meeting

Thursday 24 September 2020, 9.00am

8 Meeting closed

10.03am.

Confirmed/Chair: _____

Date:

Unconfirmed

Attachment 2

Report to the Rangitikei District Council Audit and Risk Committee

This paper provides an update to the Audit and Risk Committee (the Committee) on the following:

- Current audit status update
- Insights into local government sector: 2019
- Supporting the preparation of the 2021 -2031 Long-term Plan
- Office guidance

1.1 Current audit status update

The audit team has completed the interim audit where we assessed the control environment and internal controls. The lockdown from COVID-19 caused some of Rangitikei District Council's internal controls to have to change. As a result, for this year's final audit we will be taking a substantive approach.

The final audit is scheduled to start the week commencing 12 October and the team is expected to be on site for three weeks.

1.2 Insights into local government sector: 2019

Annually we publish and table a report in Parliament on local government matters. This report is an opportunity to highlight the insights from our work in the sector, particularly the annual audits of financial and non-financial information of councils.

The report reflects on the many complex and difficult issues and risks facing councils. These issues and risks will continue to inform the focus of auditors (including through the LTP audits) and the Auditor-General's future work programme. They include:

- The increasing frequency and severity of natural hazard events, with the effects of climate change becoming more evident.
- Growth pressures becoming common throughout the country, not just in the main centres.
- Historical underinvestment in core infrastructure, which is often combined with a lack of a full appreciation of the current state of infrastructure. This has resulted in asset failures and service disruptions. We continue to reflect our concerns that councils might not be adequately reinvesting in their critical assets.
- The implications of Covid-19.

Our key observation is that because of those issues and risks, effective risk management policies and practices are now more vital than ever. The knowledge, governance, and dialogue needed to effectively manage risk have not changed, but have now taken on more significance. We have noted our expectations that councils:

- Understand the expectations central government, ratepayers, and communities have for the services they provide.
- Understand the current and predicted asset condition and performance of their assets, as well as future asset needs, particularly for critical assets.
- Be properly informed about risks and opportunities to service delivery in order to make relevant decisions and manage the trade-offs of risks with cost and level of service.
- Discuss risks, opportunities, and trade-offs with their communities. To do this effectively, priorities, assumptions, and trade-offs need to be transparent and understandable to communities.
- Make evidence-based decisions to address ongoing and future work programmes.

Audit and risk committees have a significant role to play in helping councils better understand risks and what can be done to eliminate or mitigate them. Our report also recognised the proactive approach taken by Auckland Council's Audit and Risk Committee in considering matters arising during the Covid-19 pandemic.

1.3 Supporting the preparation of the 2021-31 Long-term Plans

We recognise the significant effort that goes into the preparation of Long-term Plan. We have therefore sought to assist the sector as it prepares to produce the 2021-31 LTPs and associated Consultation Documents. We have worked with the New Zealand Society of Local Government Managers (SOLGM) as it prepares LTP good practice guidance, as well as issuing bulletins to help elected members engage in the LTP process. The bulletins provide questions for elected members to consider during their oversight of the LTP.

- The first bulletin outlined some of the basics – the purpose of an LTP, the LTP consultation document, and the role of auditors throughout the LTP process.
- The second bulletin covered financial and infrastructure strategies as the main building blocks of the LTP, highlighting key considerations with setting these two strategies.
- The topic of the third bulletin was good asset management (including information) to underpin your LTP.
- Other topics we plan to cover include underlying assumptions for your LTP and recovery from the Covid-19 economic downturn.

Office guidance

1.4 Refreshed guidance around conflicts of interest

The Office has recently updated our two good practice guides about conflicts of interest (Managing conflicts of interest: A guide for the public sector and Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest). As part of this refresh we have also prepared a number of other resources including a poster, a video (covering predetermination and bias, gifts and hospitality, and personal dealings with a tenderer) as well as a quiz, which can be used as a training resource.

1.5 Procurement

Last year we visited 21 councils to talk to them about how they carry out procurement. Using insights from those visits, and from our other work on procurement we wrote an article that asks a series of questions and provides guidance about procurement practice and culture in an organisation. The topics the questions cover are:

- good governance for procurement;
- planning for significant capital projects;
- conflicts of interest;
- emergency procurement;
- procurement capability and capacity;
- procurement policies and training;
- contract management; and
- achieving broader outcomes through procurement.

We are encouraging all councils to consider the questions we have posed. We have also suggested that a good starting point for considering whether procurement practice could be improved would be for councils to ask their Audit and Risk Committees to review procurement policies if this hasn't been done recently.

Attachment 3

AUDIT/RISK COMMITTEE - WORK PROGRAMME FOR THE 2019-22 TRIENNIUM

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 16 September 2020
1. Trust and confidence is tarnished						
Alignment with Council strategic framework and key priorities	Progress with key priorities (reported monthly to relevant Council committees)	Ensure that the identified key priorities are implemented or modified to give effect to the strategic direction	Chief Executive	High	Review draft consultation document for 2021-31 LTP and determine whether risks and uncertainties have been adequately addressed.	Strategic vision document accepted by Council. More detailed strategies and key actions are being developed by Executive Leadership Team for inclusion in the LTP. A new dimension is the actual and potential impacts of Covid-19. <i>Priorities being reviewed as part of the LTP workshops with Elected Members.</i>
Reviews of Council operations (other than Audit New Zealand)	(Will include the reassessment under CouncilMARK, June 2020)	Ensure recommendations are well-founded and there is a robust plan of action	Chief Executive	Medium	As required	In December 2019 MBIE advised its finding from its visit to monitor progress with earthquake-prone building assessments. The major concern was whether sufficient regard had been given to vehicle/pedestrian thoroughfares between unreinforced masonry buildings. <i>Council has made a formal request to the Independent Assessment Board to postpone the CouncilMARK process until 2021.</i>
Project management	High-profile, high value or strategic projects - e.g. Bulls Community Centre, Marton Civic Centre, Taihape Memorial Park facilities, Ratana wastewater, Marton-Bulls wastewater	Ensure significant projects meet Council's outcome, time, risk and cost expectations	GM Assets and Infrastructure	High	Review and comment on project plan and exception reporting to each meeting	Management of timeline and costs of the Bulls Community Centre contracted to specialist adviser.
	Implementation of Project Management Office	Ensure consistent, 'traffic light' approach which is easily understood, fosters transparency and provides for robust governance	GM Assets and Infrastructure	High	Exception reporting ('red light')	<i>Four</i> project managers <i>have been recruited</i> to provide this capability to other projects and other parts of the organisations.
Customer-focussed services	A more effective and efficient customer focus in all public offices of the Council and internally.	A well-managed customer interface will provide an improved and more consistent level of service and be more efficient	GM Corporate Services	Medium/High	Review periodic updates on implementation of the Customer Experience Strategy and the associated performance measurement.	Initial briefing to Finance/Performance Committee, 27 February 2020. Implementation delayed by Covid-19 but will commence in <i>October 2020</i> .
Information management	Progress in implementing robust, integrated and accessible electronic corporate records systems	Ensure Council meets Public Records Act and LGOIMA requirements and aligns with the Government's Cyber-security Strategy (2019)	GM Corporate Services	Medium	Review periodic updates on implementation of the Information Services Strategic Plan. The most recent compliance reporting undertaken by Archives New Zealand was across the entire local government sector.	Part of the Information Services Strategy being implemented
Prosecution of Council for breaches of consents or statutory requirements	Approach taken to avoid prosecution when this is being contemplated and, if prosecution proceeds, how Council presents its case	Ensure the community understands the circumstances leading to the prosecution and actions being taken to avoid a similar incident	GM Assets and Infrastructure	High	Review briefings and, if necessary, recommend changes in approach to Council	Active preparation and negotiation in response to prosecution by Horizons of discharge of Taihape wastewater into the Hautapu River. That prosecution resulted in a conviction and a fine.

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 16 September 2020
2. Human capital is weakened						
External investor perception	Progress in presenting the District as a desirable location for new or expanding businesses	Builds a more sustainable community and economy	Chief Executive	High	Review briefings and, if necessary, recommend changes in approach to Council	Formal presentation in February made to convince an existing Marton business to remain and expand. The independent Commissioner's decision on the Council-initiated The District Plan Change to rezone a rural area as industrial <i>was issued</i> in August 2020. (<i>Appeals close 2 October 2020</i>)
A resilient organisation	Organisation change in place by September 2020	Ensure balanced workload and clear lines of accountability	Chief Executive	Medium		Consultation with affected staff and more generally showed general support. New structure to be in effect from 28 September
	Increased focus on mentoring, job overlap and succession planning	Ensure low ongoing dependency on sole specialists	Chief Executive	Medium/High	Review summary results of survey and updates on progress to addressing issues raised.	
	Revised annual survey of staff perceptions of themselves and the work environment	Ensure clear understanding of issues for staff and an approach to addressing these	GM Corporate Services	Medium/High		
	Implement regular one on one sessions between staff and their line manager	Build trust. Provide constructive and effective feedback	All GMs			
3. Legal and political environment requires excessive resources						
Water supply	Drinking-water standards compliance	Ensure Council's potable water supplies address changes in requirements from the independent Drinking-water Regulator	GM Assets & Infrastructure	Very high	Understand government policy setting; review project plan for giving effect to this and exception reporting to each meeting, and recommend Committee's view to Council.	<i>The Government has yet to announce the commitments required from territorial authorities after 30 June 2021.</i>
Impact of Government's fresh-water direction	New standards affecting discharge of wastewater and stormwater	Impact on Council's expenditure (and thus rates)	GM Assets & Infrastructure	High	Understand government policy setting as it evolves	
Planning standards	New standards affecting the presentation of the District Plan	Ensure the District Plan has the national definitions embedded and meets the required level of e-access.	GM Democracy & Planning	Medium/ High	Review progress updates at each meeting	The foundation requirements in terms of electronic accessibility and functionality, due by 5 April 2020, are now met (except for the formal notification of the update to the Addendum which is adopted by reference). All other requirements, except having an online interactive plan, are due by 5 April 2024; the online interactive plan requirement is due by 5 April 2029.
<i>National Policy Standards and National Environmental Standard</i>	<i>New standards with high reporting requirements</i>	<i>Ensure the new standards are embedded into Council work processes</i>	<i>GM Democracy & Planning</i>	<i>Medium</i>	<i>Periodic updates from GM</i>	

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 16 September 2020
4. Capital programme falters						
Ongoing analysis of capital expenditure	Capacity	Ensure that the projected capital work programme is realistic (i.e. affordable and achievable) and that carry-overs are minimised and validated against external factors	GM Corporate Services	Very high	Review proposed capital programme at October or December meetings. Recommend changes to Council if warranted.	This will be a major focus for the 2021-31 Long Term Plan, in both the financial strategy and the infrastructure strategy.
Consenting requirements	Timelines for new consents and variations to existing ones are those agreed with Horizons Regional Council	Ensure that consenting requirements (including required remedial actions) are reflected in capital programme	GM Assets & Infrastructure	High	Consider exception reporting when necessary. Review update briefing on consenting requirements at October meetings	No new issues arising. Approach to the exposed historic landfill at Putorino has yet to be determined with Iwi and Horizons; consent application will follow that.
5. Financial stability is lost						
Annual Audit review	Interim management report (2018/19, 2019/20, 2020/21)	Ensure Council operating procedures and policies are appropriate and managed	Council management and Audit Director	Very high	Review Audit comment and Council response; recommendation to Council	Interim audit planned for late March-early April was delayed by Covid-19 and occurred late June-early July. <i>Final audit to start 12 October for three weeks.</i>
Access to external funds	Borrowing is at sustainable levels and other external funding is as projected.	Ensure short-term and long-term implications of borrowing are understood and accepted by Council	GM Corporate Services	Medium	Review updates provided to each meeting of the Committee	This was a focus in developing the 2020/21 Annual Plan.
Appetite for risk around consents	Policy and procedure for exercise of discretion and enforcement of Code requirements	Ensure Council and local building sector are clear on balance between compliance and discretion	Team Leader, Regulatory	High	Consider periodic updates from Chief Executive and determine whether a recommendation to Council is warranted in terms of perceived risks	One critical test of the balance between discretion and compliance is the construction of the new Bulls Community Centre. The external project management adviser has assessed the BCA's approach and finds it is strict but is within accepted practice.
Customer experience with consenting	Timeliness of approvals and communication at all stages	Ensure applicants are well informed at all stages of the consenting process	Team Leader, Regulatory	Medium/ High	Review updates provided to each meeting of the Committee	This will be part of the Customer Service Experience Strategy about to be implemented.
Potential to disrupt people's lives and livelihoods	Engagement with community on proposed strategy and policies, and subsequent actions	Ensure Council understands the degree of potential risks and takes appropriate action (including advocacy to central government)	GM Democracy & Planning	Medium	Review periodic updates	Focus is on regional collaboration on developing a vulnerability assessment.
Council's initiatives	Action plan for Council's operations: 'walking the talk'	Council needs to show leadership in reducing emissions	GM Democracy & Planning	Medium	Review periodic updates	

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 16 September 2020
8. Business continuity is compromised						
Natural disaster events	Annual insurance reviews	Ensure accurate, appropriate and cost-effective cover for all built assets	GM Corporate Services	Medium	Review periodic updates from GM (Finance and Business Support) Committee has already reviewed decision to cease membership of LAPP.	
	Business continuity	Ensure Council can maintain business operations	GM Corporate Services	High	Review periodic updates from GM	Part of the Information Systems Strategy about to be implemented.
	Disaster recovery	Ensure robust processes aligned with MCDEM requirements	Chief Executive	Very high	Review six-monthly updates on development of internal capability and external liaison, periodic MCDEM reviews, and recommend any changes or enhancements	
	<i>Pandemic plan</i>	<i>Ensure robust processes learn from COVID-19 experience</i>	<i>Chief Executive</i>	<i>High</i>	<i>Review periodic updates from the Chief Executive</i>	<i>Debrief following return to alert level 1 and consideration of lessons learned during the lockdown period</i>
Cyber attacks	<i>Mitigating business disruption</i>	<i>Ensure threats are identified early</i>	<i>GM Corporate Services</i>	<i>High</i>	<i>Review periodic updated from GM</i>	<i>Alerts to staff . Part of the Information Services Strategic Plan</i>
9. Obligations with health and safety and environmental protection are not met						
Health and safety	High awareness of potential health and safety issues and willingness to take corrective action	Proactive attitude to health and safety is the strongest assurance that Council's facilities and operations are safe for staff and the public	GM Assets & Infrastructure	High	Review six-monthly updates on health and safety considerations at unit toolbox meetings, Council's health and safety committee, to the senior leadership team	
	Focus on all aspects of physical and mental health for staff	Proactive approach to encourage individual staff members to be at their best and to be sensitive when circumstances warrant assistance.	Chief Executive	High	Review periodic updates	
10. Changes to government legislation are transformational						
Sustainable future for the District	High awareness of potential risks to delivery of services, maintenance of infrastructure	Significant and sudden changes in standards for freshwater and emissions may threaten existing agriculture enterprises and thus affordability of Council services. In addition, significant and sudden changes in what local councils are expected to do for their communities may prove costly and of no value.	Chief Executive	Medium/High	Review periodic updates and make recommendations to Council	Council <i>has expressed</i> its concerns to the Ministry for the Environment on the proposed National Standard for indigenous biodiversity, highlighting affordability and potential negative impact on farming.

Attachment 4

Strategic risks for Rangitikei District Council

Introduction

One of the areas of improvement for the Council identified in the 2017 report from the Independent Assessment Board was for all elected members to be actively engaged in, and have a detailed understanding of, strategic risk issues. These are 'risk that affect or are created by an organisation's business strategy and strategic objectives'¹: they arise from adverse business decisions, improper implementation of decisions or lack of responsiveness in the business environment.

The Committee has discussed this question at its meetings in November 2018 and February 2019 and considered a draft at its meeting on 27 June 2019. Council reviewed this draft at a workshop on 18 July 2019. Focus is on the long-term, organisation-wide and something which Council can do something about. There needs to be clarity on the likelihood of the risk and its impact. This revised statement was further considered on 5 December 2019.

The following explores the ten risks discussed and offers suggestions on how each risk might be addressed:

1. Trust and confidence is tarnished
2. Human capital is weakened
3. Legal and political environment requires excessive resources
4. Capital programme falters
5. Financial stability is lost
6. Regulatory effectiveness is questioned
7. Climate change responsiveness is ineffective
8. Business continuity is compromised
9. Obligations with health and safety and environmental protection are not met.
10. Changes to Government legislation are transformational

The final set of strategic risks will be the starting point to review the current risk framework, for consideration by the Committee at its December meeting. It would be helpful for Council to include this as a workshop topic before then so all elected members have an early understanding.

What is the risk (and its consequences)?	How to address the risk?
1. Trust and confidence is tarnished The risk is that Council misunderstands community expectations or fails to work with advocacy group either of which may lead to continuous public criticism, particularly in social media and division among elected members and staff.	Council regularly samples community views and individual elected members have a wide range of contacts in the community. These could be reinforced by more informal polls, sample questioning of those submitting service requests and inviting

¹ Deloitte, 'Exploring strategic risk', 2013, page 4.

<p>Inept handling of sensitive issues involving (for example) drinking water, wastewater discharges, lwi, privacy, or information disclosures can lead to a loss of confidence in Council's effectiveness.</p> <p>Likelihood – Medium Impact – High</p>	<p>identified advocacy groups to speak to Council.</p> <p>Developing and applying protocols for sensitive issues would be a useful initial step. Longer-term, priority could be given to procedures and policies which would reduce the likelihood of such issues arising.</p> <p>Analysing social media comments more closely in conjunction with similar (rural) councils could help alert Council to sensitive issues, to understand their degree of uniqueness and to develop targeted responses (not necessarily in social media but in Council policies and practices).</p> <p>The Auditor General has begun a programme of work about the future of public accountability – the first phase being a discussion paper 'Public accountability: A matter of trust and confidence'². Keeping informed about this work is certain to be helpful for Council, not just in how it manages public engagement but also in its behaviours.</p>
<p>2. Human capital weakens</p> <p>The risk is that Council loses a number of specialist staff which exposes a knowledge gap. This may compromise an ability to deliver and lead to a reduction in service standards and additional costs to buy in external expertise. In addition, there may not be enough staff to cope with increased work expectations, especially capital projects.</p> <p>An associated risk comes from a change in Elected Members and the potential loss of knowledge and experience</p> <p>Likelihood – High Impact – Medium</p>	<p>A small council inevitably has single points of knowledge. There are three complementary approaches –</p> <ul style="list-style-type: none"> (a) promoting documentation of processes (b) Establishing career pathways, and (c) rotation of staff (both within the council and with neighbouring councils) – <p>Together, they would be likely to reduce that dependency on individual expertise and increase staff understanding of how roles can develop and become more effective.</p> <p>A comprehensive induction for Council after the triennial elections is critical.</p>

² <https://www.oag.govt.nz/2019/public-accountability/docs/public-accountability.pdf>

<p>3. Legal and political environment requires excessive resources³</p> <p>The risk is that Council is unable to respond in a timely and efficient way to changes in central government policies and legal requirements, which may mean unexpected costs, a focus on achieving compliance, and a consequential reduced service standards</p> <p>An associated risk is that Horizons Regional Council changes its stance with local authorities, increasing cost and perception that Council has insufficient regard for its environmental impacts.</p> <p>Likelihood – Medium Impact - High</p>	<p>Council could maximize its dialogue with other local councils, and stress the potential benefits in a partnership approach to influence central government policy and legislation. This would require discussion with LGNZ and SOLGM to clarify issues which those organisations would lead and how councils participate in those initiatives.</p>
<p>4. Capital programme falters</p> <p>The risk is that Council is unable to secure contractors for major capital works (and thus doesn't achieve its targeted works programme) because of</p> <ul style="list-style-type: none"> (i) other councils' programmes and central government initiatives such as the road replacement for the Manawatū Gorge and new social housing complexes in the larger centres of the region and (ii) the increasing dominance of larger contractors, a result of increasing compliance costs. <p>This situation may lead Council to be a price leader in contracts, may frustrate the community (because of delays/and or increased costs and rates) and may discourage new external investment.</p> <p>Likelihood – Medium Impact - Medium</p>	<p>By establishing a project management office Council will be better placed to deal with the market and to have effective project management (an outcome valued by both contractors and Council).</p> <p>Council could promote a more consistent, open sharing of intended capital programmes, testing of the market, and agreeing where priorities lie.</p> <p>Council could also help increase the supply of contractors by</p> <ul style="list-style-type: none"> (a) running apprenticeships, (b) insisting on engagement of local contractors as part of awarding a contract and (c) sponsoring workshops to clarify compliance requirement for local contractors.

³ See also risk 10.

<p>5. Financial stability is lost</p> <p>The risk is that Council's financial projections, in terms of operating expenditure and revenue, prove substantially incorrect. This could require a substantial increase in rates and increase the cost of borrowing. This could arise from unanticipated but unavoidable expenditure which is not covered by insurance, including legal costs. Council is fortunate in almost entirely avoiding the impact of weather-tightness failure but the recent exposure of the historic Putorino landfill (and an appreciation there are others) is an example of an unexpected issue.</p> <p>An associated risk is that insurance cover is insufficiently targeted</p> <p>Likelihood – Low Impact – High</p>	<p>Council's current prudent approach means that all operating expenditure is funded through rates and not by loan. By ensuring that projected capital expenditure on planned new works or upgrades is kept below the borrowing threshold provides headroom should Council need additional funds to address a previously unknown issue.</p> <p>While Council cannot influence the state of international markets and commodity prices, it needs to be sensitive to the impact on these on local businesses and developers.</p> <p>Council benefits from joint procurement of insurance with other councils. However, this increasingly requires accurate documentation of asset condition (i.e. risk of failure) alongside known natural hazards. Council could run a few scenarios so it understands the extent of cover that would be available for Rangitikei in a range of circumstances.</p>
<p>6. Regulatory effectiveness is questioned</p> <p>The risk is that Council loses community confidence that it is being consistent and fair in exercising its regulatory responsibilities, including building and resource consents. That may arise if different responses are provided depending on where a matter is raised – i.e. an elected member, the chief executive, regulatory staff or customer service staff or where there is consistent failure to meet the prescribed timelines.</p> <p>Likelihood – High Impact - Medium</p>	<p>Council may be about the extent of this risk since it is a matter of holding a balance between (i) development and facilitating initiatives and (ii) compliance with central government requirements and Council bylaws and policies.</p> <p>One way to test the community's appreciation of this risk could be to offer an amnesty period to those who knew or thought it possible that they (or someone else) was in breach of regulations. During that period Council could facilitate compliance by providing advice and/or reducing or waiving its fees.</p> <p>Longer-term, it would be beneficial to establish (and publicise) the decision-making and discretion and appeal processes – with the latter being public</p>

	reported, either in a Council (Committee) meeting or through the Council website.
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<p>7. Climate change responsiveness is ineffective</p> <p>The risk is that Council does not take sufficient steps to protect the community against the impacts of increasingly severe weather events and erosion</p> <p>Likelihood – Low/Medium Impact – Low/Medium</p>	<p>Council is already taking a more proactive stance in its roading programme by increasing expenditure on larger culverts and more stringent oversight of their maintenance and of roadside drains. The strategic look being taken over stormwater will also mean Council is more informed about the points of greatest risk and failure.</p> <p>The request from Kauangaroa Marae for dialogue and support from Council for relocation might be a prompt to reopen dialogue about Whangaehu and also to reconsider the likely scenario at Scotts Ferry and Koitiata, both of which are at risk from sea level rise,</p> <p>Council could develop and implement a plan to reduce its own carbon footprint, looking to engage local businesses in similar efforts.</p>
<p>8. Business continuity is compromised</p> <p>The risk is that Council suffers a cyber-attack which leads to compromised integrity and/or loss of information. However, there are lesser (but more likely) risks from staff anywhere in the organisation who lack training and understanding how to use Council's IT systems and manage their record-keeping in a consistent and adequate fashion. That increases cost to the Council in trying to find relevant information and may mean that records critical to establishing what Council did and why cannot be found and disclosed.</p> <p>While Archives Central houses most of the Council's pre-1989 records, some of the more recent hard-copy records (including</p>	<p>Council has a range of protective barriers and procedures to minimize the likelihood of a cyber-attack. This includes an increasing robust back-up procedure so that if data is lost or compromised, it can be recovered.</p> <p>Increasing staff knowledge of safe IT protocols and sound records management practices would reduce the risk of information unable to be found.</p> <p>An information audit could be a useful early step in understanding the extent of this risk.</p> <p>The information systems strategic plan now being developed is a key mechanism.</p>

<p>building consent files) are unprotected from fire.</p> <p>Likelihood – Medium/High Impact – High</p>	
<p>9. Obligations with health and safety and environmental protection are not met.</p> <p>The risk is that staff or the public are injured or killed or there is damage to the environment in the course of Council carrying out its work, and that there substantial fines imposed on Council as a result.</p> <p>Likelihood – Low Impact – High</p>	<p>This is a sector-wide risk, with no relationship to the size of councils or whether they are primarily urban or rural. <i>It is critical to focus on developing sound and consistent judgement.</i></p> <p>The Chief Executive is committed to establishing and maintaining a strong health and safety culture within the organisation ('what you walk past you accept') is essential. A new health and safety engagement process has been undertaken so all staff members are involved. All members of the Senior Leadership Team will receive intensive training on this topic during the next six months.</p> <p>Environmental protection has a high dependency on regular maintenance of Council assets, especially wastewater, and management of contractor and staff working in sensitive areas.</p>
<p>10. Changes to government legislation are transformational</p> <p>The risk is that new or amended legislation, regulations or policy statements cause systemic changes in affordability to the local government sector. <i>The speed of change and the cumulative effects may detract from achieving statutory requirements (e.g. the long-term plan) and meeting community expectations.</i></p> <p>For example, the proposed freshwater reforms could have the following impacts:</p> <ul style="list-style-type: none"> a) the annual GDP contribution from dairying could shrink from \$350 million to \$50 million; 	<p>This is a sector-wide risk, but greatest for non-metro councils.</p> <p><i>Council needs to have at frnt of mind that capacity gives resilience (abnd vice versa).</i></p> <p>Longer timeframes enable alternative productive uses of land to be implemented.</p> <p>To what extent is Council willing to facilitate such changes, including investment?</p> <p>If forestry becomes the dominant rural enterprise, how feasible is it for Council to rate public roads servicing such blocks on a differentia basis (so that the costs are not District wide) or to remove such roads from</p>

<p>b) reduced pasture land and increasing forestry (on the way it is presently rated) could mean that rates might need to rise 30% to provide the current level of services and facilities (including roads);</p> <p>c) reduction in farm incomes could be 30% which will result in diminished investment, loss of productivity and closure of farms.</p> <p>Likelihood – High Impact – High</p>	<p>the public network (so that Council would no longer bear the costs of maintenance)?</p>
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26 September 2019, updated and adopted 5 December 2019; reviewed 30 July 2020 (italicized text in sections 9 and 10).

Attachment 5

Report

Subject: **Health & Safety Implications of private assets/Club assets on Council parks**

To: Audit/Risk Committee

From: Graeme Pointon, Strategic Property Advisor
Gaylene Prince, Community & Leisure Services Team Leader

Date: 18 September 2020

File: 6-RF-1-1

1 Introduction

- 1.1 The Audit/Risk Committee have requested advice on Health and Safety implications of private and Club owned assets on Council parks.

2 Health and Safety at Work Act 2015 (The Act)

- 2.1 The Act deals with obligations of a Person Conducting a Business or Undertaking (PCBU). The business or undertaking need not be for profit or gain.
- 2.2 The Act defines a person; Rangitikei District Council is a person for the purposes of the Act but a voluntary organisation is not.
- 2.3 Council conducts a business or undertaking on its park by leasing land to a sports club which owns its building on the leased area. As such, the Council creates a “workplace” for the purposes of the Act.
- 2.4 There could be an implied (and indirect) obligation through Council being the PCBU in respect of the park itself, and by allowing its lessee to conduct “risky” activity there may be some obligation. However, the obligation to the sports club does not start and finish with the Act; there will also be obligations to the lessee under the lease – e.g. safe and fit for purpose/access to the leased area.
- 2.5 There is no argument that Council has any direct obligation under the Act in respect of any failure of the lessee’s building, or as a result of the lessee’s business or undertaking. One of the guiding principles on the Worksafe website is “if you create the risk, you manage the risk” i.e. the Act’s obligations lie with the club which built and maintains the building. Section 28 of the Act does not permit contracting out – i.e. the building owner / lessee cannot pass the obligation off to the Council
- 2.6 A direct obligation under the Act arises when a club surrenders its lease; the typical surrender provisions are that improvements pass to the lessor (i.e. Council). So from that date, Council is the PCBU. A recent example of this is the Taihape Bowling Club premises,

when the club opted to cancel its lease. A thorough review of the building was undertaken before being reused.

3 Recommendation:

That the report 'Health & Safety Implications of private assets/Club assets on Council parks' to the 24 September 2020 meeting of the Audit/Risk Committee be received.

Gaylene Prince
Team Leader, Community & Leisure Services

Graeme Pointon
Strategic Property Advisor