

ORDER PAPER

AUDIT/RISK COMMITTEE MEETING

Date: Thursday, 25 March 2021
Time: 9.00 am
Venue: Council Chamber
Rangitikei District Council
46 High Street
Marton

MEMBERSHIP

Chair: Mr Craig O'Connell
Deputy Chair: Cr Nigel Belsham
Membership: Cr Angus Gordon,
Cr Dave Wilson,
His Worship the Mayor, Andy Watson.

Notice is hereby given that an Audit/Risk Committee Meeting of the Rangitīkei District Council will be held in the Council Chamber, Rangitīkei District Council, 46 High Street, Marton on Thursday, 25 March 2021 at 9.00 am.

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1 WELCOME**2 APOLOGIES****3 PUBLIC FORUM****4 CONFLICT OF INTEREST DECLARATIONS**

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

5 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.

6 CONFIRMATION OF MINUTES

Audit/Risk Committee Meeting - 26 November 2020

Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – 26 November 2020 – 9:00 am

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Present: Mr Craig O'Connell (Chair)
Cr Nigel Belsham
Cr Brian Carter
Cr Fiona Dalgety
His Worship the Mayor, Andy Watson

Also in attendance: Cr Waru Panapa
Cr Cath Ash

In attendance: Mr Peter Beggs, Chief Executive
Mr Chris Webby, Audit New Zealand – *via zoom*
Mr Tombs, Group Manager, Finance & Business Support
Mrs Carol Gordon, Group Manager – Democracy & Planning
Mrs Sharon Grant, Group Manager – People & Culture
Ms Gaylene Prince, Group Manager - Community Services
Ms Janine Simpson, Governance Administrator

1 Welcome

The meeting opened at 9.01 am.

2 Council prayer

Mr O'Connell read the Council Prayer.

3 Public Forum

Nil.

4 Apologies/Leave of Absence

That the apologies for lateness from His Worship the Mayor and Councillor Gordon be received.

Cr Belsham/Cr Wilson. Carried

5 Members' conflict of interest

There were no conflicts of interest declared.

6 Confirmation of order of business

The order of business was confirmed with no changes.

7 Confirmation of minutes

Resolved minute number

20/ARK/021

File Ref

3-CT-17-2

That the Minutes of the Audit/Risk Committee meeting held on 24 September 2020 without amendment be taken as read and verified as an accurate and correct record of the meeting.

Cr Belsham/Cr Wilson. Carried

8 Chair's report

The Chair noted that in future he would be providing a written report that will be included in the Order Paper.

9 Follow-up actions from previous meeting

The follow-up actions were noted.

Resolved minute number 20/ARK/022

That the report 'Follow-up actions from previous meeting' to the 26 November 2020 Audit/Risk Committee meeting be received.

Cr Belsham/Cr Wilson. Carried

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

Mr Webby advised there was no update from the Sector Manager for this meeting and provided a verbal update on items from Audit NZ, relating to the measurement that records customer complaints. He noted that some complaints weren't recorded in line with the DIA guidance, which is that calls received, even relating to planned maintenance, should be recorded as a complaint. It was noted this is an issue for other Councils that treat these calls the same way. As this has affected a number of Councils, it should be brought to the attention of LGNZ to see what can be done for the sector.

11 2019/2020 Annual Financial Statements (draft)

Mr Tombs advised the draft financial report shows where Council is at the moment, noting RDC didn't fare as bad financially as other Councils.

Resolved minute number 20/ARK/022a

That the '2019/2020 Annual Financial Statements (draft)' to the 26 November 2020 Audit/Risk Committee be received.

Cr Belsham / Cr Wilson. Carried

12 Annual Report: Section 2

The report was noted.

Resolved minute number 20/ARK/023

That the report 'Annual Report: Section 2' to the 26 November 2020 Audit/Risk Committee be received.

His Worship the Mayor/Cr Wilson. Carried

13 Rangitikei District Council Pandemic Plan

The Committee discussed the Pandemic Plan, Mrs Grant advised that it is a living document which includes internal actions and services that would continue under a pandemic. There

is commonality within Councils as they are all working within the government's guidelines. There has been very robust debate during the process and the plan has been updated as a result. The plan is doable and the system has been tested.

Resolved minute number 20/ARK/024

That the report 'Rangitikei District Council Pandemic Plan' to the 26 November 2020 Audit/Risk Committee be received.

HWTM/Mr O'Connell. Carried

14 Strategic Risks for Rangitikei District Council

The Executive Leadership Team reviewed the following strategic risks:

- Capital Programme Falters;
- Business Continuity is Compromised;
- Obligations with Health & Safety and Environmental Protection are not met.

These reviews have resulted in significant amendments to the existing Register.

Resolved minute number 20/ARK/025

That the report 'Strategic Risks for Rangitikei District Council' to the 26 November 2020 Audit/Risk Committee be received.

Cr Wilson/Cr Gordon. Carried

15 Work Programme Matrix - Update

Mr Tombs advised the ELT will be reviewing the status of these matters prior to the next Audit/Risk Committee.

Resolved minute number 20/ARK/026

That the 'Work Programme Matrix – Update' to the 26 November 2020 Audit/Risk Committee be received.

Cr Belsham/Cr Wilson Carried

16 Road Reserve

The Committee discussed the Road Reserve, noting the reserve had been setup for extraordinary events but has been used for business as usual.

It was agreed that this needs to be forwarded to the Long Term Plan workshop for further discussion prior to going to the Council.

Resolved minute number 20/ARK/027 **File Ref**

That the report 'Road Reserve' to the 26 November 2020 Audit/Risk Committee be received.

Cr Belsham/Cr Wilson Carried

Resolved minute number

20/ARK/028

File Ref

That the Audit/Risk Committee recommend this item be referred to staff to take to an LTP workshop.

Cr Belsham/Cr Wilson Carried

17 Late items

Nil

18 Future items for the agenda

These are included in the table of follow-up actions from previous meetings.

19 Next meeting

To be confirmed.

20 Meeting closed

The meeting closed at 10.33 am.

7 CHAIR'S REPORT**7.1 NOTES FROM OAG WEBINARS FOR CHAIRS OF LOCAL GOVERNMENT AUDIT & RISK COMMITTEES 2020/2021****Author: Mr Craig O'Connell, Chair of the Committee**

Rangitikei District Council - Audit and Risk Committee

Notes from OAG Webinars for Chairs of Local Government A & R Committees 2020/2021

Recommendation: Paper is received, and content noted.

Overview

Audit NZ has instituted a series of webinars targeting Chairs of Audit & Risk for TLAs. There have been 3 webinars and, so far, the presenters have all been current A & R Chairs. Audit NZ hosts the sessions, comments on the presentation, and assists answering questions from attendees.

This is a useful initiative and has already provided sound advice. The identification of exemplars from other Councils throughout NZ is also valuable.

Notes attached are from the first 3 sessions held in late 2020 and early 2021. Further sessions are envisaged.

Session 1. Sue Sheldon – Independent Chair Auckland CC A & R

Topic: Reflections on ACC's journey through Covid 19. Sue shared the ToR for the A & R Committee (a good model) and talked through the changes to A & R Committee meeting frequency, make up, and processes. Committee has an Independent Chair and 2 additional independent Committee members.

The majority of discussion focussed on ACC CCO financial performance and how the reduction in income was handled. Interesting but little of value for RaDC. Activities focussed on banking covenants and NZX disclosure requirements (as a result of ACC Bonds). Strong oversight of the CCOs activities re risk.

1. What questions were asked of the CCO senior staff and oversight of staff activities as most were working remotely.

2. Focus on Business Continuity, key controls, quality of data, h & S of staff, fraud, plans re further disruption. Maintaining trust and confidence in Council and of the information used for decision making.
3. Had multiple teams looking at Covid impact – Enterprise Risk team had staff embedded in the Business Continuity team/Crisis Management team/CD and Emergency Management/Corporate Resilience
4. Pandemic was identified in top risks years prior to this event. However, many of the practical details needed to be developed.
5. Emergency Committee replaced the Governance body and Finance Committee.
6. Worked hard to keep a focus on legal compliance.
7. Much higher level of coordination internally and externally was required.

(Ref changes to ToR paper to A & R prior to 14 April)

8. 3 scenarios developed – immediate response/6 month scenario/12 month scenario
9. Some top risks have changed (for ACC and CCOs)
10. Bought strong commercial skills into A&R to assist
11. Asked: what revenue was lost? What costs could be saved? What capital expenditure could be halted or deferred? What impact on debt? What impact on long term viability?

Questions:

12. What happens next? Continuing to support elected members and right data is produced to assist decision making. Understanding potential impacts of uncertainty – e.g. rates revenue/unpaid rates/building consents
13. Lessons learnt – were only provisioned for 500 staff to work from home and needed to scramble to allow 6000 staff to work from home; and had to put temp processes in place to ensure system capacity was sufficient.
14. How did the external commercial advice assist Councillors? Existing A & R members had strong NZX and disclosure requirements. New voices just added diversity of views/perspectives.
15. Assistance from Audit Directors and Audit NZ was excellent.

Session 2: Phil Jones (PJ) – ex Local Government CFO and now a consultant. Is independent Chair of 6 Local Government A & R Committees.

Topic: LTPs and a couple of strategies underpinning a good LTP

PJ mentioned that some Councils are extending the LTP timeline to 20 or even 30 years to ensure alignment with infrastructure plans.

ITEM 7.1

1. The role of A & R is to obtain assurance of the quality of the plan, not to make decisions re the plan.
2. Elements that should be of interest to A & R
 - a. Is there a plan for the development of the LTP (including milestones and decision points)? Is it sound and are the decision points/timings appropriate? A & R should monitor progress through the plan. The plan should also include Audit feedback from previous years/plan processes.
 - b. The role of Audit is outlined in LGA S93 and Audit has to assure itself of the quality and completeness of the information and the quality of the assumptions. It is not a QA process, nor does it check legislative compliance. Therefore, A & R needs to ensure there is a good QA process and ensure legislative compliance. There have been many legislative challenges regarding decisions.
 - c. A & R should seek assurance that the Consultation document will not go out before the Audit opinion is received and worked through.
 - d. Not meeting the statutory deadline has a minor 'slap over the wrist' impact but a big impact on setting rates.
 - e. Uncertainty re current circumstances – has this be built into and clearly articulated in the assumptions. 4 key areas (in PJ's view) to be considered (what are the risks and what is the sensitivity?):
 - i. Covid – Auckland CC mentioned for the paper presented to ACC A&R (and therefore openly available) about how staff went about identifying risks and impacts of Covid.
 - ii.3 Water reforms – uncertainty regarding what/when/how things will happen. Needs to be mentioned (in assumptions) even though we don't know the impact. Assume standard process with assumptions noted re uncertainty.
 - iii. Climate change – longer term (10 year +) impacts and what needs to be considered now?
 - iv. Change in land use – not just population change, e.g. farm land converted to forestry – impact on rate income and transportation costs. Ashburton DC has a good section in their LTP regarding change in land use (it was commented, by Audit NZ, that other aspects of their LTP were not as good as this section!)
 - f. Financial strategy – considering impact of change of land use. Not role of A & R to write the financial strategy but to consider if risks and impacts have been integrated. Often left to later in the LTP development but should be developed early in the process. A & R also need to test for prudence. What does prudence mean for your Council and how has it been tested for? KCDC mentioned as an exemplar and Hamilton CC for its succinctness.

- g. Infrastructure strategy also needs to be tested by A & R to ensure key risks have been identified and tested to ensure they have been integrated into the strategy. What are the consequences for the Council and have they been adequately described/disclosed within the strategy?
- h. Ask CEO what processes are in place that ensures there is a robust LTP?
- i. Questions from attendees:
 - i. If only meeting quarterly, how to manage those risks around the LTP? Have to ensure there is an LTP plan and regular reporting on progress to A & R
 - ii. What is the level of LTP development maturity? Will be significantly impacted by staffing and Councillor changes. If there is a new CEO there may need to be a higher level of oversight by A & R of the plan and progress.
 - iii. Impact of Covid? Difficult to predict so need to consider financial situation and specific Council situation.
 - iv. Wellington CC – last LTP had many performance measures which has caused excessive work and inappropriate balance of scrutiny. Audit NZ's advice is to revisit the performance measures. Has generally resulted in a significant reduction in measures – e.g. Christchurch CC's review (in 2018) removed 155 measures from their LTP.

Session 3: Bruce Robertson (BR) – ex Deputy Auditor General and now independent Chair of 8 Local Government A & R Committees.

Topic: Reflections on A & R responsibilities re LTPs

3 Sub topics:

1. Role of A & R Committees in LTP development

- a. Often the role of the A & R Committee regarding the LTP is unclear. BR referenced the ACC A & R Terms of Reference which specifies that the Committee should ensure the **integrity** of the LTP. He also said that all Councillors and Staff should be equally interested in the integrity/achievability of LTP
- b. 2 areas of interest (for BR)
 - i. Compliance – e.g. a balanced budget; financial sustainability; end point (after 10 years) balance sheet strength
 - ii. Significant estimates and uncertainties – e.g. what is the do-ability of the plan (especially CAPEX)? Is the plan credible?

- 2. Current context (Covid) – plans and reports are still being produced but the environment/situation has negatively impacted the quality of the thinking underpinning the plans.

3. Specific topics (the 5 Cs)

- a. Condition and performance information for assets – how well do we know our assets?
 - i. LTP must be focussed on long term not just the next years' budget. What will the balance sheet look like in year 11, 12, etc?
 - ii. What assumptions are being made re 3 Waters?
- b. Capital expenditure do-ability – has been thoroughly thrashed over the last 10 years
- c. Climate change
 - i. What are the investment decisions that need to be made now? E.g. managed retreat
 - ii. Assumptions re climate change assumptions must be in the LTP (and will be scrutinised by Audit)
 - iii. Climate Change Commission report – early days but what items/issues from the report should be included in the LTP?
- d. Covid
 - i. How well prepared are we for the next disruptive event?
 - ii. Impact of Covid on supply chain and resource availability
 - iii. PGF and Shovel-ready money should be treated as high risk (and therefore watched closely by A & R) because of the conditions and scrutiny from Central Government.
 - iv. Some Councils have artificially suppressed rates. This will always bite you in the future.
 - v. Councillors need to show leadership in explaining and presenting realistic options and the implications of the options.
- e. Consultation effectiveness
 - i. How do we rate the integrity (reality) of the LTP? Are the options realistic?

4. Questions from the audience

- a. Insurance arrangements and ability of the Crown to fund 60%? No clear answer but the Waimakariri District Council financial strategy is seen as an exemplar.
- b. Audit NZ capacity – Auditor General's answer – we have added capacity, but it will still take all of 2021 to catch up.

**RANGITIKEI**
DISTRICT COUNCIL

8 REPORTS FOR DECISION

8.1 AUDIT AND RISK COMMITTEE WORK PLAN

Author: Dave Tombs, Group Manager – Corporate Services

1 Executive Summary

1.1 Purpose of the report

To provide Audit and Risk Committee with a proposed Audit and Risk Committee Work Programme.

1.2 Key issues

At the last Audit and Risk Committee it was discussed that an alternative Audit and Risk Committee Work Programme would be developed for consideration at this meeting.

1.3 Major recommendations

That Audit and Risk Committee considers the attached proposed draft Audit and Risk Committee Work Programme.

2 Context

2.1 Background

Councils such as RDC need to have in place a properly structured and managed Audit and Risk Committee Work Programme.

This includes having structured Audit Committee agenda items, ensuring that Audit and Risk Committee reviews key governance, risk management and regulatory matters.

2.2 Approach

Develop a three-year Audit and Risk Committee Work Programme that reviews each area of interest.

3 Analysis

3.1 Views

The following three-year Audit and Risk Committee Work Programme has been proposed for Audit and Risk Committee review and comment.

ITEM 8.1

This Programme has been drafted on the assumption that Audit and Risk Committee will hold quarterly meetings in March, June, September and December each year (with additional meetings scheduled for consideration of annual financial statements as required).

Item	Audit and Risk Committee Meeting
Governance	
Audit Committee Terms of Reference	March 2021; every 3 years
Latest Management Accounts	Each meeting
Latest Health and Safety reporting	Each meeting
Compliance with Treasury Management Policy	Each meeting
Fraud Reporting	Each meeting
Protected Disclosure Reporting	Each meeting
Outstanding AuditNZ management letter points	Each meeting
Statutory	
Draft Annual Financial Statements	September each year
Internal Audit	
Outstanding internal audit recommendations	Each meeting
Annual Internal Audit workplan	Discuss March, confirm June each year
Internal Audit Workplan Updates	Each meeting
Policies etc	Policies considered appropriate for ARC to review
Gifts and Hospitality Policy	Annual Review : September
Sensitive Expenditure Policy	Annual Review : September
Fraud, Bribery and Corruption Policy	Annual Review : September
Protected Disclosure "Whistle Blower" Policy	Annual Review : September

Staff Code of Conduct	Adopted by Council October 2019; ARC Review every 2 years; next review September 2021
Health, Safety and Wellbeing Policy	ARC Review every 2 years; next review ??
Delegations Register	Last updated January 2018; next review December 2021
Policy on Development Contributions	Required by S102 LGA; S106 LGA requires Policy to be reviewed every 3 years. Update required by May 2021
Procurement Policy	Last updated March 2014; next review December 2021. Then review every 3 years.
Rates Postponement Policy	Required by S102 LGA; S106 LGA requires Policy to be reviewed every 3 years. Update required by May 2021
Rate Remission Policy	Required by S102 LGA; S109 LGA requires Policy to be reviewed every 6 years. Update required by May 2027.
Rate Remission for Maori Freehold Land Policy	Required by S102 & S108 LGA; Update required by 2024.
Significance and Engagement Policy	Required by S76 LGA; Update required by 2024.
Treasury Management Policy	Adopted by Council October 2020; ARC review each year
Accounting Policies	Annually
Finance and Infrastructure Policy; Revenue and Finance Policy	March each year
Risk	
Risk Management Policy	December each year
Strategic Risk Register	December each year

4 Recommendation

- 4.1 That the report on Audit and Risk Committee Workplan be received.
- 4.2 That the Audit and Risk Committee provide feedback regarding the proposed Audit and Risk Workplan

8.2 AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**Author:** Ash Garstang, Governance Administrator**Authoriser:****1 Executive Summary****1.1 Purpose of the report**

Provide Audit and Risk Committee (“the Committee”) the opportunity to review the Audit and Risk Committee Terms of Reference (“the Terms”).

1.2 Key issues

The attached Terms:

- Appear to have been last reviewed by the Committee in August 2018;
- provide for the Terms to be reviewed annually(S5).

1.3 The Terms are accordingly due to be reviewed by the Committee.**2 Recommendation****2.1 That the report “Audit and Risk Committee Terms of Reference” be received.****2.2 That the Audit and Risk Committee review the Audit and Risk Committee Terms of Reference.****ATTACHMENTS****1. Terms of reference**

Rangitikei District Council

	Audit/Risk Committee
Chair	Craig O'Connell (Independent Member)
Purpose	To ensure probity in the management of Council's operations and its assets and a close regard for minimising risk
Outcomes <i>The Council and the community are confident that.....</i>	<ul style="list-style-type: none"> the Council's financial operations and the delivery of Council services – <ul style="list-style-type: none"> (i) comply with all relevant legislation, regulations and standards; and (ii) comply with Council's own policy. the relationship with Council's auditors and other external agencies undertaking monitoring of Council's performance is meaningful and open the risks to Council's effective management and its reputation are well understood and addressed.
Terms of reference	<ol style="list-style-type: none"> Review of financial and non-financial reporting, including <ul style="list-style-type: none"> quarterly internal reports; appropriateness of accounting policies ; financial and infrastructure strategies ; oversight of periodic valuation of Council's assets; and oversight of treasury function. Risk management and system of internal controls, including <ul style="list-style-type: none"> setting the Council's appetite for risk; understanding the key risk areas including likelihood and consequences; evaluating the effectiveness of internal controls; and assessing fraud risk and procurement risk; reviewing how risk has been considered in <ul style="list-style-type: none"> the processes used to determine whether or not to enter into, continue or withdraw from shared services with one or more councils¹ and the Council's business case methodology and the instances where it is applied reviewing assurance reports from management on regulatory compliance, business resilience and other contentious matters including (for example); <ul style="list-style-type: none"> periodic audits conducted by the New Zealand Transport Agency; assessment reports on Council's role as a Building Consent Authority; reporting to external agencies required by statutory instruments²;

¹ This process may include reviews under section 17A of the Local Government Act 2002.

² For example, reporting to the Ministry for the Environment under the National Monitoring System or to Archives New Zealand under the Public Records Act.

ITEM 8.2 ATTACHMENT 1

Rangitikei District Council

	<ul style="list-style-type: none"> • undertakings made in response to the exercise of any Ministerial assistance or intervention³; • project management; • joint venture proposals; • hazard management; and • corporate policies addressing unethical, questionable or illegal activities. <p>3. External audit, including</p> <ul style="list-style-type: none"> • understanding the scope of agreements made with Council; • reviewing of management reports provided by Council's auditors; • reviewing progress with Audit recommendations; and • being a sounding board for issue arising between Council management and external auditors. <p>4. Internal audit, including</p> <ul style="list-style-type: none"> • contributing to appointment of internal auditor(s); • determining and monitoring the internal audit programme; • undertaking more intensive reviews of significant risks where the Committee considers further scrutiny is required <p>5. Annual review of the terms of reference.</p>
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³ Part 10, Local Government Act 2002.

9 REPORTS FOR INFORMATION**9.1 FEBRUARY FINANCIAL REPORT**

Author: Dave Tombs, Group Manager – Corporate Services

**1 Executive Summary****1.1 Purpose of the report**

To provide Audit and Risk Committee with a copy of Council's latest Financial Report.

1.2 Major recommendations

That the report on February Financial Report be received.

2 Context**2.1 Background**

Council's monthly Financial Report is reported to Finance and Performance Committee.

The attached Financial Report is being reported to Finance and Performance Committee on 25 March 2021 and, accordingly, is yet to be reviewed by the Finance and Risk Committee.

3 Recommendation**3.1 That the report on February Management Accounts be received.****ATTACHMENTS**

- 1. Financial Snapshot - February 2021**
- 2. Opex - Whole of Council**
- 3. Opex - Business Units**
- 4. Opex - Community & Leisure Assets**
- 5. Opex - Community Leadership**
- 6. Opex - Community Wellbeing**
- 7. Opex - Environmental & Regulatory**
- 8. Opex - Roading & Footpaths**
- 9. Opex - Rubbish & Recycling**
- 10. Opex - Water, Sewerage & Stormwater**
- 11. Capex - Capital Expenditure (Year to Date)**



MEMORANDUM

TO:	Finance & Performance Committee
COPIES:	Council
FROM:	Dave Tombs
DATE:	19 March 2021
SUBJECT:	Financial Snapshot – February 2021
Attachments:	Activity Performance Reports for the 8 Months Ended 28 February 2021
	Capital Expenditure Report for the 8 Months Ended 28 February 2021

Activity Performance Report

1. Rates revenue is \$15.025 million year to date, which is 3% below the budget of \$15.566 million. The difference of \$0.5 million predominantly relates to the unbudgeted rates remissions, partially offset by an increase in rate penalty income. A small variance is also due to rural water readings which are only conducted once or twice a year, compared to the urban water readings which are read three times a year and were last done in February.
2. The Subsidies and Grants revenue budget variance of \$3.243 million (favourable) is mainly caused by:
 - receiving unbudgeted amounts for the Three Waters Reform (\$2.41m), Community Recovery Grant (\$500k), PGF Capital Funding (\$250k), Hunterville Bore Subsidy (\$350k), a Public Toilet grant (\$78k), and
 - timing differences: road subsidy income being \$267k below budget (reflected in the Roothing Capital Expenditure being below budget), and Domains being \$133k below budget regarding receipt of public fundraising in relation to the new Marton Playground.
3. Other revenue is above budget by \$434k. This is due to:
 - the timing of revenue from dog registration fees;
 - increase in demand for resource consents (year to date is over budget by \$252k including one transaction of \$185k); and
 - increase in building consents which is currently \$98k over budget.

4. Other Comprehensive Revenue has income of \$250k against a nil budget; this is from the sale of Council owned property in Walton Street, Bulls.
5. Personnel costs year to date are \$3.509 million against a budget of \$3.201 million, a variance of \$0.3 million. This includes salaries for two full time positions that will be capitalised during March once applicable projects have been identified, and then throughout the rest of the year.
6. Other expenses at year to date are \$11.353 million, which is \$627k (5.2%) below the budget of \$11.980 million. Causes for this include:
 - Putorino Landfill clean-up has recently commenced, so while currently under budget by \$292k this will steadily balance over the next few months; and
 - Contractor expenditure being under budget due to the phasing of budgets.

Capital Expenditure Report

7. Capital expenditure is \$9.4 million compared to a year to date budget of \$24.8 million. The capital budget has been evenly profiled over the year. The attached summary shows these variances split by cost centre with the larger budgets (>\$500k) being shown separately.
8. The areas with major YTD budget variances are:
 - Roading and Footpaths has a YTD variance of \$3.8 million which predominantly relates to:
 - i. Delays on the Mangaweka Bridge due to wild animal relocations. This has a 2020/21 YTD variance of \$2.0m (budget of \$3.0m, and \$1.1m spend). Current estimates are that around \$2.9m will be spent by June 2021 and the balance will need to be carried forward to 2021/22.
 - ii. Sealed road surfacing has a YTD budget variance of \$609k which has decreased from last month's variance of \$804k (and is expected to continue to decrease as this work commenced in January).
 - iii. Turakina Valley Road has a YTD budget of \$0.7m with work expecting to start in March. This work may be classified as 'repairs' in which case the expenditure will be (unbudgeted) operating expenditure.
 - Three Waters has a YTD variance of \$7.1 million largely caused by the following:
 - i. Land purchase: YTD budget \$800k, expenditure \$0, possible year end carry over of full year budget (\$1.2m)
 - ii. Pipeline Marton to Bulls: YTD budget \$1m, expenditure \$20k, possible year carry over (\$1.2m out of full year budget of \$1.5m)
 - iii. Papakai Pump Station: YTD budget \$1m, expenditure \$76k, possible year carry over (\$1.2m out of full year budget of \$1.5m)
 - iv. Wastewater Treatment – Renewals: YTD budget \$702k, expenditure \$0k, possible year carry over (\$0.5m out of full year budget of \$1.1m). This is the Ratana disposal to land solution – work delayed due to negotiations with MfE.
 - v. New Plant: YTD budget \$400k, expenditure \$0k, possible year carry over (\$0.5m out of full year budget of \$0.6m)

- Domains has a budget variance due to delays on work at Taihape Memorial Park; with the majority of the \$2m full year budget possibly being carried forward to 2021/22 and 2022/23.
- Libraries has a variance of \$1.3 million which is largely due to timing of expenditure on the construction of the new Marton Admin and Library building. This has a full year budget of \$2m but a large proportion of this may be carried forward to 2021/22.
- Swim Centres variance of \$0.4 million as the work related to this is to commence during winter closing months, with approximately half of the funds possibly being carried forward to next financial year.

9. The Property Department has a variance of \$0.1 million relating to the King Street Depot and alternations to the High Street building, neither of which were allocated a budget for 2020/21.

Treasury and Debt

10. At 28 February 2021 the Council had \$5.4 million available for immediate needs and \$7m in term deposits.
11. Rangitikei District Council has not drawn down any debt in the 2020/21 financial year. The debt balance at 28 February is \$3 million.

Significance and Engagement Policy

12. This paper is for noting and as such is considered Low in terms of Council's Significance and Engagement Policy.

Recommendation

13. That the report 'Financial Snapshot – February 2021' to the Finance and Performance Committee meeting be received.

Dave Tombs
Group Manager, Corporate Services

Rangitikei District Council
 Whole of Council
 Activity Performance Report
 For the 8 months ended 28 February 2021

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	(10,659)	(7,417)	3,243	43.72%	(11,125)
Other Revenue	(2,399)	(1,965)	434	22.11%	(2,947)
Finance Revenue	(7)	(81)	(74)	-91.40%	(121)
Other Comprehensive	(250)	0	250	100.00%	0
Rates	(15,025)	(15,566)	(540)	-3.47%	(23,349)
Total	(28,341)	(25,028)	3,313	13.24%	(37,542)
Expense					
Other Expenses	11,353	11,980	627	5.23%	17,970
Personnel Costs	3,509	3,201	(308)	-9.62%	4,801
Finance Costs	37	92	54	59.23%	138
Depreciation and Amortisation	8,197	8,287	90	1.09%	12,430
Internal Charges and Recoveries	0	32	32	100.00%	48
Total	23,096	23,591	495	2.10%	35,386
Grand Total	(5,245)	(1,437)	3,808	265.02%	(2,156)

Commentary regarding these variances is included on the accompanying summaries.

*Report Contains Filters

ITEM 9.1 ATTACHMENT 3

Rangitikei District Council
Business Units
Activity Performance Report
For the 8 months ended 28 February 2021

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	(2)	0	2	100.00%	0
Other Revenue	(16)	(16)	(0)	-3.08%	(24)
Finance Revenue	(7)	(81)	(74)	-91.40%	(121)
Other Comprehensive	0	0	(0)	-100.00%	0
Rates	1,037	656	(382)	-58.18%	984
Total	1,013	559	(454)	-81.17%	839
Expense					
Other Expenses	1,750	1,933	183	9.46%	2,899
Personnel Costs	2,944	2,707	(237)	-8.77%	4,061
Finance Costs	37	(615)	(652)	-106.08%	(923)
Depreciation and Amortisation	257	304	47	15.56%	457
Internal Charges and Recoveries	(4,866)	(4,806)	60	1.25%	(7,208)
Total	123	(476)	(600)	-125.86%	(715)
Grand Total	1,136	83	(1,053)	1275.07%	124

Variances > \$100k : Comments

Rates Revenue	Rate penalties revenue is \$241k over budget; while rate remissions given out have totalled \$565k to date with no budget.
Other Expenses	Variance is largely due to timing differences relating to the phasing of budgets (eg audit costs)
Personnel Costs	Three full time positions (HR Manager, ISSP Manager, PMO) were not budgeted for in 20/21; two full time positions currently included that will be capitalised out.
Finance Costs	These will remain over budget for the year as Internal Interest Charges received from the Activity Cost Centres are not recorded until year end.

*Report Contains Filters

**Rangitikei District Council
Community & Leisure Assets
Activity Performance Report
For the 8 months ended 28 February 2021**

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	(406)	(151)	254	167.89%	(227)
Other Revenue	(466)	(445)	21	4.73%	(668)
Other Comprehensive	(250)	0	250	100.00%	0
Rates	(2,780)	(2,794)	(13)	0.00%	(4,191)
Total	(3,902)	(3,390)	512	15.09%	(5,086)
Expense					
Other Expenses	1,374	1,417	43	3.05%	2,126
Personnel Costs	0	0	0	0.00%	0
Finance Costs	0	129	129	100.00%	193
Depreciation and Amortisation	698	703	5	0.73%	1,054
Internal Charges and Recoveries	1,232	1,194	(38)	-3.19%	1,791
Total	3,304	3,443	139	4.03%	5,164
Grand Total	(598)	53	651	1236.06%	79

Variances > \$100k : Comments

Subsidies and Grants Revenue	Unbudgeted subsidies from PGF for \$250k received for Halls and from MBIE \$78k for Public Toilets; partially offset by timing difference regarding the receipt of public fundraising in relation to the Marton Playground.
Other Comprehensive	Income from the sale of the Walton Street, Bulls house.
Finance Costs	These will remain under budget for the year as Internal Interest Charges paid by the Activity Cost Centres are not recorded until year end.

*Report Contains Filters

ITEM 9.1 ATTACHMENT 5

Rangitikei District Council
Community Leadership
Activity Performance Report
For the 8 months ended 28 February 2021

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Other Revenue	(1)	0	1	100.00%	0
Rates	(853)	(847)	5	0.63%	(1,271)
Total	(854)	(847)	6	0.76%	(1,271)
Expense					
Other Expenses	382	452	70	15.42%	678
Finance Costs	0	2	2	100.00%	3
Depreciation and Amortisation	1	1	0	0.17%	2
Internal Charges and Recoveries	389	392	4	0.91%	589
Total	772	847	75	8.85%	1,271
Grand Total	(81)	0	81	100.00%	0

Variances > \$100k : Comments

*Report Contains Filters

**Rangitikei District Council
Community Wellbeing
Activity Performance Report
For the 8 months ended 28 February 2021**

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	(535)	(41)	494	1194.70%	(62)
Other Revenue	(16)	(15)	2	10.77%	(22)
Other Comprehensive	0	0	0	0.00%	0
Rates	(993)	(951)	42	4.39%	(1,427)
Total	(1,544)	(1,007)	537	53.31%	(1,511)
Expense					
Other Expenses	589	847	259	30.52%	1,271
Personnel Costs	110	77	(33)	-43.66%	115
Finance Costs	0	1	1	100.00%	2
Depreciation and Amortisation	3	4	0	10.12%	5
Internal Charges and Recoveries	368	388	19	4.99%	582
Total	1,071	1,317	246	18.69%	1,975
Grand Total	(474)	309	783	253.14%	464

Variances > \$100k : Comments

Subsidies and Grants Revenue

Unbudgeted grants totalling \$500k for Community Recovery.

Other Expenses

Putorino Landfill Cleanup is under budget by \$292k as work has only recently commenced. Community Recovery grants expenses are unbudgeted for (though offset by the corresponding unbudgeted income) and are at \$171k. District Promotions is also under budget (\$75k).

*Report Contains Filters

ITEM 9.1 ATTACHMENT 7

**Rangitikei District Council
Environmental & Regulatory
Activity Performance Report
For the 8 months ended 28 February 2021**

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	1	0	(1)	-100.00%	0
Other Revenue	(1,282)	(839)	442	52.70%	(1,259)
Rates	(816)	(810)	6	0.70%	(1,216)
Total	(2,097)	(1,650)	447	27.10%	(2,475)
Expense					
Other Expenses	391	425	33	7.88%	637
Personnel Costs	455	417	(37)	-8.92%	626
Finance Costs	0	2	2	100.00%	3
Internal Charges and Recoveries	847	904	57	6.27%	1,356
Total	1,694	1,748	55	3.13%	2,622
Grand Total	(403)	98	502	509.80%	148

Variances > \$100k : Comments

Other Revenue

Dog registrations are largely collected at the beginning of the financial year, whereas the income budget has been evenly distributed for each month; Resource Consents are over budget by \$252k (mainly influenced by one transaction worth \$185k) and Building Consents over budget by \$98k.

*Report Contains Filters

Rangitikei District Council
Roading & Footpaths
Activity Performance Report
For the 8 months ended 28 February 2021

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	(6,957)	(7,224)	(267)	-3.69%	(10,836)
Other Revenue	(75)	(101)	(26)	-26.12%	(152)
Other Comprehensive	0	0	0	0.00%	0
Rates	(4,591)	(4,647)	(56)	-1.20%	(6,970)
Total	(11,623)	(11,972)	(349)	-2.91%	(17,958)
Expense					
Other Expenses	3,514	3,891	377	9.68%	5,836
Finance Costs	0	24	24	100.00%	36
Depreciation and Amortisation	5,185	5,185	(0)	0.00%	7,777
Internal Charges and Recoveries	675	649	(27)	-4.09%	973
Total	9,374	9,749	374	3.84%	14,623
Grand Total	(2,249)	(2,223)	25	1.14%	(3,335)

Variances > \$100k : Comments

Subsidies and Grants Revenue	Subsidised roading is still under budget as the capital work continues over the summer and autumn months, with a corresponding amount of NZTA subsidies waiting on further work completion.
Other Expenses	Roading is under budget for External Contractors (\$503k) as some work has yet to be completed; but over budget (\$123k) in Pavement and Environmental Maintenance, which includes the removal of dangerous rural trees.

*Report Contains Filters

ITEM 9.1 ATTACHMENT 9

Rangitikei District Council
 Rubbish & Recycling
 Activity Performance Report
 For the 8 months ended 28 February 2021

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Other Revenue	(459)	(377)	82	21.65%	(566)
Other Comprehensive	0	0	0	0.00%	0
Rates	(674)	(668)	5	0.81%	(1,003)
Total	(1,133)	(1,046)	87	8.33%	(1,569)
Expense					
Other Expenses	914	865	(49)	-5.69%	1,297
Finance Costs	0	3	3	100.00%	5
Depreciation and Amortisation	64	82	18	22.10%	123
Internal Charges and Recoveries	98	96	(2)	-2.42%	143
Total	1,076	1,046	(30)	-0.29%	1,569
Grand Total	(57)	0	57	142964.45%	0

Variances > \$100k : Comments

*Report Contains Filters

Rangitikei District Council
Water, Sewerage & Stormwater
Activity Performance Report
For the 8 months ended 28 February 2021

	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 YTD Variance February	2020/21 YTD Percentage Variance February	2020/21 Full Year Budget
	\$000	\$000	\$000		\$000
Revenue					
Subsidies and Grants	(2,760)	0	2,760	100.00%	0
Other Revenue	(84)	(171)	(86)	-50.64%	(256)
Other Comprehensive	0	0	0	0.00%	0
Rates	(5,356)	(5,504)	(148)	-2.69%	(8,256)
Total	(8,201)	(5,675)	2,526	44.52%	(8,512)
Expense					
Other Expenses	2,438	2,150	(288)	-13.41%	3,225
Finance Costs	0	546	546	100.00%	819
Depreciation and Amortisation	1,989	2,008	19	0.94%	3,011
Internal Charges and Recoveries	1,255	1,214	(41)	-3.36%	1,821
Total	5,682	5,918	236	3.99%	8,877
Grand Total	(2,519)	243	2,762	1135.80%	365

Variances > \$100k : Comments

Subsidies and Grants Revenue	Three Waters reform subsidy of \$2.41m received but not budgeted for; and a grant of \$350k for Hunterville Bore also unbudgeted for.
Rates Revenue	Metered Water supply charges for Urban areas was completed in February; however the rural schemes are only read one or two times a year - next reading for most of them is due in May.
Other Expenses	External contractors for District Water are over budget by \$184k; insurance costs are over budget by \$22k; and other operating expenses such as electricity and consumables are over budget by \$87k.
Finance Costs	Internal Interest Charges are not calculated until year end.

*Report Contains Filters

Rangitikei District Council
Capital Expenditure Report
For the 8 months ended 28 February 2021

Account	2020/21 YTD Actuals February	2020/21 YTD Budgets February	2020/21 Full Year Budget
Business Units	341,877	572,992	859,475
3000. Fleet Management	23,616	90,000	135,000
3600. Information Services	204,574	482,992	724,475
4000. Policy and Democracy	2,316	0	0
4100. Property	111,371	0	0
Community & Leisure Assets	2,285,388	6,503,800	9,755,653
1300. Cemeteries	39,760	137,136	205,703
1900. Community Housing	7,794	112,128	168,192
2600. Domains	235,439	1,561,416	2,342,107
Key Projects (Budget > \$500k)			
4410170611. -60.1 Taihape Memorial Park	26,970	1,333,336	2,000,000
3100. Forestry	69,373	70,000	105,000
3200. Halls	1,780,111	2,572,176	3,858,254
Key Projects (Budget > \$500k)			
40901706. Bulls Community Centre-LTPid62	1,515,659	0	0
4090174501. Additional Funding for Capital on Bulls Centre	17,903	1,363,272	2,044,913
4090174502. Bulls Bus Lane and Hub	5,290	523,584	785,373
3700. Libraries	65,734	1,413,416	2,120,118
Key Projects (Budget > \$500k)			
4080170605. 68: New Marton Admin & Library - Construction	14,280	1,316,448	1,974,670
4300. Public Toilets	71,177	221,336	332,005
4500. Real Estate	16,000	0	0
5100. Swim Centres	0	416,192	624,274
Community Wellbeing	5,210	0	0
3400. Information Centres	5,210	0	0
Roading & Footpaths	4,529,089	8,367,263	12,550,887
3800. Non-Subsidised Roothing	4,625	599,876	899,807
5000. Subsidised Roothing	4,524,464	7,767,382	11,651,077
Key Projects (Budget > \$500k)			
70100781. Sealed Road Pavement Rehabilitation	1,033,323	684,432	1,026,648
70100782. Drainage Renewals	445,382	419,040	628,560
70100787. Sealed Road Surfacing	357,558	966,168	1,449,250
7010079403. Turakina Valley Road	0	712,432	1,068,646
7010079601. Mangaweka Bridge Construction	1,115,024	2,993,128	4,489,686
7010079602. Mangaweka Bridge Construction MSQA	83,187	246,664	370,000
Water, Sewerage & Stormwater	2,252,121	9,328,664	13,993,000
4900. Stormwater	103,999	970,176	1,455,270
5600. Waste Water - Sewerage	328,965	4,436,904	6,655,348
6070176204. 52: Wastewater Reticulation - Renewals	242,962	400,000	600,000
6070176205. 89: Wastewater Treatment - Renewals	0	701,800	1,052,700
6070176206. 54.1: Pipeline Marton to Bulls	19,950	1,000,000	1,500,000
6070176207. 54.2: Land Purchase	0	800,000	1,200,000

*Report Contains Filters

6070177109. Papakai Pump Station Replacement	75,761	1,000,000	1,500,000
5700. Water - District	1,784,582	3,464,920	5,197,370
6060174501. 117.1: New Plant	0	400,000	600,000
6060176316. Ren- Retic Bulls Reservoir -LTPid37.5	664,171	1,066,000	1,599,000
6060176322. 37.4: Marton WIP and Dam Renewals	16,433	646,664	970,000
6060176324. 37.1: Taihape falling main replacement	0	421,080	631,620
5800. Water - Hunterville Urban	7,208	229,992	345,000
5900. Water Supply Erewhon	0	190,880	286,324
6000. Water Supply Hunterville Rural	23,215	31,584	47,372
6100. Water Supply Omatane	4,151	4,208	6,316
Grand Total	9,413,684	24,772,719	37,159,015

*Report Contains Filters

9.2 MONTHLY HEALTH & SAFETY DASHBOARDS**Author:** Ash Garstang, Governance Administrator**Authoriser:****1 Executive Summary**

- 1.1 This report provides members of the Audit and Risk Committee with copies of Councils monthly health and safety dashboards for January 2021 and February 2021.

2 Context

- 2.1 Council's health and safety dashboards (dashboards) provide key health and safety information, monthly event data and year to date trends. The dashboards also identify critical risk categories and provide information on current health and safety initiatives.
- 2.2 The dashboards support members to exercise their due diligence obligations under the Health and Safety at Work Act 2015 (the Act) and provide up to date information about incidents, hazards and risks.
- 2.3 The dashboard for the period ending 31 January 2021 was presented to the Council meeting held on 25 February 2021. The dashboard for the period ending 25 February will be presented to Council at its meeting to be held on 25 March 2021. The dashboards are presented as part of the Chief Executives Report to Council.
- 2.4 Some minor changes (enhancements) were made to the February dashboard, including the renaming of 'incidents' to 'events', inclusion of actual dates, and clarification that the location section includes incidents, hazards and near misses.
- 2.5 The dashboard for the period ending 31 January includes four new incidents, none of which were notifiable.
- 2.6 The dashboard for the period ending 28 February 2021 includes five new events, of which two were notifiable incidents (non-serious harm). Both notifiable incidents involved Council contractors and are being investigated.
- 2.7 The dashboards show the common risk areas (year-to-date) as being abusive behaviour, cut, slip/trip/fall, and motor vehicle incidents.

3 Recommendation

- 3.1 That the report on Councils Monthly Health and Safety Dashboard be received.

ATTACHMENTS

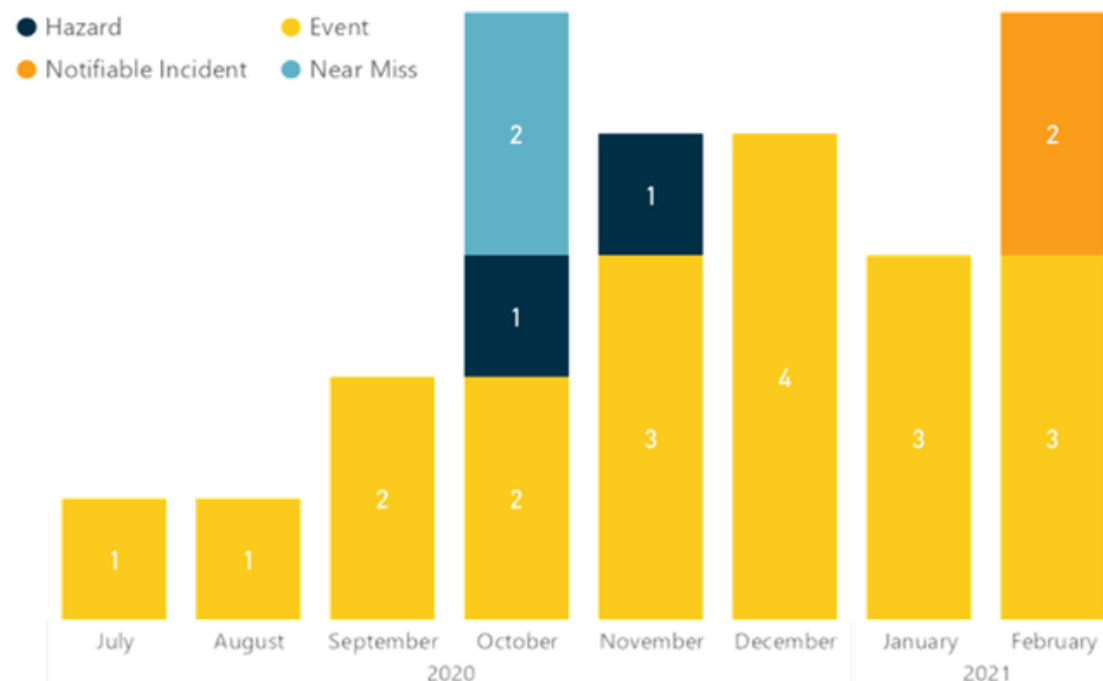
1. Health and Safety Dashboard - February 2021
2. Health and Safety Dashboard - January 2021



Rangitikei District Council Health & Safety

Events, Hazards and Near Misses

01 July 2020 to date



This month

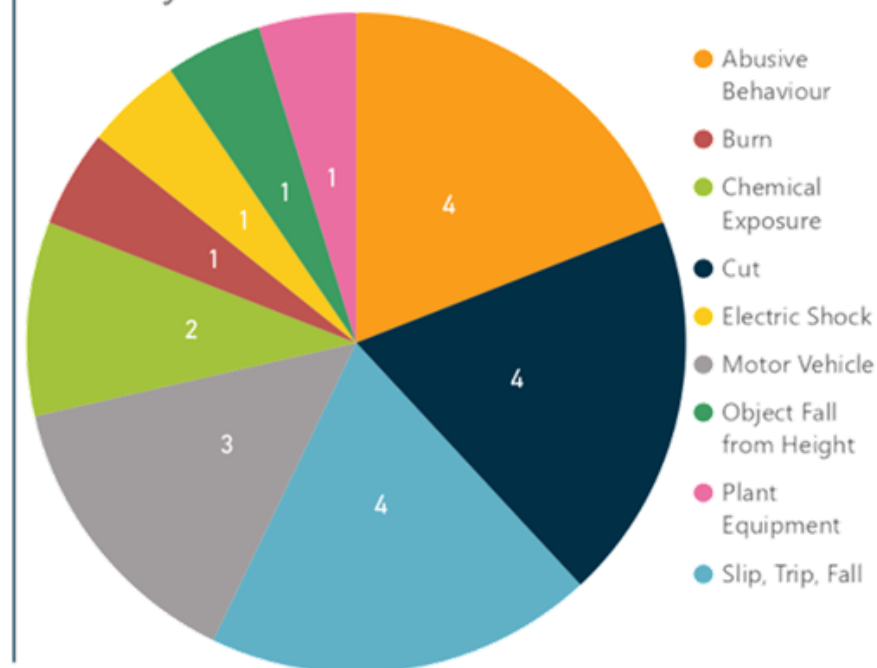
February 2021

5 Events
2 Notifiable Incidents
0 Notifiable Illness/Injuries

0 Near Misses
0 Hazards

Event Category

01 July 2020 to date



Wellbeing News

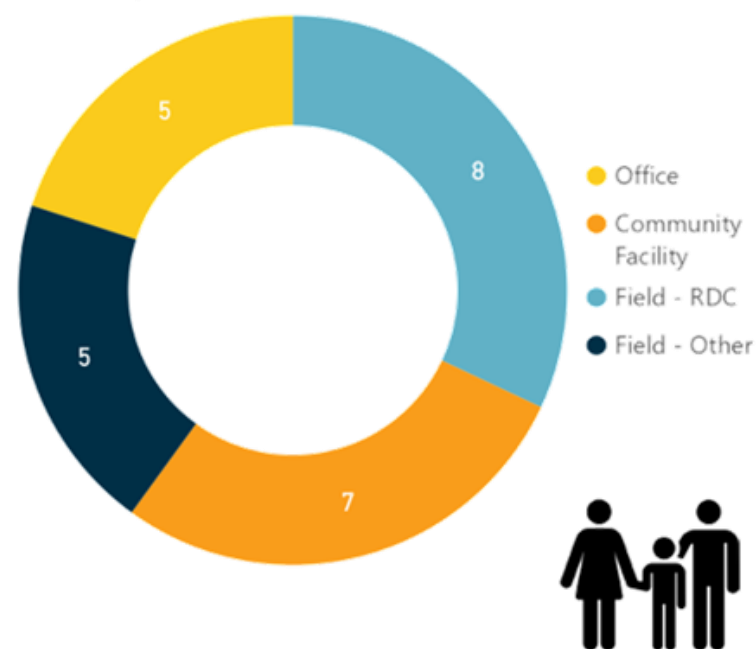
A reminder of a couple of **benefits** you can access within our Wellbeing Programme:

- Our Employee Assistance Programme (Vitaē) is a confidential counselling service which can be accessed by phoning 0508 664 981, or by emailing assistance@vitaē.co.nz
- Flu Vaccinations and Buccaline Tablets will be offered to all staff ahead of the flu season. More information will be provided soon on when these will be available.

If you have any questions, ideas or feedback on our Wellbeing Programme, please contact Sharon, Christin or Marcelle.

Location

Events, Hazards and Near Misses



Driver Ratings

	Dec 2020	Jan 2021	Feb 2021
★★★★★	3	5	3
★★★★	7	2	4
★★★	11	20	18
★★	16	9	12
★			

Coming Up

- Adoption of the Site Wise Contractor Pre-Qualification process, 1 March 2021
- SafePlus Assessment on 30/31 March 2021
- Training and issuing of the Guardian Angel/Everywhere Lone Worker devices April 2021

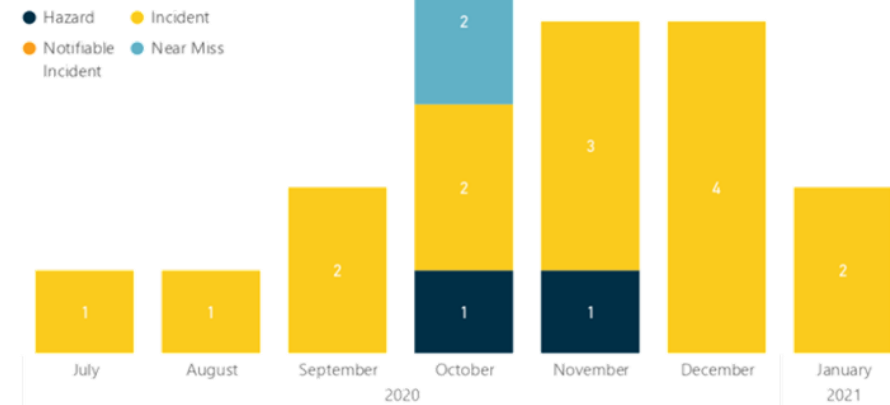




Rangitikei District Council Health & Safety

Incidents, Hazards and Near Misses

Year to date



This month

4 Total New Records

4

New Incidents

0

New Hazards

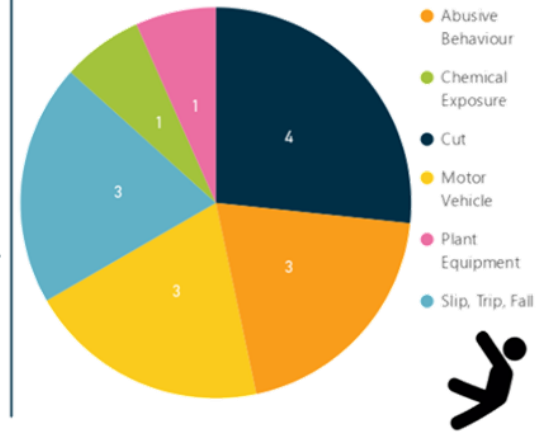
0

New Notifiable Incidents

0

New Near Misses

Incident Category Year to Date



Wellbeing News

Healthy Food Guide Website

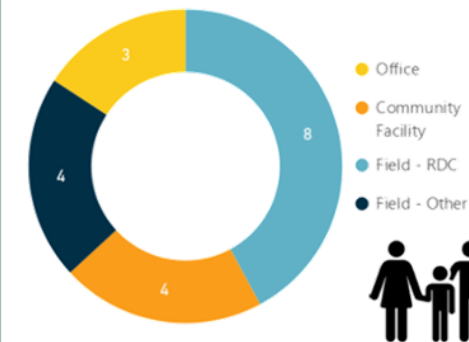
Don't forget all the great benefits that are available on the HFG website. It is great to see that 40 staff have active accounts outside of work and have accessed the website on 54 unique devices.

To activate your account email Tim at wellness@healthyfood.co.nz

Reminder of a couple of other wellbeing opportunities for staff to access:

- Free membership to our swimming pools and libraries
- Subsidy towards eye examinations and lenses

Location



Data adapted from 'Accident Incident Hazard Register 2016 excel.xlsx' and 'Draft Memo Re Leadership Board Changes.docx'. Snapshot of information as at 21 January 2021

Driver Rating

	Oct 2020	Nov 2020	Dec 2020
★★★★★	4	1	3
★★★★	3	5	7
★★★	16	20	11
★★	13	11	16
★			

Events Coming Up

- Health & Safety Committee Meeting 5 February 2021
- Migration to the SiteWise Contractor Health & Safety Pre-Qualification process, Feb 2021
- Site Safe Audit on 30-31 March 2021
- Implementation of Lone Worker safety devices, coming soon

9.3 RISK MANAGEMENT FRAMEWORK**Author:** Dave Tombs, Group Manager – Corporates Services**1 Executive Summary****1.1 Purpose of the report**

To provide Audit and Risk Committee with an overview of the type of Risk Management Framework the Executive Leadership Team (“ELT”) is planning to develop.

1.2 Major recommendations

That the report on Risk Management Framework (“RMF”) be received.

2 Analysis

2.1 Attached to this Report is a copy of another Council’s Risk Management Framework. Even though this other council is a larger, Australian city council, there are numerous aspects of their RMF that would be relevant to us.

2.2 ELT is accordingly planning to develop a framework that is expected to be similar to the one included in the Introduction section of the attached. Indeed, ELT has already developed a Departmental Risk Register that it proposes to introduce during 2021. A copy is also attached to this Report.

3 Recommendation

3.1 That the report on Risk Management Framework be received.

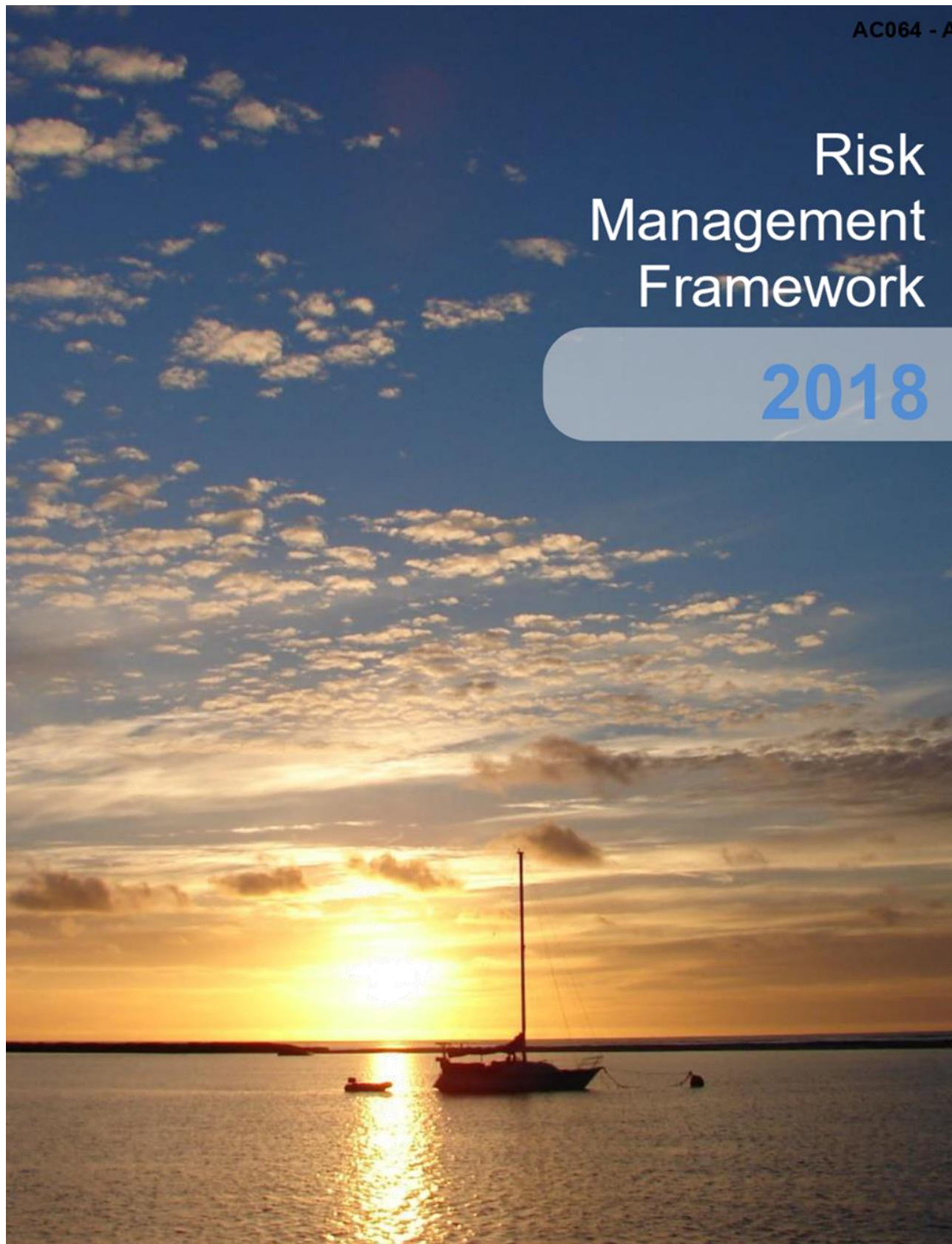
ATTACHMENTS

- 1. Risk Management Framework 2018**
- 2. Risk Management Register**

AC064 - A

Risk Management Framework

2018



Introduction

This document provides an overview of the City of Greater Geraldton's (the 'City') Risk Management Framework (the 'Framework').

The City's Framework is a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the City.

- The foundations are documented within the City's Risk Management Policy which articulates the outcome based objectives and management commitment to managing all risks responsibly across all areas of the City's operations.
- The organisational arrangements are:
 - Culture – Risk culture is the impact of organisational culture on risk management. It is not therefore separate to organisational culture, but reflects the influence of organisational culture on how risks are managed.
 - Risk Management Improvement Strategy – This sets out the plan and actions to enhance the effectiveness of the framework over the next 12 months. It includes the technical aspects of framework development and education activities to improve staff awareness.
 - Risk Appetite & Tolerance Policy – This sets out the amount and type of risk that the City is prepared to pursue, retain or take in order to meet objectives.
 - Operational Model – Detailed in this document, it describes relationships and accountabilities; including the relevant assessment criteria, reporting structure and framework review process.
 - Risk Management Procedures – The procedures, roles, responsibilities, timings, tools and templates to adequately perform risk management activities in accordance with the Policy.

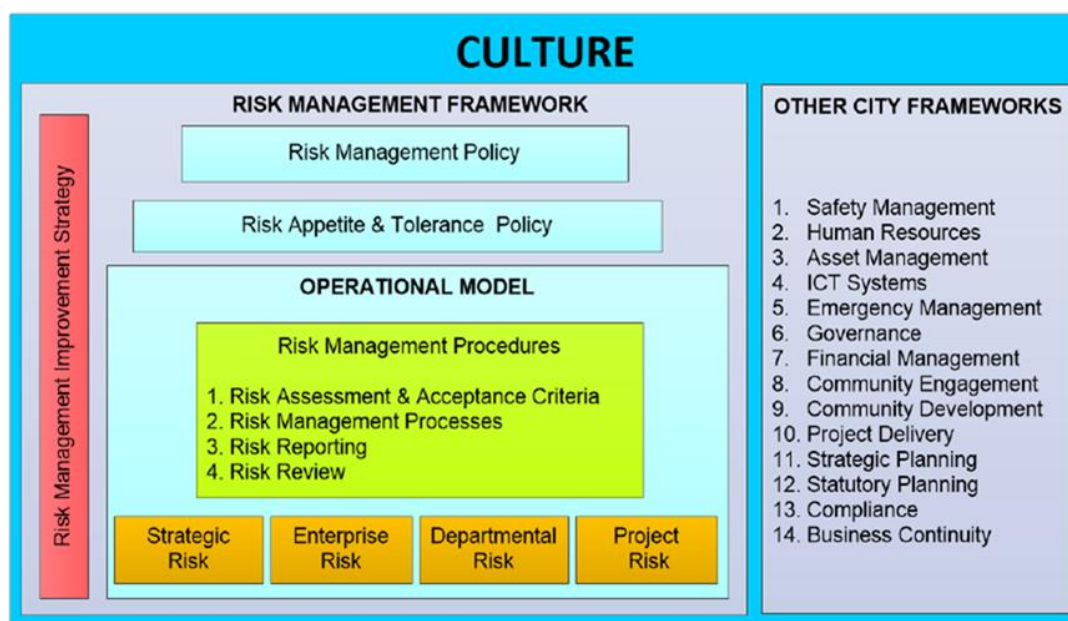


Figure 1: Diagram representing the City's Risk Management Framework and interaction with other frameworks

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the City along with existing time, resource and workload pressures.

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1. RISK CULTURE

Risk culture is the way the City's employees identify, understand, discuss and act on the risks confronted or taken.

There are both formal and informal elements that influence risk culture:

- Formal – Governance structures provide important frameworks through which appropriate behaviours can be encouraged and supported and poor behaviours can be identified and acted upon.
- Informal – Expectations and behavioural practices through demonstrated actions against the City's STARS values.

Council and the City's Executive Management Team (EMT) have a key role in promoting risk management as a vital business principle and in allocating sufficient resources for risk management activities. All employees, contractors, and volunteers also have a part to play in identifying risks and actively managing risks within their sphere and scope of work.

Risk management is a vital business management practice which is not an optional tack on. To ensure the process is managed, it must always be demonstrated through the integrated planning and reporting process and mandated in all operational functions and services.

The City's leaders will support and encourage a positive risk culture by:

- Empowering management and employees to manage risks effectively;
- Acknowledging, rewarding and promoting good risk management;
- Having processes that promote learning from errors, rather than punishing;
- Encouraging discussion and analysis of unexpected results, both positive and negative.

2. Risk Management Policy

The City is committed morally and financially to the concept and resourcing of risk management. The policy states the outcome based objectives and commitments to managing risks and contains the following components:

- Rationale for managing risks
- Linkage between the City's objectives and other related policies
- Accountabilities and responsibilities for managing risks
- Conflicts of interests
- Commitment to resourcing the risk management functions
- Performance measures
- Continual review and improvement of the policy

3. Risk Appetite & Tolerance Policy

The City's Risk Appetite & Tolerance Policy provides guidance to drive the City's approach to risk, ensuring alignment and consistency across all areas.

Guidance is provided through qualitative statements in specific areas of strategic, operational and project activities. All employees must make themselves aware of the City's risk appetite and tolerance in their areas of responsibilities so that they become familiar with the risks that can be pursued, accepted or avoided.

4. Risk Management Improvement Strategy

All effective frameworks have a requirement to continually improve; the Risk Management Framework is no different. The City strives for best practice in the management of risks and will document and manage the improvement strategy on an ongoing basis. There will be a minimum of two components to the strategy; technical development and employee awareness; both improving the maturity of risk management throughout the City.

5. Operational Model

The City has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the framework and risk appetite and tolerance, the Council, Audit Committee, Executive Management and the Community will have assurance that risks are managed effectively to support the delivery of the Community Strategic, Corporate Business and Operational Plans.

5.1 Three Lines of Defence

5.1.1 First Line of Defence

All operational areas of the City are considered '1st Line'. They are responsible for ensuring that risks (within their scope of operations) are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include;

- Establishing and implementing appropriate processes and controls for the management of risk (in line with the framework).
- Undertaking adequate analysis (data capture) to support the risk informed decision.
- Prepare risk acceptance proposals where necessary, based on level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

5.1.2 Second Line of Defence

The Manager of Corporate Services acts as the primary '2nd Line'. This position owns and manages the Framework. They draft and implement the Framework components and provide the necessary tools and training to support the 1st line process.

Maintaining oversight on the application of the Framework provides a transparent view and level of assurance to the 1st & 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the City's risk reporting for the Executive Management Team, Risk Management Committee, Audit Committee and Council.

5.1.3 Third Line of Defence

Internal & External Audit are the third line of defence, providing independent assurance to the Council, Audit Committee and City Management on the effectiveness of business operations and oversight frameworks (1st & 2nd Line).

- **Internal Audit** – Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of will be determined by the CEO with input from the Audit Committee.
- **External Audit** – Appointed by the Council on the recommendation of the Audit Committee to report independently to the Mayor and CEO on the annual financial statements, and the review of the effectiveness of operational controls required by Local Government Audit Regulation 17.

5.2 Review

This Framework is to be reviewed on a biennial basis in line with the Local Government Audit Regulations (regulation 17 – CEO to review certain systems and procedures). Specific requirements within the framework that require review are detailed in the Department of Local Governments Guideline number 9, Appendix 3. Local Government Components within the Framework will be subject to continual review / improvement as driven by the City's operational requirements as follows:

1. Policy – biennial
2. Strategic management model (Community Strategic Plan) – biennial
3. Operational Model (Corporate Business Plan, Budget, Capital & Renewal Program) – annually
4. Risk Appetite & Tolerance Policy – biennial or when material changes occur that warrant a review.
5. Risk Management Process – annually or when material changes to operations occur or when process improvements are identified and approved.
6. Risk Reporting Process – annually or when material changes to operations occur or when process improvements are identified and approved.

5.3 Operating Relationships & Accountabilities

The following diagram depicts the current operating structure for risk management within the City.

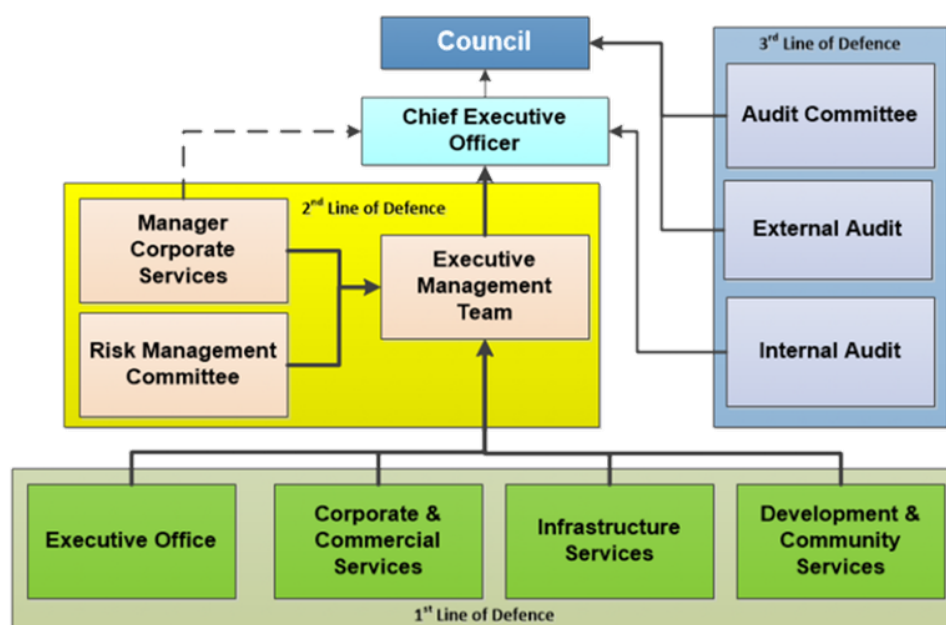


Figure 2: Diagram depicting the current operating structure for risk management within the City

5.4 Roles & Responsibilities

5.4.1 Council

- Adopt and review the City's Risk Management Framework, Risk Policy and Risk Appetite & Tolerance Policy.
- Establish and maintain an Audit Committee in terms of the Local Government Act.
- Ensure responsible and effective decision making through the delegated authority framework.
- Appoint / Engage External Auditors to report on financial statements annually.
- Be satisfied that risks are identified, managed & controlled appropriately to achieve Council's Strategic Objectives.

- Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities.

5.4.2 Audit Committee

- Monitor and review the appropriateness and effectiveness of the Risk Management Framework and improvement strategies.
- Monitor changes to City's risk profile and highlight material changes to Council.
- Support Council to drive effective corporate governance.

5.4.3 Chief Executive Officer (CEO)

- Own, promote and drive the effective implementation of the Risk Management Framework for all functions across City operations.
- Provide the Audit Committee and Council with regular reports on the risks being managed by the City.
- Review the appropriateness and effectiveness of the Risk Management Framework and provide a written report to the Audit Committee (at least biennially).
- Drive consistent embedding of a risk management culture by encouraging openness and honesty in the reporting and escalation of risks.
- Ensuring resources are appropriately allocated throughout the organisation to meet the City's risk management requirements.
- Ensure risk is considered in the decision making process.
- Liaise with Council in relation to risk acceptance requirements.

5.4.4 Executive Management Team

- Support the CEO in promoting and driving the effective implementation of the Risk Management Framework for all functions across City operations.
- Act as the overarching 'Risk Committee' for the City.
- Drive appropriate activities through the Risk Management Committee (RMC).
- Monitor and review the regular risk reports and Framework implementation activities from the RMC.
- Ensure risk is considered in the decision making process.
- Ensure the appropriate delegation, risk appetite and tolerance and the broader risk acceptance criteria are implemented.
- Identify, manage and / or escalate strategic risks as appropriate.

5.4.5 Risk Management Committee (RMC)

- Facilitate the Risk Management Improvement Strategy.
- Champion risk management within individual Branches and Directorates.
- Support the Risk Management Reporting Process.

5.4.6 Directors

- Promote and drive the effective implementation of the Risk Management Framework for all Branches within their Directorates.
- Drive consistent embedding of a risk management culture by encouraging openness and honesty in the reporting and escalation of risks within their Directorate.

- Encourage cross – Directorate interactions in the management of the City's risks.
- Ensure resources are appropriately allocated throughout individual Directorates to manage operational (and where necessary strategic, enterprise and project) risks in line with the City's risk appetite.
- Ensure branches are regularly applying the Risk Management Process to record and manage specific risks.

5.4.7 Manager, Corporate Services

- Manage the Risk Management Framework and drive the 'Line 2' function of the Operational Model.
- Facilitate the support of other Branches in the management of 'Line 2' functions, examples include but are not limited to:
 - ICT – Disaster recovery management, systems and data access, use and employee profile management.
 - HR – Management of employee / contractors risk awareness training, safety and security practices and the support of performance management programs.
 - Treasury & Finance – Oversight of the delegations framework in respect of procurement activities.
- Ensure the 'risk' resources within Corporate Services are adequate to meet the requirements of the City's Risk Management Framework (Skills, knowledge and allocation)
- Provide support to all Branches within the City in the application of the Risk management Framework.
- Own, drive and promote the risk management framework delivery program for the City.
- Own, drive and promote the Business Continuity Management (BCM) program for the City.
- Escalate issues to EMT or the CEO where risks are not being effectively managed i.e. overdue, non-compliant or high and extreme emergent risk issues.

5.4.8 Managers

- Promote and drive the effective implementation of the Risk Management Framework for all areas under their control.
- Support the Risk Management Process by ensuring risks are identified, recorded and managed.
- Incorporate 'risk management' into team activities / meetings by openly discussing the following:
 - New or emerging risks.
 - Review existing risks.
 - Control adequacy.
 - Outstanding issues and actions.
- Drive consistent embedding of a risk management culture by encouraging openness and honesty in the reporting and escalation of risks within their Departments.
- Ensure resources are appropriately allocated throughout Departments to manage operational (and where necessary strategic, enterprise and project) risks in line with the City's risk appetite and tolerance.
- Ensure risk treatment and action plans are current, and ensure all Promapp sign offs include adequate evidence of compliance.
- Ensure appropriate education and awareness initiatives are provided to all employees.

5.4.9 Project Managers

- Ensure risk management is applied to all projects in accordance with the Project Delivery Framework.

- Identify, record, report and manage risks throughout the lifecycle of the project.
- For projects classified as Major Projects ensure that all risks, treatments and actions are recorded through Promapp to assist in the risk reporting and governance frameworks.
- In conjunction with Corporate Services undertake risk assessments related to 3rd party liability risk and implement prioritised mitigation strategies.
- Ensure that when Contractor insurance is required for a project that the insurance is maintained for the life of the project.
- Undertake risk management plans for all proposed projects in consultation with the relevant stakeholders.
- Ensure design and construction includes agreed features to minimise future risk.
- Ensure risk treatment and action plans are current, and ensure all Promapp sign offs include adequate evidence of compliance.

5.4.10 Employees & Contractors

- Report to management on risks that exist within their area, without fear of recrimination.
- Adopt the City's principles of risk management and comply with all policies, procedures and practices relating to risk management.
- Perform duties in a manner that is within an acceptable level of risk to their health and safety, and that of other employees and the community.
- Comply with quality assurance procedures where applicable.
- Make risk control and prevention a priority when undertaking tasks.
- Report any hazard or incidents as detected to their Manager or the City Responsible Officer (for contractors).
- Ensure risk treatment and action plans are current, and ensure all Promapp sign offs include adequate evidence of compliance.

5.4.11 Promapp Risk Manager

- Administer the Promapp Risk Module
- Report risk matters to Manager Corporate Services
- Monitor and report on all risk and associated treatment status in Promapp
- Undertake quality assurance audits of all risk and treatments to ensure alignment to City Risk Management Framework.

6. Strategic Management Model

Risk management activities are a key part of all business processes. In particular, there is a strong relationship between the risk management process and the cycle of corporate and operational planning activities, as seen in figure 3 below. As the vision, strategy and business objectives are established for each City service unit, so too should related risks be identified and assessed.

When strategic and corporate plans and budgets are prepared; City service units should identify and assess risks to their objectives, leading to a ranking of risks, and finally, to the establishment of appropriate risk treatments and controls. However, it is important to remember that risk management is not a once a year process, risk management is embedded in everyday business management and planning.



Figure 3 – City's strategic management processes which involves risk management at each step

To embed risk management as an integral part of the City's operations it is necessary to:

- ensure risk management processes are included in, and seen as integral to, the City's corporate business planning, budgeting and reporting processes;
- ensure risk management is integrated with other governance practices such as audit, legal and regulatory compliance, disaster management and business continuity;
- incorporate risk management into continuous improvement programs;
- tie risk management objectives to each relevant project, activity or work groups;
- include the outcome of risk management activities in reporting of programs, reviews and evaluation processes; and
- incorporate risk management into performance appraisals of employees.

7. Risk Management Process

The City uses the Promapp Risk Module to store, document and report on the City's Risks and treatments.

The risk management process is standardised across all areas of the City. The following diagram outlines the process with the following commentary providing broad descriptions of each step. Specific expanded guidance are provided in the Risk Management Procedures document.

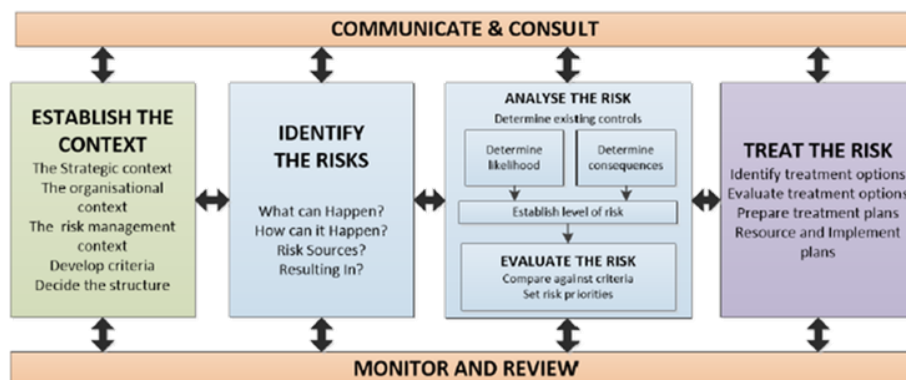


Figure 4: Diagram representing the Risk Management Process as per ISO 31000:2009 Risk management – Principles and guidelines

7.1 Establishing the context

This defines the context of both internal and external parameters to be considered when managing risk. In this regard the City utilises a qualitative assessment, combining consequence and likelihood to determine risk levels from which high level management approaches are to be implemented.

The risk context is then categorised into four (4) main groups:

1. **Strategic Risks** – Associated with achieving the City's long-term objectives. Strategic risks generally relate to external events beyond the City's control to influence, for example legislation changes, loss of government funding and climate change etc. Strategic risks are identified and managed at EMT level.
2. **Enterprise Risks** – Operational, day to day activities, functions, infrastructure and services. Enterprise risks generally affect the whole of City operations and are within the City's ability to influence and control. Enterprise risks are identified and managed at EMT and Manager level.
3. **Departmental Risks** - Operational, day to day activities, functions, infrastructure and services. Departmental risks are identified and managed at Manager level
4. **Project Risks** – Captures risks associated with potential impacts to operational activities and those associated with the delivery of the project itself. Project risks may include a mix of strategic (risks outside City control) and operational risks. Project Risks are identified and managed by the Project Leadership team and the appointed Project Manager.

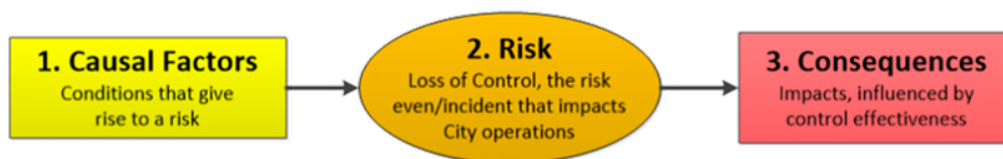
7.2 Risk Assessment

Risk assessment is three (3) step process of:

1. Risk Identification
2. Risk Analysis
3. Risk Evaluation

7.2.1 Risk Identification

This is the process for establishing, recognising and describing risks to the City. An event sequence is shown below:



It also includes the identification of the existing controls that are currently in place, mitigating the inherent risk from materialising.

7.2.2 Risk Analysis

This is the process of assessing the:

1. **Control effectiveness** – applying the City's Control Rating Guide to the design and operating effectiveness of each control individually and jointly in mitigating the risk.
2. **Residual Risk** – after considering the controls overall effectiveness, determining the likely worst consequence and the likelihood applicable to that consequence using the City's Risk Consequence and Likelihood tables. Then applying those ratings to the City's Risk Matrix to determine the level of residual risk.
3. **Inherent Risk** – The same process as residual risk, however removing the effectiveness of controls from the equation. This step will highlight the mitigating value of existing controls.

7.2.3 Risk Evaluation

This step compares the level of residual risk to the City's Risk Acceptance Criteria Table. It provides high level guidance on the approach to managing and / or escalating the risk.

7.3 Risk Treatment

There are generally two requirements following the evaluation of risks.

1. In all cases, regardless of the residual risk rating, controls that are rated '*Partially Effective* or *Not Effective*' must have a treatment plan (action) to improve the control effectiveness to at least '*Moderately Effective*'.
2. If the residual risk rating is high or extreme, treatment plans must be implemented.

7.4 Communication and consultation

Effective communication and consultation are essential to ensure that those responsible for managing risk, and those with a vested interest, understand the basis on which decisions are made and why particular treatment / action options are selected or the reasons to accept risks have changed.

7.5 Monitoring and review

It is essential to monitor and review the management of risks as changing circumstances may result in risks increasing or decreasing in significance. It also ensures that new risks are identified as appropriate.

7.6 Risk Reporting

All strategic, enterprise, operational and major project risks are maintained with 'Promapp'. This allows the centralised reporting function to meet the City's requirement to monitor and review risks by all levels of management, Audit Committee and Council.

Formal reporting is currently provided as follows:

- Monthly Risk Report to EMT
- Risk Report to Audit Committee whenever meeting held
- Risk Maturity Report at least annually
- Annual Risk Report to Council
- Biennial comprehensive Risk Report to Audit Committee
- Risk Escalation Reports

Appendix 1 – Risk Assessment & Acceptance Criteria

Consequence Table

DESCRIPTOR	SAFETY & HEALTH	FINANCIAL IMPACT	SERVICE INTERRUPTION	REPUTATION	ENVIRONMENT	LEGAL & COMPLIANCE
INSIGNIFICANT	Negligible injuries. Full recovery < 3 days	Organisation Less than \$10,000 Dept./Project 0-2% remaining Budget	No material service interruption, backlog cleared in 2 – 4 hours	Unsubstantiated, low impact, low profile or 'no news' item <i>Example gossip, Facebook item seen by limited persons</i>	Contained, reversible impact managed by on site response <i>Example pick up bag of rubbish</i>	Compliance No noticeable regulatory or statutory impact Legal. Threat of litigation requiring small compensation. Contract. No effect on contract performance.
MINOR	First aid injuries. Full recovery < 3 weeks	Organisation \$10,000 - \$100,000 Dept. / Project 2-5% remaining Budget	Short term temporary interruption Backlog cleared < 1 – 7 days	Substantiated, low impact, low news item <i>Example Local Paper, Everything Geraldton, Facebook item seen by local community</i>	Contained, reversible impact managed by internal response <i>Example pick up trailer of rubbish</i>	Compliance Some temporary non-compliances Legal. Single Minor litigation. Contract. Results in meeting between two parties in which contractor expresses concern.
MODERATE	Medically treated injuries. Full recovery < 3 months	Organisation \$100,000 - \$1M Dept. / Project 5- 14% remaining Budget	Medium term temporary interruption Backlog cleared by additional resources within < 2 – 4 weeks	Demonstrated public outrage, unsubstantiated public embarrassment, moderate impact, moderate news profile <i>Example State wide Paper, TV News story, Moderate Facebook item taken up by people outside City</i>	Contained, reversible impact managed by external agencies <i>Example Contractor removal of asbestos sheets</i>	Compliance Short term noncompliance but with significant regulatory requirements imposed Legal. Single Moderate litigation or Numerous Minor Litigations. Contract. Receive verbal advice that, if breaches continue, a default notice may be issued
MAJOR	Lost time or Severe injury Possible Partial /full recovery 4 – 12 months	Organisation \$1M - \$9M Dept. / Project 15 -20 % remaining Budget	Prolonged interruption of services, additional resources required performance affected Issue resolved within < 4 – 12 weeks	Sustained and high level public outrage, substantiated public embarrassment, high impact, high news profile, third party actions <i>Example Australia wide Paper, TV News stories, Current Affair etc Significant Facebook item taken up by large numbers of people outside City</i>	Uncontained, reversible impact managed by a coordinated response from external agencies <i>Example truck or train spill of diesel and oil on road reserve, park</i>	Compliance Noncompliance results in termination of services or imposed penalties Legal. Single Major litigation or numerous Moderate Litigations. Contract. Receive written notice from the contractor threatening termination if not rectified.
CATASTROPHIC	Fatality, permanent disability	Organisation Greater than \$10M Dept. / Project Greater than 20% remaining Budget	Indeterminate prolonged interruption of services that impacts on Public safety and core services non-performance or termination of service	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions, Likely to lead to the dismissal of Council/ Councillors or Executive Staff. <i>Example World Wide News, TV News stories, Current Affair, 60 Minutes, Widespread Facebook item taken up by vast numbers of people outside City</i>	Uncontained, irreversible impact <i>Example Ship runs aground and spills oil along City coast line, ground water supply exhausted or rendered unusable</i>	Compliance Noncompliance results in litigation, criminal charges or significant damages or penalties Legal. Numerous Major Litigations. Contract. Termination of Contract for default.

Likelihood Table

DESCRIPTOR	DETAILED DESCRIPTION	OPERATIONAL FREQUENCY
ALMOST CERTAIN	The event is expected to occur in most circumstances	More than once per year or incident is clearly imminent
LIKELY	The event will probably occur in most circumstances	At least year once per year
POSSIBLE	The event should occur at some time	At least once in 3 years
UNLIKELY	The event could occur at some time	At least once in 10 years
RARE	The event may only occur in exceptional circumstances	Less than once in 15 years

Risk Matrix

Consequence Likelihood	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
ALMOST CERTAIN	LOW	LOW	MODERATE	EXTREME	EXTREME
LIKELY	LOW	LOW	MODERATE	HIGH	EXTREME
POSSIBLE	LOW	LOW	MODERATE	HIGH	HIGH
UNLIKELY	LOW	LOW	LOW	MODERATE	HIGH
RARE	LOW	LOW	LOW	MODERATE	HIGH

Control Rating Guide

RATING	DETAILED DESCRIPTION	OPERATIONAL APPLICATION
EFFECTIVE	No Control gaps. The control is influencing the risk level and only continued monitoring is needed	Control addresses risk, is officially documented, in operation and has been tested to confirm effectiveness
MODERATELY EFFECTIVE	Fe control gaps. The control is influencing the risk level however, improvement is needed	Control addresses risk but documentation and/or operation of control could be improved
PARTIALLY EFFECTIVE	Some control gaps that result in the control having limited influence on risk level	Control addresses risk at least partly, but is not documented and/or operation of control needs to be improved
NOT EFFECTIVE	Significant control gaps that result in the control not influencing the risk level	At best, control addresses risk, but is not documented or in operation; at worst, control does not address risk and is neither documented nor in operation

Risk Acceptance Criteria

RISK RANK	DESCRIPTION	CRITERIA	RESPONSIBILITY
LOW	ACCEPTABLE	No immediate concern Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager/s
MODERATE	MONITOR	Periodic Monitoring Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager/s
HIGH	URGENT ATTENTION REQUIRED	Regular / Frequent Monitoring Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	All Directors SAFETY / HEALTH SERVICE INTERRUPTION Director CCS FINANCIAL, REPUTATIONAL, ENVIRONMENTAL & LEGAL / COMPLIANCE
EXTREME	UNACCEPTABLE	Actively Manage Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Appendix 2 - Risk Management Framework Document Suite

- Risk Management Policy
- Risk Appetite & Tolerance Policy
- Risk Management Procedures
- Risk Management Improvement Strategy

Risk Management Framework Endorsed

Responsible Officer	Document Owner	Endorsed by EMT	Endorsed by Audit Committee	Adopted by Council
Senior Risk Advisor	Director, Corporate and Commercial Services	25 Mar 2015	17 Feb 2015	CCS108 28 April 2015
Manager Corporate Services	Director, Corporate and Commercial Services			

Next review date November 2019

Version Control

Version N#	Date	Comment	Reference
V1-23/01/12		First draft updated following C Wood i.e. Risk Appetite & Tolerance Policy updated and attached, minor document changes.	
V2-6/2/12		Draft updated following reviewed by C Wood i.e. RMC ToR updated	
V2-8/2/12		Draft updated following EMT meeting review i.e. RMC ToR updated, added CGG Operational Policy cover page and document control	
V2-14/01/15		Complete rewrite of Framework to bring in line with Dept of Local Government & Communities Guidelines and AS NZS 31000:2009 Risk Management Standard	V3-24/02/15
		Version 3 presented to Audit Committee and minor amendments undertaken i.e. grammatical and terminology	
V3-17/03/15		Version 3 presented to RMC and minor amendments undertaken i.e. grammatical and terminology	
V4 – 27/06/17		Biannual review to ensure currency, update to risk templates, general process updated to reflect full implementation of Promapp as software application for management of risk, amendment to risk matrices	
V5 21/12/17		LGIS review Defining the set of components in the framework and aligning components to improvement strategy	
V5 31/01/18		Draft review complete separating risk framework into the Council strategic document and the internal operational procedure document	

Name	Description	Would would be the result of this risk?	Likelihood	Consequence	Risk Rating (uncontrolled)	What can we put in place to reduce this risk?	Likelihood (controlled)	Consequence (controlled)	Risk Rating (controlled)	Discussed	What else could we do to control this risk?	Top 5
Risk identified	Provide a brief description of the risk	What is result should this occur	Almost Certain	High	R	Short description of what we can put in place to reduce this risk	Possible	Low	Y		Are there any other actions to consider	
								Negligible				
								Low				
								Low				
								Negligible				
								High				
								Negligible				
								Moderate				
								Negligible				
								Negligible				
								Low				
								Moderate				y
								High				
								Moderate				y
								Extreme				
								Low				
								High				y
								Low				

**RANGITIKEI**
DISTRICT COUNCIL**9.4 STRATEGIC RISK REVIEW****Author:** Dave Tombs, Group Manager – Corporates Services**1 Executive Summary****1.1 Purpose of the report**

To provide Audit and Risk Committee with an update of the Strategic Risk review currently being conducted by the Executive Leadership Team (“ELT”).

1.2 Key issues

It is a key business control that organisations such as Council conducts regular reviews of their Strategic Risk Register. ELT is currently conducting such a review.

1.3 Major recommendations

That the report on Strategic Risk Review be received.

2 Context**2.1 Background**

ELT are systematically reviewing its strategic risks: 7 of 10 listed strategic risks have been reviewed.

2.2 The attached Strategic Risk register includes 10 strategic risks. The 7 risks that are not highlighted have been reviewed/amended by ELT. The 3 highlighted risks, and the Introduction, will be reviewed by ELT before 30 June 2021.**2.3** Also attached is a copy of the current Strategic Risk Register.**3 Recommendation****3.1** That the report on Strategic Risk Review be received.**ATTACHMENTS**

- 1. Strategic risks for RDC - revised**
- 2. Strategic risks for RDC - original**

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?
<p>1. Trust and confidence is tarnished</p> <p>There are three main types of risk:</p> <p>a) Communication. The risk that -</p> <ul style="list-style-type: none"> • Council misunderstands community expectations or fails to work with advocacy groups. Either of these may lead to continuous public criticism, particularly in social media 	<p>Communication</p> <p>Strategies to address the risk:</p> <ol style="list-style-type: none"> 1. Councillors are proactive in 'being visible' with all sectors of the population and have a forum for discussing public views with ELT

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

<p>and division among elected members and staff.</p> <ul style="list-style-type: none"> • Council allows community expectations to exceed 'council's ability to deliver'. This can occur through unofficial 'promises' being made to the community or council not properly communicating its plans. <p>b) Operational. The risk that inadequate 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>c) Reputational: the action or inaction of any representative of Council which impacts Council's reputation in a negative way.</p> <p>Likelihood – Low to Medium Impact – High</p>	<ol style="list-style-type: none"> 2. Public are encouraged to speak at public forums at Council meetings 3. Council is represented on community boards, working groups, local industry groups, committees etc 4. Council promotes its future strategies and priorities and 'makes it easy' for the community to provide comments/responses 5. Council posts relevant 'up to date' information on its website, in local media and on its social media pages (and monitors responses). <p>Operational Strategies to address the risk:</p> <ol style="list-style-type: none"> 1. ELT ensure capability and capacity of resources required to effectively discharge its responsibilities is identified and established 2. ELT ensure proper systems and accountabilities are in place for complaints handling 3. ELT reviews key statistics relating to complaints handling every quarter <p>Reputational Strategies to address the risk:</p> <ol style="list-style-type: none"> 1. Clear policy outlining expected standards of conduct 2. Clear delegations for speaking to or posting on media/social media 3. Media training for those delegated to speak on Council's behalf. <p>Mitigated Risk Likelihood – Low Impact – Medium</p>
<p>2. Insufficient capability and capacity to fulfil agreed commitments</p> <p>The risk is that Council doesn't have the appropriate composition and number of skilled staff required to fulfil current and future commitments, eg inability to attract</p>	<p>Having a culture and employee experience that attracts a high caliber of applications, and increases the retention of staff.</p> <p>A learning and development programme that targets future skill requirements and</p>

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<p>talent, failure to appropriately train exiting staff, inability to retain skilled staff, failure to undertake appropriate workforce planning.</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 – High</p>	<p>enables staff to grow in the areas that we need them to.</p> <p>Identify key roles and develop succession and/or continuity plans for those roles and functions.</p> <p>Undertake strategic workforce planning to identify skills and numbers required.</p> <p>A comprehensive induction for Council after the triennial elections is critical.</p> <p>Mitigated Risk Likelihood – Medium Impact – Low</p>
<p>3. Legal and political environment requires excessive resources²</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 reduction in service standards</p> <p>An associated risk is that Horizons Regional Council changes its stance with local authorities, increasing costs and inflicting reputational damage to Rangitikei District Council.</p> <p>Likelihood – Medium Impact - High</p>	<p>Council continues dialogue with other local councils, and stresses the potential benefits of a regional partnership approach to influence central government policy and legislation. This includes discussion with LGNZ and Taituarā (SOLGM) to clarify issues that may or do impact the sector.</p> <p>Adopting a no surprises and collaborative approach with Horizons Regional Council.</p> <p>Likelihood – Low-Medium Impact – Medium-High</p>
<p>4. Capital Programme Falts</p> <p>The risk is that Council is unable to achieve its capital works programme because of:</p>	<p>Strategies to address the risk:</p> <p>4. Capital works to be prioritized, realistic and achievable</p>

² See also risk 10.

<ol style="list-style-type: none"> 1. Overall capacity in the market to deliver nationally and regionally 2. The increasing dominance of larger contractors 3. The cost of delivery is higher than allocated budget <p>This situation may lead to failure of major infrastructure, reduction in investment and frustration in the community.</p> <p>Inherent Risk Likelihood – Medium/High Impact – High</p>	<ol style="list-style-type: none"> 5. Establish a Project Management Office 6. Establish a pipeline of works with contractors 7. Establish meaningful and long lasting relationships with contractors 8. Consider alternative procurement strategies <p>Mitigated Risk Likelihood – Low/Medium Impact – Medium</p>
<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>Council may be about the extent of this risk since it is a matter of holding a balance between (i) development and facilitating</p>

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<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>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 reported, either in a Council (Committee) meeting or through the Council website.</p>
<p>7. Climate change responsiveness is ineffective</p> <p>The risk is that Council does not take sufficient steps to mitigate and respond to the impacts of climate change.</p> <p>Likelihood – Low/Medium Impact – High</p>	<p>Council is part of the Joint Climate Action Committee to share information and facilitate collaborative action in response to climate change. This is made up of all Councils in the Manawatu Whanganui region.</p> <p>The response and mitigation of the impacts of climate change is part of the future Spatial Plan, and is an anticipated requirement of the proposed Spatial Planning Act.</p> <p>Council could consider declaring a Climate Change Emergency.</p> <p>Likelihood – Low Impact – Medium</p>
<p>8. Business Continuity is Compromised</p> <p>The risk is that Council is unable to perform one or more essential services and/or statutory functions due to disruptions such as</p> <ul style="list-style-type: none"> • Cyber attacks • Systems failure • Natural disaster or other emergency 	<p>Council has a range of protective barriers and procedures that includes (or are under development)</p> <ul style="list-style-type: none"> • Business continuity plan • IT recovery plan • Data protection plan • Pandemic plan

<ul style="list-style-type: none"> • Pandemic • Loss of critical staff • Loss of critical assets or infrastructure • Terrorism • Staff competencies <p>Inherent Risk Likelihood – Medium/High Impact – High</p>	<ul style="list-style-type: none"> • Staff learning and development framework • Identification of critical positions • Succession plans • Partnership relationships with neighbouring Councils • Staff policies and procedures <p>The Information Systems Strategic Plan now being implemented is a key mechanism.</p> <p>Mitigated Risk Likelihood – Low/Medium Impact – Medium</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 are substantial fines imposed on Council as a result.</p>	<p>The Executive Leadership Team have an unrelenting focus on the health, safety and wellbeing of all staff and contractors and is committed to establishing and maintaining a strong health and safety culture within the organisation.</p> <p>Active employee participation frameworks are in place to encourage employee engagement in health, safety and wellbeing matters..</p> <p>Council strives to minimise environmental harm by balancing network maintenance and operation within fiscal constraints. This is consistent with the Local Government sector within New Zealand.</p> <p>Council works with Horizons Regional Council to prioritise capital works to effectively manage wastewater treatment plant consents.</p> <p>Mitigated Risk – Health & Safety Likelihood – Low Impact – High</p>

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<p>Inherent Risk – Health & Safety Likelihood – Medium Impact – High</p>	<p>Mitigated Risk – Environmental Harm Likelihood – Low Impact – Medium</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; 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); c) reduction in farm incomes could be 30% which will result in diminished investment, loss of productivity and closure of farms. <p>Likelihood – High Impact – High</p>	<p>This is a sector-wide risk, but greatest for non-metro councils.</p> <p><i>Council needs to have at front of mind that capacity gives resilience (and vice versa). COVID-19 demonstrated how the conventional view of understanding the risk of losing control over complying with policy and procedures is modified: new situations arose which lack these precedents but where staff nonetheless must make decisions. This necessarily lowered the risk threshold for loss of control.</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 differential basis (so that the costs are not District wide) or to remove such roads from the public network (so that Council would no longer bear the costs of maintenance)?</p>

26 September 2019, updated and adopted 5 December 2019; reviewed 30 July 2020 (italicized text in sections 9 and 10) provided to the Committee's meeting on 24 September 2020.

Strategic risks for Rangitikei District Council (original version)

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, Iwi, 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.
<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 judgment.</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 front of mind that capacity gives resilience (and vice versa). COVID-19 demonstrated how the conventional view of understanding the risk of losing control over complying with policy and procedures is modified: new situations arose which lack these precedents but where staff nonetheless must make decisions. This necessarily lowered the risk threshold for loss of control.</i></p> <p>Longer timeframes enable alternative productive uses of land to be implemented.</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>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 differential basis (so that the costs are not District wide) or to remove such roads from 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) provided to the Committee's meeting on 24 September 2020.

**RANGITIKEI**
DISTRICT COUNCIL**9.5 ICNZ AND CLIMATE CHANGE****Author: Dave Tombs, Group Manager – Corporate Services****ITEM 9.5****1 Executive Summary****1.1 Purpose of the report**

To review, and discuss as required, the recent paper from the Insurance Council of New Zealand on “climate change and the role of local government”.

2 Recommendation

- 2.1 That the report on “climate change and the role of local government” released by the Insurance Council of New Zealand on be received.

ATTACHMENTS

1. ICNZ's views on climate change and the role of local government



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5 March 2021

ICNZ's views on climate change and the role of local government

This paper sets out ICNZ's views on climate change and the role we consider local government should play.

By way of background, ICNZ's members are reinsurers, and general insurers insuring about 95% of the New Zealand general insurance market, including about a trillion dollars' worth of New Zealand property and liabilities. ICNZ insurer members provide insurance products ranging from those usually purchased by individuals (such as home and contents, travel and motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability, business interruption, professional indemnity, commercial property and directors and officers insurance).

It is fair to say that ICNZ and its members have been seeing the impacts of climate change and how this affects people, businesses and communities for some time. We also have a keen interest given our knowledge and experience when it comes to identifying and engaging with climate change risks and risk management, the role insurance plays in this context, and our desire to ensure this remains available and affordable (including to support lending).

We advocate local governments take a long-term view and act in a proactive, coordinated and resilient manner when it comes to climate change, with regard to risk mitigation, adaptation, risk transfer options and setting appropriate risk signals. Particular attention should be had to avoiding developments in areas vulnerable to flooding, rising sea levels or coastal erosion.

After a high-level summary, in this document we provide a detailed overview of climate change, its impacts and the role ICNZ considers local government should have in this regard. Examples of some of the great work already being undertaken in this respect, a list of helpful resources and diagram highlighting key points from this document are included as appendices.

Summary

In our view local government must take a proactive, coordinated, and long-term view when it comes to managing the real and significant impacts of climate change putting their people, businesses and communities at the heart of any decision-making. This includes:

- Planned action and investments for adaptation and mitigation - reducing the extent of future climate change and its impacts.
- Grappling with the full impacts of climate change now head on despite the uncertainty, noting that the potential impacts stretch across generations, with the economic, social and environmental impacts being too significant to ignore and only increasing if no action is taken.
- Adopting a holistic and flexible approach when working through these matters, leveraging a risk management framework and an adaptive pathways approach.

Local government is well placed to respond to these issues because effective climate change responses are context specific and best addressed at the regional and local level. Additionally, local

government has legal duties to act, doing so ensures resources are efficiently used and bypasses avoidable harm. This also aligns with communities increasing expectations for climate change action and ensures that insurance and lending remains available and affordable.

In our view there are five practical ways local government can advance climate change issues in the near term. These include:

- **Avoiding developments in areas vulnerable to flooding, rising sea levels or coastal erosion**, noting this is fundamental to bypassing costly and avoidable climate change which otherwise local governments (and ultimately ratepayers) will have to meet, and if not addressed, may lead to insurance and lending availability and affordability issues.
- **Embracing collaboration and coordination on climate change issues within regions**, with all elements of local government working together to establish a consistent understanding of climate change risks and what should be done to address them.
- **Identifying and filling gaps in regional knowledge about climate change**, championing public education and, from specific property information perspective, making good quality, transparent and consistent information about all-natural disaster available.
- **Prioritising climate change mitigation and adaptation in planning and investment decisions**, including incorporating emissions reduction targets into investment decisions, and having regard to managing or reducing natural disaster risk and protecting assets casting a broad net (e.g. both built and natural infrastructure).
- **Ensuring buildings are resilient to climate change impacts**, specifically making sure that any new building work approved contributes to reducing emissions and is more resilient to climate change impacts alongside other natural hazard risks.
- **Supporting vulnerable groups or areas particularly adversely impacted climate change**, including potentially subsidising resiliency improvements or managed retreat, noting that climate change has the potential to exacerbate existing inequalities.

Background

Climate change is here

Without question the full impacts of climate change is coming to bear around the globe and need to be taken extremely seriously. This includes:

- larger, longer and more extreme weather events occurring leading to increasingly frequent and extreme flooding and storm events (including hailstorms, tornadoes and cyclones)
- sea levels rising leading to issues with coastal flooding, storm surge and king tides, and
- associated increases in landslips and land erosion.

Climate change has also resulted in the increasing likelihood and severity of droughts, heat waves, water shortages and wildfire. Then there are the pest and health effects associated with higher temperatures.

Climate change responds to cumulative emissions, and unless these are close to zero increases over time, it is clear that the associated temperature increases will lead to the sea level rising and that this will continue for centuries to come.¹ The same applies to the impact of emissions on weather patterns and increasingly frequent and extreme weather events.

¹ Choices made now are critical for the future of our ocean and cryosphere (25 September 2019), <https://www.ipcc.ch/2019/09/25/sroccc-press-release/> and Preparing New Zealand for rising seas: Certainty and Uncertainty (November 2015) <https://www.pce.parliament.nz/media/1390/preparing-nz-for-rising-seas-web-small.pdf>.

There is clear international scientific consensus about the cause of climate change and its impact. In their special report on global warming of 1.5 °C, the Intergovernmental Panel on Climate Change (IPCC) highlights that:²

- There is a certain level of climate change already locked into the global climate system due to emissions to date.
- Every extra bit of warming matters, with warming of 1.5°C or higher increasing the risk associated with long-lasting or irreversible changes, such as the loss of ecosystems. Conversely, limiting global warming gives people and ecosystems more room to adapt and remain below relevant risk thresholds.

This report highlights several climate change impacts that could be avoided by limiting global warming to 1.5°C compared to 2°C, or more (noting that damage is not linear, with a 2°C or more increase in temperature being significantly worse than 1.5°C). However, even limiting global warming to 1.5 °C would require:

- Global net human-caused emissions of carbon dioxide (CO₂) to fall by about 45% from 2010 levels by 2030, reaching 'net zero' around 2050, with the remaining emissions needing to be balanced by removing CO₂ from the air.
- "Rapid and far-reaching" transitions in land, energy, industry, buildings, transport, and cities.

The report records that even with 1.5°C of warming, there will be more frequent heatwaves and heavy rainfall events, more intense tropical cyclones, losses of some species, spread of diseases, and issues with water and food security.

New Zealand has committed to limit global warming to 1.5 °C and the 'net zero' emissions by 2050 target as a signatory of the Paris Agreement.³ These obligations are, in turn, reflected in the Zero Carbon legislation domestically.⁴ This legislation provides for a centralised adaptation framework with the newly formed Climate Change Commission responsible for preparing a national climate change risk assessment every six years.⁵ In response to this assessment, the Government will prepare a national adaptation plan with progress reports being provided every two years.

New Zealand is significantly impacted by climate change

As well as considering climate change as a general phenomenon and New Zealand's international commitment to emissions reductions, it is important to reflect on New Zealand's vulnerability to climate change impacts. As a nation with a very long coastline and a high proportion of urban development in coastal areas,⁶ New Zealand is particularly susceptible to sea levels rising, inundation, coastal erosion and other climate change impacts. According to a Lloyd's of London study, New Zealand is the second most vulnerable country in the world to natural disaster (behind

² Global Warming of 1.5oC (January 2019), https://www.ipcc.ch/site/assets/uploads/2018/10/SR15_SPM_version_stand_alone_LR.pdf. More than 6,000 scientific references are cited in this report with thousands of experts and government reviewers worldwide contributing to it. The report has ninety-one authors and review editors from 40 countries.

³ The Paris Agreement is the new global agreement on climate change. It was adopted by Parties under the United Nations Framework Convention on Climate Change (UNFCCC) on 12 December 2015. It commits all countries to act on climate change. In addition to the 2050 target, pursuant to this Agreement, New Zealand has also committed to reducing emissions by 30 per cent below 2005 levels, and 11 per cent below 1990 levels, by 2030.

⁴ Climate Change Response (Zero Carbon) Amendment Act 2019.

⁵ Details on the first risk assessment published 2 August 2020 are provided below.

⁶ Coastal Hazards and Climate Change: A Guidance Manual for Local Government in New Zealand (July 2008), <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/coastal-hazards-guide-final.pdf>

Bangladesh).⁷ In addition to the risks associated with New Zealand being in a high seismic zone (e.g. earthquakes, tsunamis and volcanoes), this is a reflection of the risk of climate change and weather events (particularly flood).

Looking at sea levels rising, a Parliamentary Commissioner Report for the Environment refers to a projected rise of 30 cm between 2015 and 2065.⁸ This report also indicates that:

- By 2065 it is expected that today's 1:100 year flood event will occur annually in Wellington and Christchurch, every two years in Dunedin and every four years in Auckland, if sea-levels rose by 30cm. A 40cm rise would see these events occur several times a year in Wellington and Christchurch. This is unlikely be much different for rural and provincial coastal areas.
- The estimated replacement value of buildings within 0.5m of the spring high tide mark is \$3 billion (equating to 9,000 homes). Buildings within 1.5m of the spring high tide mark is estimated at \$20 billion.⁹

New Zealand's first national climate change risk assessment records that an estimated 675,500 New Zealanders live in areas already prone to flooding, and that over 72,000 are potentially impacted due to sea levels rising in the future.¹⁰ Also, nearly 50,000 buildings are currently exposed to coastal flooding, and at the highest range of warming scenarios, that could rise to nearly 120,000 this century. Preliminary research shows we could lose 125,600 buildings, at a replacement cost of \$38 billion, if the sea level rose 1m.¹¹

It is important to acknowledge that the above research does not provide a full picture of climate change impacts - focussing only on the consequences of sea levels rising. It also does not consider costs associated with local government owned infrastructure (of which up to \$14 billion is estimated to be at risk from sea level rise),¹² ongoing development and growth,¹³ broader economic and social impacts (including impacts to people, businesses and communities) and to the natural environment.

Consideration should also be given to the fact that New Zealand's current infrastructure is not well positioned to manage the impact of climate change. Specifically, for the most part, our aging storm and wastewater networks are only designed to cope with today's 1:10 year event. Much of this is also gravity dependent and vulnerable if running-off in low lying coastal areas. The quality of some of the older infrastructure is also somewhat unknown.

⁷ A world at risk: Closing the insurance gap (2018), https://www.lloyds.com/~media/files/news-and-insight/risk-insight/2018/underinsurance/lloyds_underinsurance-report_final.pdf

⁸ Preparing New Zealand for rising seas: Certainty and Uncertainty (November 2015), <https://www.pce.parliament.nz/media/1390/preparing-nz-for-rising-seas-web-small.pdf>

⁹ We expect that this analysis may understate matters somewhat as it does not consider storm surge, king tides, and heavy rainfall, as well as things like the ability of infrastructure such as stormwater drainage systems to respond.

¹⁰ National climate change risk assessment for New Zealand - Main report (2 August 2020), <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/national-climate-change-risk-assessment-main-report.pdf>

¹¹ From the National Institute of Water and Atmospheric Research (NIWA). 125,000 buildings at risk from first metre of sea level rise (21 November 2018), <https://www.newsroom.co.nz/125000-buildings-worth-38bn-at-risk-from-first-1m-sea-level-rise-draft-report>

¹² \$14 billion of council infrastructure at risk from sea level rise (31 January 2019), <https://www.lgnz.co.nz/news-and-media/2019-media-releases/14-billion-of-council-infrastructure-at-risk-from-sea-level-rise/>

¹³ The Productivity Commission projects that over the next 30 years have 28 urban areas in New Zealand experiencing population growth of 20% or more and 61 experiencing depopulation, <http://www.chapmantripp.com/publications/building-resilience-to-climate-change-local-government-the-front-line-in-the-climate-change-response>

Consistent with this broad view of climate change impacts, New Zealand's first national climate change risk assessment refers to ten major threats in need of urgent action within the next six years under five categories:¹⁴

- **The natural environment**, including coastal ecosystems and indigenous ecosystems –described as having major consequences.
- **The human domain**, including social cohesion, displacement of communities and the entrenchment and further opening of inequalities - seen as risks with extreme consequences.
- **The economic domain**, including costs associated with disaster relief and long-term changes, and the risk of instability in the financial sector.
- **The built environment**, including infrastructure and buildings being vulnerable to sea level rise and more extreme weather conditions generally –described as being an extreme risk.
- **The governance domain**, in respect of which reference was made to 'maladaptation' (actions that may lead to increased risk of adverse climate-related outcomes), and the risk that climate change impacts across all domains are exacerbated because current institutional arrangements are not fit for adaptation.

The report highlights the potential cascading nature of climate change impacts. For example, where an extreme weather event impacts a region's potable water supply that in turn negatively impacts the ability to earn income, quality of life and public health.¹⁵

The fact that New Zealand is in a high seismic zone also increases the impact that climate change will have. For example, analysis of pre- and post-earthquake data from the 2010 and 2011 Christchurch earthquakes revealed that seismic shaking, tectonic movements and/or liquefaction associated with earthquakes led to land surface and waterway deformation and substantial floodplain subsidence.¹⁶ In turn, this greatly enhanced the risk posed by floods, storm surges and the sea-level rising. The likelihood and severity of impact of tsunamis also increases as the sea level rises.

Stepping back, and taking the above into account, it should come as no surprise that the cost to New Zealand of climate change is significant and growing. Nationwide insured costs of extreme weather events are as follows (noting that this somewhat understates the issue given other climate change related events and uninsured costs are excluded):¹⁷

Year	2013	2014	2015	2016	2017	2018	2019	2020	Average
\$million	175	153	115	52	242	226	176	213* estimate to-date	169

From 2003-2015 insured costs of floods alone averaged \$75m. However, Water NZ estimates that this is about 40% of the total cost (i.e. \$190 million per year).¹⁸

¹⁴ National climate change risk assessment for New Zealand - Main report (2 August 2020), <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/national-climate-change-risk-assessment-main-report.pdf>.

¹⁵ National climate change risk assessment for New Zealand - Main report (2 August 2020), <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/national-climate-change-risk-assessment-main-report.pdf>, Figure 10.

¹⁶ The sinking city: Earthquakes increase flood hazard in Christchurch, New Zealand (April 2015), <https://www.geosociety.org/gsatoday/archive/25/3/pdf/gt1503-04.pdf>. See also Report of the Public Inquiry into EQC (March 2020), <https://eqcinquiry.govt.nz/assets/Inquiry-Reports/Report-of-the-Public-Inquiry-into-EQC.pdf>.

¹⁷ Cost of natural disasters, <https://www.icnz.org.nz/natural-disasters/cost-of-natural-disasters/>

¹⁸ Water NZ (October 2015), https://www.waternz.org.nz/Attachment?Action=Download&Attachment_id=235

The Ministry of the Environment have advised that, in the past 10 years, the cost of weather events to our transport network alone has risen from about \$20 million per year to over \$90 million per year. Additionally, they have advised that the 2012-2013 drought in the North Island cost the economy around \$1.5 billion, with climate change only making droughts more likely.¹⁹

The role of local government with climate change

ICNZ considers that local government should take a proactive, coordinated and consistent approach to engage with the clear challenges posed with climate change highlighted above. This involves investigating, analysing and managing risk associated with climate change within your region, taking a long-term view.

In practical terms a key principle here is, while you cannot control the forces of nature associated with climate change, you can reduce their impact significantly through well thought out and planned action and investments for mitigation and adaptation. Expanding upon these concepts:

- **Mitigation** involves action to reduce emissions and modify conduct, with a view to reduce the likelihood of further climate change, which may have more severe, damaging and costly impacts.
- **Adaptation** involves action to reduce the risk and impact of climate change, including strengthening resilience and preparedness to minimise risk and disruption.

Both matters should have a balanced and equal focus. Failure to sufficiently focus on adaptation may lead to significant economic loss or disruption which in turn could undermine efforts to reduce emissions. Conversely, failure to sufficiently focus on mitigation, may necessitate more urgent and extreme adaptation measures. Local and central government need to work together here. While central government has the central role to play with mitigation, local government is well placed to contribute as both a provider of infrastructure and services and by virtue of its influence over activities and duty to connect with communities, preparing them for mitigation and adaptation measures through information and education and by supporting local social services.

One of the challenges of implementing adaptation in this context is the complexity of climate change, uncertainty about what its full impacts will be and when they will occur over a long-time frame. However, this uncertainty and long horizon is not something to shy away from or ignore. To the contrary, this is something that should be grappled with now head on, the sooner the process begins the better, noting that extreme events can and do happen now. Also, ongoing potential impacts will stretch across generations, with the economic, social and environmental impacts being too significant to ignore. These risks only increase if no action is taken and become more costly to address later.

In investigating climate change matters reliance should be placed on the best available science and scenario planning, to understand the widest possible range of what could happen, being explicit with others about what assumptions have been made and being prepared for debate and discussion. The position should also be regularly monitored and reviewed.

In our view it is also important to take a holistic position – having regard to how individuals, businesses and communities are likely to behave. With that in mind, it is critical that you bring people on the journey, sharing what is known about the impact of climate change in your region based on evidence and getting them to meaningfully contribute to the solution, putting all options on the table, noting

¹⁹ Adapting to Climate Change in New Zealand (31 May 2017), <https://www.mfe.govt.nz/sites/default/files/media/adapting-to-climate-change-stocktake-tag-report-final.pdf>

that initiatives on the ground are the most effective when they are driven by motivated and engaged people who can see a way forward and do not consider that their interests are threatened.²⁰ Planning and investments should also involve consideration of what must be protected and what is a tolerable level of loss. Again, this requires community conversations (factoring in human, social, natural, physical, cultural and financial capital).

In considering climate change issues it is helpful to analyse and prioritise matters using a risk management framework.²¹ This involves an assessment of the likelihood and consequence of each risk with reference to the following treatment options:

Avoid	Changing plans to circumvent the problem. This may involve developing an alternative strategy that is more likely to succeed but have a higher cost. This may require a judgement call weighing up the cost of avoidance against the cost of impact if not treated. In a climate change context, this could involve relocating or abandoning areas as retreat is virtually inevitable.
Control	Taking steps to reduce the impact and /or likelihood of impact. Elements of this option relate to mitigation or adaptation referred to above, noting whereas mitigation relates to reducing the likelihood of something occurring (i.e. by reducing emissions leading to further climate change), adaptation relates to reducing the inevitable impact of climate change. In a climate change context, this may involve better protecting assets or modifying them so they are more resilient to the impacts of climate change.
Accept	Assuming the chance of the negative impact and taking this into account.
Transfer	Outsourcing the risk (or a portion of it) to a third party to manage (e.g. via insurance). Simply put, this involves paying someone else (e.g. an insurer) to accept the risk. However, risks will not be transferable if they are not sufficiently managed. This is something outlined in more detail later on.

In planning for climate change, local governments should also consider adopting an adaptive pathways approach.²² This involves testing a range of responses against possible future scenarios and then mapping pathways that will best manage, reduce or avoid risk. Under this approach a plan is subsequently developed with short-term actions and long-term options with pre-defined trigger points when decisions can be revisited. Ways forward can then be identified despite uncertainty, with flexibility provided should the agreed course of action need to change (e.g. because more scientific information or new technology becomes available). By foreshadowing future change at the outset, without committing to a particular course of action long-term, this approach helps avoid locking in investments early that may be later rendered obsolete or which make future adjustments difficult and/or costly.

Why it is important for local government to act on climate change

Drawing upon the call for action outlined above, it is important to reflect on the reasons why local government should act on climate change. The most obvious reason being effective responses to

²⁰ See How to Talk About Climate Change: A Toolkit for Encouraging Collective Action (31 July 2019), <https://www.oxfam.org.nz/news-media/reports/talking-about-climate-change/> for more details in this regard.

²¹ See for sample risk management framework produced by Massey University available here: <https://www.massey.ac.nz/massey/fms/PolicyGuide/Documents/Risk%20Management/Risk%20Management%20Framework.pdf>. Also see, by way of example, the Risk Management Framework, Policy and Guidelines put together by the Thames Coromandel District Council available here: https://docs.tcdc.govt.nz/store/default/2914590?fbclid=IwAR0cHOJtQK9I5bNZDTPkHr8AmLNwefAzPVx44SnnnwHowq_0F3bM-TqsHfA

²² Preparing for coastal change: A summary of coastal hazards and climate change guidance for local government (December 2017), <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/coastal-hazards-summary.pdf>. See also Supporting decision making through adaptive tools in a changing climate: Practice guidance on signals and triggers (2020), <https://www.deepsouthchallenge.co.nz/sites/default/files/2020-03/Supporting%20decision%20making%20through%20adaptive%20tools%20in%20a%20changing%20climate%20Practice%20guidance%20on%20signals%20and%20triggers.pdf>

climate change are context specific and accordingly best addressed at a regional level. Other reasons are outlined below.

Local government has a legal requirement to do so

Local government has statutory duties related to climate change. These include:

- Under the Local Government Act 2002:
 - Meeting the current and future needs of communities for 'good-quality' local infrastructure, public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.²³ 'Good quality' in this context means infrastructure, services and performance that is efficient, effective and appropriate to meet present and anticipated future circumstances.²⁴
 - Avoiding or mitigating natural hazards, which include subsidence, sedimentation, wind, drought, fire and flooding.²⁵
 - Considering the interests of future, as well as current communities, and community diversity in decision making.²⁶
- Under the Resource Management Act:
 - Having regard to the maintenance and enhancement of the quality of the environment and the impacts of climate change.²⁷
 - Controlling the effects of the use or development of land, including avoiding or mitigating natural hazards.²⁸
 - Considering the effects of a changing climate on communities and incorporating climate change into existing frameworks, plans, projects and standard decision-making procedures, including activities such as flood management, water resources, planning, building regulations and transport.²⁹

Additionally, under the New Zealand Coastal Policy Statement 2010, local government is required to ensure that coastal hazard risks are managed and identified for a period of at least 100 years, taking account of climate change, and applying a precautionary approach.³⁰

The aforementioned Zero Carbon legislation also contains obligation for local government. Specifically, under this legislation the Minister or Commission have the power to require local government organisations, and 'lifeline utility providers' to provide information, including the organisations' assessments of the risks climate change poses to their functions, the organisations' proposals and policies for adapting to climate change, and their progress towards implementing these.

²³ Section 10(1).

²⁴ Section 10(2).

²⁵ Section 11A.

²⁶ Section 14.

²⁷ Section 7.

²⁸ Section 31.

²⁹ Climate change adaptation and local government, <https://www.mfe.govt.nz/climate-change/climate-change-and-government/adapting-climate-change/adaptation-and-local-government>. Also see section 30 and 62.

³⁰ New Zealand Coastal Policy Statement 2010, <https://www.doc.govt.nz/about-us/science-publications/conservation-publications/marine-and-coastal/new-zealand-coastal-policy-statement/new-zealand-coastal-policy-statement-2010/>. Specific requirements of note include policies 3 (precautionary approach), 7 (strategic planning), 24 (identification of coastal hazards), 25 (subdivision, use, and development in areas of coastal hazard risk), 26 (natural defences against coastal hazards) and 27 (strategies for protecting significant existing development from coastal hazard risk). This statement is to be applied as required by the Resource Management Act 1991 by persons exercising functions and powers under that legislation.

There has also been recent commentary about the responsibility of company directors, investment managers, professional trustees and other professionals with fiduciary obligations to consider climate change risk in their decision making and take appropriate action.³¹ This includes officers, trustees or directors of council controlled organisations (CCOs).

Additionally, there is the proposed climate-related financial disclosure reporting requirements, which would oblige publicly listed companies and large insurers, banks and investment managers (including crown financial institutions with greater than \$1 billion in total assets under management) to report on the climate-related impacts for their business and investments in a consistent way, with the aim of helping investors, shareholders and companies make informed decisions.³² Consideration should be given to local government entities (including CCOs) complying with these requirements to raise greater awareness and focus attention on climate change impacts.

One of the challenges local governments need to work through for planning and investment purposes is the different and sometimes short timeframes set out in the applicable legislation.³³ As outlined above, the ICNZ's view is that a coordinated, consistent and holistic approach should be taken looking at climate change issues with a long-term perspective in mind. This includes land-use decisions, district plans, urban development, energy use, infrastructure, and waste and transport management.

Doing so ensures the efficient use of resources and reduces harm

Another key reason for action is that adapting to climate change is efficient and reduces avoidable harm. Numerous studies show that investing before disaster strikes is substantially more cost effective than responding afterwards.³⁴ It is estimated that every \$1 invested in pre-event prevention saves \$5 in post-event costs, also avoiding the wider social and economic disruption.³⁵ When a natural disaster strikes, it is also important to remember that in addition to costs associated with at-risk local government owned infrastructure and the emergency response, there is a significant wider economic, social and community impact that it is difficult to put a price on. Lives can be lost, homes destroyed, utility systems wrecked, business insolvency and jobs lost. Then there is the mental trauma and stress families suffer as they try to pull their lives back together and rebuild, and the impact on the natural environment. The more that can be done to avoid or control the risks associated with climate change upfront and reduce these economic and social impacts the better.

Fortunately, the long horizon of some climate change impacts means that in some cases, in conjunction with an adaptive pathways approach, an incremental investment strategy can be deployed with costs allocated over the timeframe of potential climate change impacts. As highlighted above, the earlier this planning occurs, the less costly it will be later on.

³¹ Chapman Tripp's 2019 legal opinion to The Aotearoa Circle
https://static1.squarespace.com/static/5bb6cb19c2ff61422a0d7b17/t/5db95b00780a6c1bc1af5743/1572428552373/SFF_Climate+Change+Risk+Legal+Opinion_301019.pdf. See also MinterEllisonRuddWatts Litigation Forecast for 2020 <https://www.minterellison.co.nz/our-view/2020-litigation-forecast-climate-change-risks-for-companies-and-directors>

³² <https://www.mfe.govt.nz/consultations/climate-related-financial-disclosures>.

³³ For example, the Local Government Act 2002 refers to a Long-term Council Community Plan with an anticipated 10 year minimum timeframe. The Resource Management Act 1991 provides for Regional Policy Statement and Regional and District plans referring to 10 year timeframes. This contrasts with requirement under the Local Government Act 2002 to produce an Infrastructure Strategy identifying significant infrastructure issues (including ones related to flooding) over at least a 30 year period. Also, there is the former Building Act 1991, which was based on an assumed building life of 50 years. While the current Building Act 2004 does not include an assumed building life many structures are intended to, or do, last a century or more.

³⁴ For example see Building our nation's resilience to natural disasters (June 2013), https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/dttl_crs_humanitarian_australia_resilience.pdf. See also 34 below.

³⁵ Flood Resilience in Numbers: 1-5-13-87-88 The Zurich Flood Resilience Alliance as a mode presentation, Berlin (May 2017). In this presentation it is also commented that they see only 13% going into pre-event resilience & risk reduction, 87% go to post-event relief.

Communities are increasingly demanding action

Property owners and communities are already facing the impacts of climate change and it should come as no surprise that there is also strong and growing public support within New Zealand for action on climate change including action by local government. An insurance company's recent climate poll indicates that:³⁶

- 79% of respondents consider that climate change is important to them personally (consistent with the 2019 result and up from 72% in 2018).
- 68% of respondents have become more concerned about climate change over the past few years (down slightly from 69% in 2018 but up from 60% in 2018).
- 68% of respondents consider that local councils are responsible for acting on climate change (consistent with the 2019 result but up from 48% in 2018).

This poll indicates that 79% of respondents believe that local councils should take a long-term view on climate change, with 80% indicating that local councils should provide information on the local impacts of climate change.

Doing so ensures insurances remains available and affordable

Another key reason for proactive action by local government on climate change is that this ensures the associated risks are well managed so they remain partly transferrable to insurers. In turn this will:

- Ensure that insurance remains available and affordable for people and businesses within your community.
- Avoid a situation where climate change related risks become too great to be transferred to insurers and must be self-insured instead. This would put considerable strain on people, businesses and/or local and central government, particularly when financial resources are already stretched. This may also involve situations when the burden of covering losses falls with local and central government (and in turn ratepayers and taxpayers generally), because the specific people and businesses impacted lack sufficient resources to cover these losses themselves.³⁷

The importance of keeping insurance available and affordable is well demonstrated by research,³⁸ with well insured countries spending less on emergencies, freeing up capital for investment and growth.

To understand the connection between climate change and the availability and affordability of insurance in more detail, it is helpful to consider how an insurer looks at risk. In particular:

- Insurance only transfers risk, it does not manage or reduce it. An insurer business will not take on a risk that it is not sustainable for it to do so in the longer term. In so far as a risk is taken on by an insurer, the higher the risk the higher the premium charged. If over time risks are not addressed and allowed to get worse, to ensure risks taken on remain sustainable, higher premiums or excesses are applied. In extreme cases cover for some risks may be removed entirely, on the basis that it is not viable at all.

³⁶ Adapting to climate change July 2020, <https://www.iag.co.nz/content/dam/iag-nz-main/corporate-documents/Climate%20Change%20Survey%20Detailed%20Results%202018-2020.pdf>. This survey was of 1,000 people and ran between 18 and 24 June 2020. It has a margin of error of 3.1%.

³⁷ In this regard also see comments from the New Zealand Productivity Commission in their report Local government funding and financing (November 2019), https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf.

³⁸ Lloyd's Underinsurance Report 2018, prepared by the Centre For Business and Economic Research, https://www.lloyds.com/~media/files/news-and-insight/risk-insight/2018/underinsurance/lloyds_underinsurance-report_final.pdf. This report reinforces the correlation between low insurance penetration and taxpayers required contribution post-disaster.

- While traditionally insurers assessed risk looking backwards (based on claims received), decision making today also increasingly involves forward looking predictive models leveraging technology and the latest scientific insights, including ones related to climate change (for example, flood and weather pattern modelling). Insurers are also increasingly using more sophisticated and granular data to form a much more precise picture of a particular risk and then underwrite it accordingly (either by imposed specific terms or conditions and/or via risk-based pricing).³⁹
- From a first principles perspective, insurance follows the pooling principle 'the many paying for the unfortunate few'. While this works well for a diverse range of accidental (i.e. sudden, unintended and unforeseen) events, where the numbers suffering losses at any one time is small (e.g. a vehicle crash or house fire), this does not work well for wide scale and predictable climate change events. For example, coastal properties in a certain area known to be at risk of coastal erosion and/or tidal inundation. Additionally, losses connected with the sea level rising or coastal erosion are not sufficiently accidental because they are neither sudden or unforeseen. Insurers also generally exclude cover for land damage.⁴⁰
- Lastly, whereas insurance responses to climate change operate on short annual renewal cycles, as outlined above, local government planning for climate change operates on very long timeframes, with potential impacts stretching across generations.

In light of the above, it should come as no surprise that in other countries where flooding has been an issue it has been removed from standard insurance offerings because doing so has not been sustainable, being removed entirely or offered instead as an optional extension for additional premium.⁴¹ Consistent with this, property damage from coastal erosion and "actions by the sea" is excluded from the majority of home insurance policies in Australia.⁴² Local government action to manage the impact of climate change risks is critical to ensuring the same thing does not happen in New Zealand.

Ensuring lending remains available

Another reason for action, connected with the availability of insurance, is property lending. Generally, banks and other lenders require insurance to be in place for property securing lending as this ensures there are funds available if something goes wrong. The banking sector alone lends over \$280 billion in residential mortgage lending in total.⁴³ Substantial lending is also secured against commercial properties. If insurance and therefore lending is reduced in an area within your region due to climate change risks, this will restrict growth, deflate people and business' property values (and in turn rateable income).

Another issue is the asymmetry of the term of lending and insurance. Unlike mortgage lending, which is generally structured over several decades, as mentioned above insurance is generally renewed annually and can be withdrawn if risk gets too high. Accordingly, the risk that lenders are

³⁹ Risk-based pricing results in increased premiums for high-risks and promotes low risk behaviour. This contrasts with a community-based pricing approach where everyone pays the same rate regardless of the varying risk, with people in low risk areas effectively paying higher premiums to subsidise people in high risk areas who have no premium incentive to reduce their risk.

⁴⁰ Land is insured by EQC provided this is within the residential property boundary and either: (1) under the relevant home and outbuildings, (2) within 8ms of these buildings; or (3) under or supporting your main accessway up to 60ms from the home.
<https://www.eqc.govt.nz/what-we-do/land-cover>.

⁴¹ For example, until the 1960s US had all risks house policies as we have in New Zealand to <https://www.rbnz.govt.nz/statistics/c31> day. However, frequent flooding events drove the predictable premium response until insurance became unaffordable.

⁴² Beachfront homeowners at risk of losing millions as properties uninsurable against the sea (28 July 2020),
<https://www.news.com.au/finance/business/beachfront-homeowners-at-risk-of-losing-millions-as-properties-uninsurable-against-the-sea/news-story/2d9d3f73f7a03f248448f62731800a12>.

⁴³ New and existing residential mortgage lending by payment type - C32 (24 July 2020),
https://www.rbnz.govt.nz/statistics/c32?fbclid=IwAR2lu_C8v_i3h94bdudJo2RMDQahFI07N9QbAJTDT0ShI_I8I42MjD0yE5Y.

left with an uninsured secured asset in the future due to evolving climate change risks is likely to flow through to higher deposit requirements and lending rates and shorter loan terms, restricting growth, deflating property values and rateable income.⁴⁴

Action is required to manage local government liability exposures

Another important reason for action is local government's potential liability exposures related to climate change. For example, the risk of an allegation being made that a local authority failed to have sufficient regard to known climate change issues in decision making or planning and this led to a third party suffering property damage or financial loss. This could lead to substantial defences costs being incurred, and liability payments being made, from ratepayer funds.

To this end, a recent presentation by a Queens Counsel to a local government audience records that:⁴⁵

- In addition to issues associated with breaching statutory duties as outlined above, common law is changing, and the Judiciary appear to have an increasing appetite to entertain arguments about climate change in common law.⁴⁶
- While current local government litigation mostly relates to decisions to limit development (short-term judicial review), in the future it seems likely to extend to the consequences of allowing development and failing to implement adaptation measures (e.g. from homeowners suffering physical and economic consequences of climate change in the longer term).
- While there have not been any large damages claims in relation to failure to implement adaptation measures in New Zealand to date, this may be only a matter of time.

Insurance may also have a role to play here and to that extent the same principles as outlined in the insurance section above apply equally here. Specifically, if local government's liability exposures associated with climate change are not sufficiently managed this may lead to liability insurance becoming unaffordable or unavailable. Liability insurance also commonly excludes reckless or intentional conduct, which may be an issue if the climate change impacts are known but ignored.

If the relevant liability insurance is not in place and a large climate change related event occur, this could put extreme pressure on local governments already strained resources – diverting ratepayer funds to fight litigation that otherwise could be used to repair infrastructure and fund the emergency response.

Specific areas for local government action

Reflecting on the above, we consider there are five practical ways local government can advance climate change issues in the near term, focusing on matters directly in their control. In some regions these matters may be already well advanced, while others may be just at the start of their climate change journey.

Embracing collaboration and coordination

⁴⁴ Also in this regard see comments from the New Zealand Productivity Commission in their report Local government funding and financing (November 2019), https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf.

⁴⁵ "Climate Change Adaptation" session of the Local Government New Zealand Rural and Provincial Sector Meeting, Wellington (7 March 2019) <https://www.lgnz.co.nz/assets/Uploads/f488365773/Climate-change-litigation-Whos-afraid-of-creative-judges.pdf>.

⁴⁶ See also the paper 'Climate Change and the Law' produced by three justices of the Supreme Court available here: <https://www.courtsofnz.govt.nz/assets/speechpapers/ccw.pdf>.

One key area of action by local government in our view is leading and embracing collaboration and coordination on climate change within the region. While local government has a great deal of autonomy in deciding what to do regarding climate change, unfortunately this means there is a lack of consistency across the country in terms of approaches. Things may be further complicated by different bodies (i.e. regional/unitary, district or city councils) having different but overlapping roles and responsibilities.⁴⁷ However, climate change and its impacts do not respect local government boundaries.

To combat this, all elements of local government within a region must collectively work together – having regard to their specific functions/roles whilst leveraging their combined leadership, resources, knowledge and expertise. This should include:

- Establishing a consistent understanding of how to identify climate change risks, undertake risk modelling, planning and the appropriate terminology and methodologies to use, drawing upon approaches set out by Local Government New Zealand, other local and central government (including the Ministry for the Environment and the Climate Change Commission).
- Developing a shared understanding of overarching climate changes issues in the region and what should be done to address them, with coordinated roles and accountabilities, noting that all of local government is charged with meeting the current and future needs of communities.⁴⁸

It is important that mitigation and adaptation measures are considered together in a coordinated fashion that involves all relevant stakeholders, noting that while mitigation on climate change (reducing emissions) is principally being progressed at a national and central government level much of the decision making and implementation around adaptation occurs at the local government level. Working together enables a full picture of climate change to be formed and a balanced approach to be taken when prioritising responses and allocating responsibilities and accountabilities.

For efficiency and economies of scale, local government should look for opportunities to partner up or draw upon insights from other regions grappling with similar issues or who have done so in the past.

Lastly, if good collaboration and coordination is already occurring within your region, now is a good opportunity to 'take this to the next level' by formalising these arrangements.

Building knowledge about climate change and sharing it

Local government also needs to focus on identifying and filling gaps in regional knowledge about climate change,⁴⁹ investing in specialist personnel, training and additional research (leveraging the latest scientific insights and technology), to gain a better understanding. Improving the information available will enhance the efficacy of the actions local government can take. In undertaking this work,

⁴⁷ For example, while regional councils focus on decisions that relate to resource use and hazard management, district or city councils focus may focus on core services that can impact on resources including land, water and coastal areas.

⁴⁸ Local Government Act 2002, section 10(1)(b).

⁴⁹ This issue is compounded by the fact that there is currently no national public database of natural hazard risks. While this work has recently stalled due to a lack of government funding, ICNZ has been advocating for work to be undertaken in this regard through the ReZealiance project. The intention of this project is to use publicly funded research undertaken by GNS, NIWA and LINZ to produce a natural risk database that many stakeholders including homeowners, businesses and central and local government can use. Another challenge is that there is no consistent hazard information for assessing the exposure of the built environment at a national scale, <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/national-climate-change-risk-assessment-new-zealand-snapshot.pdf>.

again regard should be had to successful approaches others have adopted so as to coordinate and ensure consistency and efficiency as much as possible.⁵⁰

Local government should also champion public education on climate change within their regions. This involves actively looking for opportunities to share what it knows about climate change risks within the region to individuals, businesses and communities in a form they can easily engage with – bringing them on the climate change journey and giving them better information to make decisions and take personal action. While there has been growing awareness of climate change issues, many still do not fully understand the specific risks climate change poses to them.⁵¹ Simply put, people cannot be expected to manage and reduce their climate change risks if they do not know what they are.

From specific property information perspective, all current and potential property owners should have easy access to good quality, transparent and consistent information about all-natural disaster risks a particular property faces including the climate change related ones.

While we acknowledge providing more information about property related natural disaster risks may cause challenges, in our view, local governments should not shy away from doing so. Providing this information enables individuals and businesses to make more informed decisions and the market (including insurers⁵² and lenders) to price for this risk signal. Just like other natural hazard risks, climate change impacts are likely to have an impact at some future point, if they have not done so already. The alternative is that the added costs associated with the property due to climate change risk remain hidden and ignored, with local government and ratepayers ultimately subsidising arrangements (via future infrastructure costs, protection measures, emergency response costs etc). Providing this information incentivises people to act in a more resilient manner (e.g. to undertake the appropriate protection measures or factoring these before making decisions).

In the property information context, how things are framed can be very important. For example, a '1:100-year event' may mislead people into thinking it will not happen in their lifetime when it could happen tomorrow. Consider framing things as 'a 1 in 4 chance of an event over the term of a 25 year mortgage' or 'if there are 100 locations that face 1:100 year events in New Zealand, then one will most likely happen in the next 12 months'. Another obvious consideration is that, due to climate change, these low probability events are becoming increasingly common and the associated probability may need to be re-assessed.

Avoid development in areas vulnerable to flooding, rising sea levels or coastal erosion

Wherever possible local governments should avoid development in areas vulnerable to flooding, rising sea levels or erosion. This should be a fundamental element of a local government's adaptation framework, to bypass costly and avoidable climate change risk which otherwise local governments

⁵⁰ As outlined by the Productivity Commission, specific consideration could be given to developing regional spatial plans which will assist with efficient use of resources and aid in coordinating efforts across councils and with central government. These plans can also draw upon insights from the Climate Change Commission's national climate change risk assessments so that responses to climate change occur in a coordinated fashion, https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf.

⁵¹ For example, IAG's climate poll 2020 records that only 34% of individuals indicated they had all the information they needed to make decisions to reduce the impact of climate change on themselves.

⁵² Property owners are generally required to disclose to their insurer if their property has been identified as being at risk from any natural hazard by their local Council, through information being placed on the properties LIM or by way of a notice on the property title under section 74 of the Building Act 2004. This notice alerts prospective purchasers and others with an interest in the property (such as lenders and insurers) that the land is subject to a natural hazard and specifies what the natural hazard (or hazards) are. Failing to disclose this information may lead to a claim being declined.

(and ultimately ratepayers) will have to meet. There is growing public awareness and recognition of this issue.⁵³

The alternative (allowing development in such areas to proceed) will result in, at best, costly and potentially uneconomic protection measures needing to be put in place or, at worst, interruption, emergency responses costs and an eventual managed retreat and/or claims for compensation by property owners which local governments (and ultimately rate payers) have to meet. There may also be insurance and lending availability and affordability issues to consider amongst other things. If developments in areas vulnerable to flooding, rising sea levels or coastal erosion are considered, the full cost implications of doing so must be evaluated and appropriate protection measure requirements imposed (such as lifting floor-levels, raising land or inundation or erosion protection measures).

Local government should also consider undertaking managed retreats of existing developments in areas vulnerable to flooding or rising sea levels where either the avoidable risk of loss is calculated as being too high and/or it is uneconomic to protect them (with reference to the cost of future interruptions, emergency response costs, protection measures and potential property damage etc). Again, the future availability and affordability of insurance and lending should be considered in decision making here. Consideration should be given to adopting an adaptive pathway in this context, noting that under it, the specific process to retreat may vary. In some cases, this may involve less disruptive and expensive interim measures being put in place before a decision is ultimately made to retreat or move onto some other pathway once more is known.

Climate change should be prioritised in planning and investment decisions

Climate change risks should be prioritised in local government's planning and investment decisions about infrastructure,⁵⁴ including incorporating emissions reduction targets into investment decisions on transport, fleet procurement and waste management.

Planning and investment decisions should have specific regard to managing or reducing natural disaster risk and protecting assets casting a broad net covering both built infrastructure (such as stormwater drains, culverts, stock banks, seawalls and transport and waste management), natural infrastructure (such as dunes, wetlands, rain gardens, swales) and potential changes to land use, and with regard to potential:

- **direct costs**, such as the cost of remediating public infrastructure, privately owned assets, emergency response costs and damage to regional ecosystems, flora and fauna
- **broader economic, social and natural environment impacts**, such as business interruption, prevention of access and loss of supply chains, depopulation, displacement, entrenchment, the further opening up of inequalities or loss of habitats
- **downstream impacts**, such as contamination to potable water supply that in turn negatively impacts the ability to earn income, quality of life and public health, and
- **impacts to resiliency**, such as the impact of an essential road, public facility or utilities being cut off or out of operation, for a number of months or years.

⁵³ For example, the aforementioned IAG's climate poll 2020 records that 72% of respondents considered that local councils should zone land specifically to reduce the impacts of climate change, while 65% considered that local councils should only consent development that reduces or avoids the impact of climate change. See also Just how safe from the rising sea level are our beach houses? (12 July 2020), <https://www.stuff.co.nz/life-style/homed/latest/300050107/just-how-safe-from-the-rising-sea-level-are-our-beach-houses> and Climate change may soon render beach houses uninsurable (15 July 2020), <https://www.insurancebusinessmag.com/nz/news/breaking-news/climate-change-may-soon-render-beach-houses-uninsurable-227816.aspx>.

⁵⁴ This is reinforced by insights from the IAG's climate poll 2020 where 72% of respondents indicated that local councils should use funds to help build infrastructure that reduces the impact of climate change.

In considering these issues, a consistent and coordinated approach must be taken looking at the total pool of infrastructure assets in the region, potential climate change impacts and avoidable losses over the long-term. This will invariably involve liaising with central government, other public agencies and private utility companies (e.g. electricity, gas and telecommunications network operators and suppliers). Regard should be had to making decisions that maximize co-benefits.

In evaluating these matters, local government should also consider adopting an adaptive pathways approach. Rather than committing to substantial investments upfront (which may be subsequently rendered obsolete or make further adjustments difficult or costly), focussing on short-term actions and long-term options providing flexibility to make the right decision later once more is known.

Ensuring buildings are resilient to climate change impacts

In conjunction with the above, it is also important that any new building work approved (including design, construction and materials used) contributes to reducing emissions (in both its construction and operation),⁵⁵ and is more resilient to climate change impacts alongside other natural hazard risks (e.g. earthquakes) with a view to bolstering longevity and avoiding inefficient redundancy or obsolescence.⁵⁶

Again, this is all about bypassing avoidable climate change risk. This approach also reflects that ensuring building resiliency at the outset is much more cost efficient than waiting until a climate change related event occurs and addressing it at that point. Consideration could also be given to subsidising resiliency improvements for homes or managed retreat in low income areas with a high risk to climate change impacts, or providing additional support to particularly vulnerable groups,⁵⁷ noting that climate change has the potential to exacerbate existing inequalities.⁵⁸

If owners are rebuilding following a climate change related event, local government should encourage them to make changes to improve resiliency in their rebuild, rather than simply reinstating things as they were (as if nothing had happened). If these risks are not appropriately addressed, future avoidable property damage and interruption is likely inevitable. Failing to adequately address these issues is likely to impact insurance availability and affordability too.⁵⁹

Conclusion

Thank you again for the opportunity to provide our views on the issues climate change raises and the role we see local government having in this regard. If you have any questions, please contact our Regulatory Affairs Manager, Nick Whalley on (04) 914 2224 or by emailing nickw@icnz.org.nz.

The issues posed by climate change are confronting. However, local governments are well placed in many respects to address these issues. Good progress can be made by acting proactively and in a

⁵⁵ To this end, the Government recently announced a Building for Climate change programme focussing on finding ways to reduce emissions from buildings during their construction and operation, while also preparing buildings to withstand changes in the climate, <https://www.building.govt.nz/about-building-performance/news-and-updates/all-news-and-updates/building-for-climate-change-programme-gets-underway/>.

⁵⁶ The Building Research Association of New Zealand (BRANZ) have some useful resources in this regard, <https://www.branz.co.nz/>

⁵⁷ Including the elderly, the disabled, those with mental health issues or financial hardship.

⁵⁸ National climate change risk assessment for New Zealand - Main report (2 August 2020), <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/national-climate-change-risk-assessment-main-report.pdf>

⁵⁹ In general terms insurers may be able to work their customers to factor in adjustments in the rebuild to better protect it from future losses in the future as doing so is to their mutual benefit. However, the particular claim response will depend on the specific insurance policy in force and circumstances, sum insured and betterment limitations may apply and generally insurers do not contribute to additional costs to comply with changes required by the Government or a local authority unless the relevant building complied with all relevant legislation and regulations at the time it was built or altered.

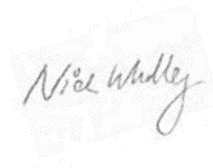
consistent and coordinated manner, taking a long-term view that focusses on both climate change mitigation and adaptation.

It is truly positive that some local councils have already made great strides to engage with and progress climate change issues - some of this work is outlined in Appendix 1. There are also some helpful resources local governments can leverage in this regard - as outlined in Appendix 2.

Yours sincerely,



Tim Grafton
Chief Executive



Nick Whalley
Regulatory Affairs Manager

**APPENDIX 1:
EXAMPLES OF LOCAL GOVERNMENT PROGRESS ON CLIMATE CHANGE**

- Whangarei District Council's draft Natural Hazard Plan Change for their District Plan (which includes a review of flooding and coastal hazards). More information is available [here](#).
- Waikato District Council's Stage 2 of the Waikato District Plan Review (which focusses on Natural hazards and the effects of climate change). More information on this available [here](#). *Waikato Regional Council also recently secured \$23.8 million from the Government for 10 flood protection and catchment projects (4 August 2020). More information on this is available [here](#).*
- The Bay of Plenty's Rangitāiki River Scheme Review – April 2017 Flood Event (18 September 2017). More information on this is available [here](#).
- Whakatane District Council's Awatarariki Managed Retreat Programme. More information of this is available [here](#).
- The Hawkes Bay's Coastal Hazard Committee's⁶⁰ Clifton to Tangoio Coastal Hazard Management Strategy 2120 (August 2016). More information of this is available [here](#).
- Work done by Wellington City Council and the Greater Christchurch Partnership as two of the 100 cities that have joined the Rockefeller Foundation's Resilient Cities network, which helps cities survive, adapt and grow no matter what kind of stresses and shocks they experience. More information about this is available [here](#) and [here](#).
- Tasman District Council's community centric coastal management work. More information on this is available [here](#).
- Christchurch City Council's flood intervention policy (including investigation and mitigation of the Flockton area). More information on this is available [here](#).
- Queenstown Lakes District Council's flood management work (including a joint flood mitigation strategy). More information on this is available [here](#).
- Nelson City Council's Online Coastal Inundation Map which includes modelling for 0.5m, 1m, 1.5m and 2.m sea level rise scenarios. More information on this is available [here](#).

⁶⁰ This is a joint committee, bringing together elected representatives from Hastings District Council, Napier City Council and Hawke's Bay Regional Council.

**APPENDIX 2:
HELPFUL RESOURCES FOR LOCAL GOVERNMENT ON CLIMATE CHANGE**

Author	Title and hyperlinks for access	Date
Ministry for the Environment	Coastal Hazards and Climate Change: A Guidance Manual for Local Government in New Zealand available here	July 2008
Department of Conservation	New Zealand Coastal Policy Statement 2010 available here	2010
Judy Lawrence, Frances Sullivan, Alison Lash, Gavin Ide, Chris Cameron & Lisa McGlinchey	Adapting to changing climate risk by local government in New Zealand: institutional practice barriers and enablers available here	2015
Parliamentary Commissioner for the Environment	Preparing New Zealand for rising seas: Certainty and Uncertainty available here	November 2015
Tonkin+Taylor	Risk based approach to natural hazards under the RMA available here	September 2016
Climate Change Adaptation Technical Working Group	Adapting to Climate Change in New Zealand available here	31 May 2017
Ministry for the Environment	Preparing for coastal change: A summary of coastal hazards and climate change guidance for local government available here .	December 2017
Jack Hodder QC	Climate Change Adaptation: session of the Local Government New Zealand Rural and Provincial Sector Meeting, Wellington available here	7 March 2019
Oxfam NZ	How to Talk About Climate Change: A Toolkit for Encouraging Collective Action available here	31 July 2019
Deep South Challenge: Changing our climate	Supporting decision making through adaptive tools in a changing climate: Practice guidance on signals and triggers available here	2020
Local Government New Zealand	Various resources for local governments on climate change available on their Climate Change Project page here and case studies regarding community engagement on climate change adaptation here	Various
Ministry for the Environment	Climate change adaptation and local government available here	
Massey University	Sample risk management framework produced by available here . <i>Also see, by way of example, the Risk Management Framework, Policy and Guidelines put together by the Thames Coromandel District Council available here</i>	

APPENDIX 3:

ICNZ's view of the role of local government on climate change

What (the problem: climate change is here)

Larger and more extreme weather events

Sea levels rising, coastal erosion and flooding

Droughts, water shortages and wildfire

Flow on impacts to:
- Natural and built environments
- human, economic and governance

The potential impacts stretch across generations, with the economic, social and environmental impacts being too significant to ignore and only increasing if no action is taken

Why (local government need to act)

The best responses are context specific (addressing matters at a local level)

Ensuring resources are efficiently used

Communities are increasingly demanding action

Ensuring insurance and therefore lending remains available and affordable

There is a legal duty to do so

Bypassing avoidable harm

How (local government can act)

Grapple with the full impacts of climate change (taking your community on the journey, leveraging the best available science and regional capability)

Thorough planned action and investments for adaptation and mitigation (reducing the extent of future climate change and its impacts)

Take a holistic, long term and flexible approach (using a risk management framework to prioritise and an adaptive pathways approach)

Practical actions includes:

- ✓ collaboration and co-ordination
- ✓ building and sharing knowledge
- ✓ embedding mitigation and adaptation in investment and planning decisions
- ✓ declining development in areas vulnerable to flooding or rising sea levels
- ✓ ensuring buildings are resilient

A pro-active, co-ordinated, and long-term view should be taken to managing the real and significant impacts of climate change, putting people, businesses and communities at the heart of decision-making

9.6 FOLLOW-UP ACTIONS FROM PREVIOUS MEETING

Author: Dave Tombs, Group Manager – Corporate Services

1 Reason for Report

- 1.1 On the list attached are items raised at previous Audit and Risk meetings that staff have followed up on. All items indicate who is responsible for follow up, and a brief status comment.

2 Decision Making Process

- 2.1 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

3 Recommendation

That the report 'Follow-up Items from Previous Meetings' be received.

ATTACHMENTS

1. Follow-up Actions from Audit and Risk 26 November 2020

Follow-up Actions from Audit & Risk Meeting - 26 November 2020

Follow-up Action:	Person Assigned:	Status Comment:
Review of Procurement Policy – suggestions: <ul style="list-style-type: none"> - Council undertake internal Audit then Audit NZ can review - Include ethical supply chain, social procurement; what our maturity is; tied in with contract management / project management - Review level of delegations - Training of staff is an important part of the Procurement Policy 	Jess McIlroy	Jess McIlroy/PMO will review Procurement Policy by end of April – update will be provided to subsequent Audit & Risk Committee meetings
Clarification of the funding impact statements comprehensive revenue and expense, with regard to the actual 2020 figures, was there a very slight variation on the timing difference in regard to the actual figures (in terms of 2020 it doesn't quite match)?	Dave Tombs	Update sent by email on 27 November: <ul style="list-style-type: none"> • Rates Revenue as per Funding Impact Statement (7613+15835) =23,448 <page 19 agenda papers> • Rates Revenue as per Statement of Comprehensive Revenue & Expense = 21,815 <page 20 agenda papers> Difference is explained in Note 3 to the accounts <page 44> : \$1.6m of remissions and offsets [Action now closed]
Work Programme Matrix	Dave Tombs	This matrix is being replaced via a review of the Risk Management Framework (see agenda item for March meeting)

10 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC**

The meeting went into public excluded session [enter time](#)

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the *Local Government Official Information and Meetings Act 1987* for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
Item 1.1 – Treasury Reporting Item 1.2 – Protected Disclosures Update Item 1.5 – Insurable Risk Profile Item 1.6 – Audit NZ Management Letter Points	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i)
Item 1.3 – Fraud Register Item 1.4 – Internal Audit Workplan	s7(2)(b)(i) - the withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret	s48(1)(a)(i)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding or the whole or the relevant part of the proceedings of the meeting in public as specified above.

11 OPEN MEETING