



F13/13 – D21/6841

15 July 2021

AUDIT & RISK COMMITTEE MEETING

Notice is hereby given that the **Audit & Risk Committee Meeting of Council** will be held in the **Council Chambers, Stratford District Council, Miranda Street, Stratford** on **Tuesday 20 July 2021** at **2.00pm**.

Timetable for 20 July 2021 is as follows:

2.00pm	Audit and Risk Committee Meeting
3.30pm	Workshop - Cyber Insurance

Yours faithfully



Sven Hanne
CHIEF EXECUTIVE

2021 - Agenda - Audit & Risk - July (20/07/2021)

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AUDIT & RISK COMMITTEE MEETING
TUESDAY 20 JULY 2021 AT 2.00 PM

A G E N D A

1. **WELCOME**
2. **APOLOGIES**
3. **ANNOUNCEMENTS**
4. **DECLARATION OF MEMBERS INTEREST**
Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.
5. **ATTENDANCE SCHEDULE**
Attendance schedule for 2021 Audit and Risk Committee meetings.
6. **PROGRAMME OF WORKS**
D21/6382 (Page 7)

RECOMMENDATION

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

/_____
Moved/Seconded

7. **CONFIRMATION OF MINUTES**
 - 7.1 **Audit and Risk Committee Meeting Minutes – 22 June 2021**
D21/21217 (Pages 8-16)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 22 June 2021 be confirmed, with any amendments, as a true and accurate record.

/_____
Moved/Seconded

8. **MATTERS OUTSTANDING**
D18/27474 (Page 17)

RECOMMENDATION

THAT the matters outstanding be received.

/_____
Moved/Seconded

9. **DECISION REPORT – GENERAL INSURANCE RENEWAL 2021**
D21/24912 (Pages 18-44)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Committee approves the recommendations for the general insurance renewal programme for 2021.
3. THAT the Committee approves the proposed amendments to Council’s Insurance Framework.

Recommended Reason

General insurance provides some mitigation against the consequences of a risk event and it is this Committee’s responsibility to monitor and review risk.

Moved/Seconded

10. **DECISION REPORT – REVIEW OF RISK MANAGEMENT POLICY**
D21/24848 (Pages 45-62)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the amendments to the Risk Management Policy be reviewed and approved.

Recommended Reason

The Risk Management Policy is due for review and is one of the key policies to come under the oversight of the Audit and Risk Committee.

Moved/Seconded

11. **INFORMATION REPORT – HEALTH AND SAFETY REPORT**
D21/24853 (Pages 63-66)

RECOMMENDATION

THAT the report be received.

Moved/Seconded

12. **INFORMATION REPORT – AUDIT NZ – PROGRESS ON AUDITOR RECOMMENDATIONS**

D21/25066

(Pages 67-72)

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2018/19 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Moved/Seconded

13. **INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT**

D21/ 24987

(Pages 73-84)

RECOMMENDATION

THAT the report be received.

Moved/Seconded

14. **INFORMATION REPORT – RISK REVIEW**

D21/24911

(Pages 85-106)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

Moved/Seconded

15. **GENERAL BUSINESS**

16. **QUESTIONS**



Health and Safety Message

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Please exit through main entrance.

Once you reach the footpath outside please turn left and walk towards the Bell tower congregating on lawn outside the Council Building.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Stay indoors till the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

Attendance schedule for 2021 Audit and Risk Committee meetings.

<u>Date</u>	<u>19/03/2021</u>	<u>18/05/2021</u>	<u>22/06/2021</u>	<u>20/07/2021</u>	<u>21/09/2021</u>	<u>16/11/2021</u>	<u>Attendance</u>	<u>Percentage</u>
Meeting	A	D	A	A	A	A		
Neil Volzke	✓		✓					
Grant Boyde	✓		✓					
Rick Coplestone			✓					
Peter Dalziel	✓		S					
Jono Erwood	✓		✓					
Amanda Harris			✓					
Alan Jamieson	✓		✓					
Vaughan Jones			✓					
Min McKay	✓		✓					
John Sandford	✓		✓					
Gloria Webby	✓		✓					
Philip Jones (Chair)	✓		✓					

<u>Key</u>	
A	Audit & Risk Meeting
	Non committee member
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sickness
(AV)	Meeting held by Audio Visual Link

Audit and Risk Committee - Programme of Works

	Jul-21	Sep-21	Nov-21	Mar-22	May-22	Jul-22	Sep-22	Nov-22	Mar-23	May-23	Jul-23
Standing Items	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised
Annual Items	- Review of Insurances (include summary of risk modelling report)	-Annual Report update -Internal Audit Report (outcomes)	-Committee Self-Review	-Cyber Risk prevention update	-Civil Defence Readiness	- Review of Insurances	-Annual Report update	-Committee Self-Review	-Cyber Risk prevention update	-Civil Defence Readiness	- Review of Insurances
One-Off Items	-Review Risk Management Policy, Risk Appetite Statement, and Risk Management Framework	- Workshop: Committee Self-Review - Water Quality update	-Tax audit reportd - Emerging Risk: Local Government Reforms (what it means for the community and Council)								

MINUTES OF THE AUDIT & RISK COMMITTEE MEETING OF THE STRATFORD DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, STRATFORD DISTRICT COUNCIL ON TUESDAY 22 JUNE 2021 AT 1.30PM

7.1

PRESENT

P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors J M S Erwood and M McKay.

IN ATTENDANCE

The Chief Executive – Mr S Hanne, the Director Community Services – Ms K Whareaitu, the Director Corporate Services – Mrs T Radich, the Director Environmental Services – Mr B Sutherland, the Director Assets – Mrs V Araba, Councillors G W Boyde, R W Coplestone, A K Harris, V R Jones, G M Webby, and W J Sandford, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety and Emergency Management Advisor – Mr M Bestall (*part meeting*), the Corporate Accountant – Mrs Christine Craig, and two members of the media (Taranaki Daily News & Stratford Press).

1. WELCOME

The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting.

2. APOLOGIES

RECOMMENDATION

THAT an apology be received from Councillor P S Dalziel.

JAMIESON/ERWOOD
Carried
A&R/21/13

3. ANNOUNCEMENTS

No announcements were made.

4. DECLARATION OF MEMBERS INTEREST

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

5. ATTENDANCE SCHEDULE

The attendance schedule for Audit and Risk Committee meetings was attached.

6. PROGRAMME OF WORKS

D21/6382 Page 8

RECOMMENDATION

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

JAMIESON/McKAY
Carried
A&R/21/14

The Chair noted that a framework for this committee's self-evaluation (report to the November 2021 meeting) will be informally discussed at the July meeting.

7. CONFIRMATION OF MINUTES

7.1 Audit and Risk Committee Meeting Minutes – 16 March 2021

D21/9431 (Pages 9-19)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 16 March 2021 be confirmed, with any amendments, as a true and accurate record.

JONES/ERWOOD
Carried
A&R/21/15

No amendments were noted.

8. MATTERS OUTSTANDING

D18/27474 (Page 20)

RECOMMENDATION

THAT the matters outstanding be received.

JONES/JAMIESON
Carried
A&R/21/16

The Chief Executive noted that the both outstanding matters were being dealt with in this agenda.

7.1

9. **DECISION REPORT – SENSITIVE EXPENDITURE POLICY**

D21/15747

(Pages 21-31)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Committee endorses the new Sensitive Expenditure Policy for approval by the Policy and Services Committee, with any amendments proposed by this Committee.

Recommended Reason

Audit New Zealand have strongly recommended that Council has a Sensitive Expenditure Policy in place. The Audit and Risk Committee has a role in reviewing policies which address Council risks.

McKAY/JONES
Carried
A&R/21/17

7.1

The Director Corporate Services noted that aspects of sensitive expenditure were currently being dealt with under individual policies. However it had become evident that any aspects of council spending which have the potential to create the perception of risk should be in one place/one policy.

Questions/Points of clarification:

- The District Mayor commented on the comprehensive coverage of what is sensitive expenditure. He noted a correction required on page 26 regarding the effect date. Mayor Volzke asked with regards to finance and social club activities whether the contribution of up to \$500 pertained to the staff or the elected members social club or both? If the staff social club was being referred to, this required clarification. With reference to gifts (page 30), elected members ought to be included here. Mrs Radich noted that these oversights would be rectified in the policy.
- The Deputy Mayor suggested a wording change to allow for flexibility and cost-effectiveness (page 27) under the travel clause. This was supported by the Chair.
- The Chair sought clarification around checked-in luggage as on occasion the policy must allow for discretion where there is a demonstrated need. This was supported by Councillor Erwood.
- Councillor McKay asked how sensitive spending would be monitored. Mrs Radich responded that once the policy is approved at council level, staff training will be provided and the risk register updated by SLT. The Chief Executive noted that travel bookers will be aware of any changes to the policy.
- Councillor McKay sought clarification as to whether alcohol, even one glass of wine or beer per person per day (page 28) was necessary when travelling on council business. The Chair noted that a number of councils have a strict policy of no alcohol. Mr Hanne was supportive of this stance. The Deputy Mayor spoke in favour of allowing an alcoholic beverage with a meal, however Councillor McKay asked whether ratepayers would think it necessary for council to pay for alcohol. The District Mayor considered it appropriate that, when travelling on council business, council pay for the meal in these situations and the individual pays for any alcohol consumed. The Deputy Mayor reiterated his stance adding that he saw no

reason to lower the standard in this situation. The Chair clarified the question – what would the ratepayer think? The Chair concluded the discussion that for now, the clause would be removed from the policy accepting that there would be further discussion on the topic when the policy comes back before council. Councillor McKay acknowledged that special circumstances should remain and that where there is a requirement, this should be pre-approved. Councillor Boyde agreed.

- Regarding credit cards (page 28) the Chair sought clarification on the credit limit which he considered at a high level and asked whether it was appropriate that cards are issued to specific council officers. Mr Hanne explained that officers held credit cards purely for online bookings and purchases hence the credit limit of \$10,000. The Chair sought clarification on how council officers, when outside of council, access credit when required. Mr Hanne responded that officers will use their own credit card and seek reimbursement on occasion – this is then repaid back to the officer within the week. Council also has a petty cash facility for small purchases such as parking. Councillor McKay noted the pressure placed on the individual to have a personal credit card with enough credit available. The District Mayor added that the largest expense is accommodation and travel – either of which are booked by the organisation and/or charged back to the organisation. The Chair also noted that he does, on occasion, approve reimbursement back to the Mayor, most of which is for parking and therefore a relatively low value.
- The Chair, in referring to the gifts clause (page 30) asked about potential loopholes. Mrs Radich explained the use of the gifts register for gifts with a value of either \$2 or \$40. The Chair clarified that a ‘gift’ is considered a regular ‘token’ thus creating a relationship. Councillor McKay asked that the one-off gift nuance be expressed in the policy.

10. DECISION REPORT – INTERNAL AUDIT PLAN 2021

D21/15839

(Pages 32-40)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Internal Audit Plan 2021 be approved.

Recommended Reason

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

JONES/ERWOOD
Carried
A&R/21/17

Questions/Points of clarification:

- The District Mayor asked when the results of the internal audit would be presented to council. Mrs Radich noted that this committee would receive a report in September.
- The Chair noted that it was unusual for a council to conduct its own audit and he looked forward to the outcome.

11. **INFORMATION REPORT – HEALTH AND SAFETY REPORT**

D21/15781

(Pages 41-44)

RECOMMENDATION

THAT the report be received.

VOLZKE/JONES
Carried
A&R/21/18

7.1

The Health & Safety and Emergency Management Advisor noted the following points:

- Skins checks were completed this week and well received by those staff who accessed the service.
- Mr Bestall welcomed the committee’s earlier conversation around alcohol.

Questions/Points of clarification:

- The District Mayor noted the lack of enthusiasm by some local contractors to comply with health and safety rules and asked at what point does council no longer tolerate this?
- Mr Bestall noted that this was an area that required further work.
- The Chair suggested giving contractors a long lead-time to comply with minimum standards and a firm deadline. Some contractors were playing by the rules, which carries significant costs, while those that do not comply are getting an advantage. There is significant risk to council in allowing this situation to continue. His suggestion was that contracts after 1 October must demonstrate a health and safety process.
- Mr Hanne noted that there were a combination of factors at play however he acknowledged that the best outcome would be take the stance – ‘no approval – no work’.
- Mrs Radich noted that the process of not paying invoices of a non-prequalified contractor (unless signed off by the advisor or the Chief Executive) saw far fewer non-prequalified contractors these days.
- The Chair did not disagree with the approach but considered that a risk assessment to both council and contractor be completed prior to the non-prequalified contractor carrying out work. Mr Bestall noted that a documented JSA process provided a ‘band aid’ not a real solution and for the smaller contractor (who tended to be more available than the larger contractor) conducting minor work, this was reasonably satisfactory. Mr Hanne noted that an exception to the accreditation policy was required and a limit be put on JSAs.
- Councillor McKay asked if there was an opportunity here to help facilitate a process for the local contractors, in collaboration with SBA perhaps. Mr Bestall and Mr Hanne will continue this conversation offline.
- Councillor Boyde considered that a line needed to be drawn in the sand no matter the size of the contractor or the work being carried out.
- Mr Hanne noted the committee’s direction on this matter, adding that a report would be brought to the next meeting.

12. INFORMATION REPORT – RISK REVIEW

D21/15578

(Pages 45-66)

RECOMMENDATION

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

McKAY/JONES

Carried

A&R/21/19

7.1

Questions/Points of clarification:

- Councillor Boyde noted that the quantity of information being provided to elected members for reading could be considered a risk, in terms of quality decision making. Mrs Radich noted that some guidance in this area would be helpful. The Chair agreed and noted that this very issue has been reported in the press in relation to Tasman District Council and the Waimea Dam decision. Mrs Radich will look at a control around risk 72 in terms of elected members decision making.
- The Chair noted that risk 12 was quite topical at present. One of the mitigating controls is the insurance policy however with insurance either becoming unavailable or too expensive, what other controls were being provided for and could council afford to carry the risk itself? Mrs Radich responded that cyber security controls were provided to insurers at the time of renewal however she would endeavour to report back to this committee on the outcome of insurance renewal conversations to be held soon and on the topic of cyber security, the IT manager could update the committee.
- Councillor Boyde, in referring to risk 83, asked how council could be proactive in ensuring safe conditions at the aerodrome. Mr Hanne responded that this particular point is really the only one that council can have some control over. There are many risks that come with an unmanned airfield.

13. INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT

D21/14266

(Pages 67-78)

RECOMMENDATION

THAT the report be received.

ERWOOD/McKAY

Carried

A&R/21/20

The Director Corporate Services noted the following points:

- The reported information was now out of date due to the deferral of the May meeting. More current information was discussed at the recent Policy and Services meeting.
- Capital expenditure is well below budget, the most significant portion of that is the pool which is planned for completion in the next financial year.
- The Maximum Investment with Counterparty limit breach was approved by the District Mayor and the Chair of this committee.

Questions/Points of clarification:

- The District Mayor noted that the Maximum Investment with Counterparty limit breach process worked well.
- The District Mayor used the opportunity to ask elected members if they were satisfied with this process and the decisions regarding investment levels (with one institution). There were no objections.
- The Chair noted the net debt calculation in paragraph 2.1 (page 69 refers). Mrs Radich confirmed that she had sought advice from the LGFA around this and they were satisfied.

The Health & Safety and Emergency Management Advisor left the meeting at 2.39pm.

14. INFORMATION REPORT – STAFF WELLBEING

D21/14266

(Pages 79-99)

RECOMMENDATION

THAT the report be received.

Recommended Reason

The report provides an update to the Audit and Risk Committee on staff wellbeing.

McKAY/ERWOOD

Carried

A&R/21/21

The Chief Executive noted the following points:

- The report owner is the Chief Executive, not the Director Community Services as noted.
- This is the second year of measuring or reporting on staff wellbeing at this council.
- There have been some notable improvements and some indicators have slipped.
- Mr Hanne noted his caution around using staff absenteeism data as an indicator of wellbeing.
- A long list of wellbeing initiatives are slowly being delivered. The most recent, skin checks, received positive comments from staff. The staff leave bank, a staff initiative, has been utilised on two occasions.
- Councillor McKay noted that zero formal complaints of bullying and sexual harassment have been received in the last two reporting years and asked if staff were aware of how to report such instances. Mr Hanne responded that this indicator had been broken down further this year to give more insight. The formal process for sexual harassment and bullying reporting was through Vault and these came

7.1

directly to Sven. This facility has not been used and no direct approaches to senior management have been reported. Any complaint about the Chief Executive goes to the District Mayor. Mr Hanne considers it appropriate that the Deputy Chief Executive role is held by a female.

- The Chair noted that he regularly sees untaken annual leave in organisations and asked how this was managed, especially when employees felt that they could not take leave because they are too busy. He has seen leave get up to the 9-10 week mark which is not good in terms of wellbeing or internal control. Mr Hanne responded that annual leave is reported on at SLT level each quarter. Mrs Radich confirmed that all managers could see staff leave at a glance and talk to staff directly about a clear plan for leave use.
- Councillor Boyde noted also that holiday accrual presented a financial risk to the organisation.
- Mr Hanne acknowledged that the year had been a busy one for staff with LTP, projects, accreditations and audits all adding to fatigue and general wellbeing.

15. **INFORMATION REPORT – CIVIL DEFENCE PROGRESS AND READINESS REPORT**

D21/15788

(Pages 100-144)

RECOMMENDATION

THAT the report be received.

Recommended Reason

It is a function of this committee to stay abreast of Council's readiness and ability to meet its requirements and obligations as laid out in the Taranaki Civil Defence Group's constituting agreement.

JONES/VOLZKE

Carried

A&R/21/22

Questions/Points of clarification:

- The Chair noted the extreme risk on page 132. Mr Hanne acknowledged that there were challenges around filling civil defence roles at any time for an organisation the size of ours however he believed that strong collaborative relationships within the region were a plus and had got us through Covid. He accepted though that the council was not currently compliant. The matter is a constant agenda item at regional meetings.
- The District Mayor noted that this report is being looked at a higher level and the joint (CDEM) view was that progress was being made.
- The Deputy Mayor noted that there had not been a TEMO presence at the Central Taranaki Safe Community Trust meetings.

7.1

16. AUDIT NZ CORRESPONDENCE

- PWC – Proposal for targeted indirect tax evaluation (Pages 145-151)
 - Audit NZ – Report to Council on the Audit of Stratford District Council’s Consultation Document for its 2021-2031 Long Term Plan (Pages 152-174)
- The Chair noted his expectation that asset management plans and other matters concerning the LTP would be discussed at the next meeting, in the presence of an Audit NZ representative if this was at all possible.

17. GENERAL BUSINESS

No general business was discussed.

18. QUESTIONS

No questions were asked.

The meeting closed at 3.07pm.

P Jones
CHAIRMAN

Confirmed this 20th day of July 2021.

N Volzke
DISTRICT MAYOR

7.1

AUDIT & RISK COMMITTEE MATTERS OUTSTANDING INDEX

REF NO.	ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE
	Process review outline – non-qualified contractors	22 June 2021	Sven Hanne/Mario Bestall		
	LTP – Audit NZ representative available for LTP debrief including asset management plans	22 June 2021	Tiffany Radich		
	Cyber insurance – an update on cyber security and the insurance renewal process	22 June 2021	Tiffany Radich		
	Tax Review – external tax auditor or reference group	6 October 2020	Tiffany Radich	Audit proposed for late June 2021 (refer to correspondence section for scope of work).	

DECISION REPORT



F19/13 – D21/24912

TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 20 July 2021
SUBJECT: GENERAL INSURANCE RENEWAL 2021

9

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Committee approves the recommendations for the general insurance renewal programme for 2021.
3. THAT the Committee approves the proposed amendments to Council's Insurance Framework.

Recommended Reason

General insurance provides some mitigation against the consequences of a risk event and it is this Committee's responsibility to monitor and review risk.

Moved/Seconded

1. **PURPOSE OF REPORT**

- 1.1 To seek approval for the general insurance renewal programme for the 2021/22 financial year, and amendments to the Insurance Framework.

2. **EXECUTIVE SUMMARY**

- 2.1 The general insurance renewal programmes covers a number of risks that may affect Council including property damage, public liability, motor vehicle, and cyber risk. It does not cover insurance for underground infrastructure specifically in relation to water and wastewater reticulation, which is covered under a separate policy through the Local Authority Protection Programme (LAPP).
- 2.2 The proposed cost for the 2021/22 general insurance renewal programme, is \$161,823 (2020/21: \$135,824). Various proposals are provided for the material damage policy, recommendation is to maintain a balanced risk approach and remain with status quo.

- 2.3 The Insurance Framework has been updated to reflect the new risk environment and the updated Risk Management Framework.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
	x		

Insurance cover protects Council from incurring the full financial loss of a risk event.

4. **BACKGROUND**

- 4.1 The four Councils in the Taranaki region have engaged Marsh as its insurance advisor and broker for the period from 1 July 2020 to 1 July 2022. Marsh is responsible for proactively searching and engaging with the international insurance market to provide the Taranaki group with the best insurance offerings available in the market. They are also Council’s first point of contact when an incident occurs that may give rise to an insurance claim. The fee charged to Stratford District Council for their service is \$7,733 per annum excluding GST.

- 4.2 The Insurance Framework was developed to “*provide a structure for future decision making about how insurance can be used to provide for impacts that have a financial effect on the Council and that the community may be unable or unwilling to absorb. It identifies alternative options to fund restoration of Council’s core functions after damaging events. The framework, therefore, considers the Council’s ability to, and appetite for, absorbing a level of risk that matches the capacity to absorb financial losses from a damaging event.*” It was approved by the Audit and Risk Committee in September 2019.

- 4.3 The Insurance policies may be changed at any time during the period of insurance.

5. **CONSULTATIVE PROCESS**

5.1 **Public Consultation - Section 82**

No public consultation has been undertaken.

5.2 **Māori Consultation - Section 81**

No consultation undertaken with iwi.

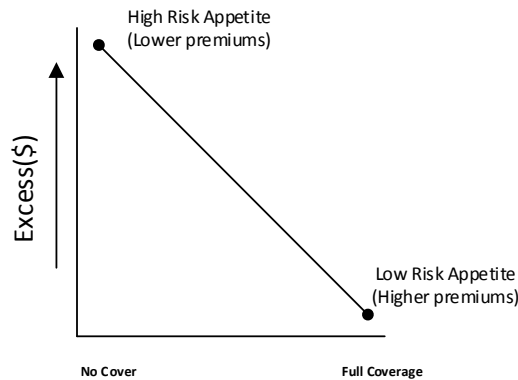
6. **RISK ANALYSIS**

Refer to the Council Risk Register - available on the Council website.

- Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of eventuating?
- Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks.
- Is there a legal opinion needed?

6.1 This report relates to a number of mitigation strategies within the Council’s risk register and is a general risk control method used to minimise the financial impact of a risk event.

6.2 The graph below shows the varying risk appetite positions Council can take. Higher excesses usually result in lower premiums but a lesser ability to make a claim so less opportunity to mitigate the consequences of a risk event, and vice versa with lower excess amounts. Full policy coverage with minimal exclusions is likely to result in a higher premium, however if an event occurs Council is more likely to recover the costs incurred by Council as a result of the risk event.



7. **DECISION MAKING PROCESS - SECTION 79**

7.1 **Direction**

Explain	
Is there a strong link to Council’s strategic direction, Long Term Plan/District Plan?	Not directly.
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	This is about mitigating risk that may impact the community and local public services.

7.2 **Data**

- Do we have complete data, and relevant statistics, on the proposal(s)?
- Do we have reasonably reliable data on the proposals?
- What assumptions have had to be built in?

Appendix 1 details the insurance premiums proposed for 2021/22, compared to the previous year.

In terms of the Material Damage Policy Council officers have requested Marsh look into alternative pricing options for the Material Damage policy:

1. Save on premiums - The first option was to reduce the premiums payable by increasing the excess payable on a claim for specified higher value assets from \$5,000 to \$100,000.

It is proposed that the specified assets referred to above include (sum insured amount below):

Reservoirs (Cardiff Rd) x2	\$3,725,000
Water Treatment Plant	\$2,812,721
War Memorial Hall	\$6,173,000
Council offices (Miranda St)	\$5,288,000
Library	\$1,621,000
Hockey Turf and Lights	\$1,360,100
TET Sports Centre	\$5,800,000

In the past five years, total claims made on this policy (net of \$5,000 excess) were:

Feb 2018	Damage to Water Treatment Plant	\$9,649
Mar 2018	Damage to transfer station (Cyclone Gita)	\$15,845
Nov 2020	Damage to dairy effluent pump	\$12,315

2. Reduce impact of natural disaster – The second option is to reduce the excess payable in the event of a natural disaster from 5% of the sum insured to 2.5%, to avoid over reliance on borrowing if a single event caused major devastation to above ground Council assets. Although Council does have a contingency reserve fund of \$500,000, this would be insufficient to cover the excess of a major natural disaster.
3. The third option is to implement both recommendations above.

Refer to section 7.4 of this report for the effects on premium pricing.

Refer to the Insurance Framework – *Appendix 2*.

7.3 **Significance**

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?	No	No direct relationship

Is it:	No	
• considered a strategic asset; or	No	
• above the financial thresholds in the Significance Policy; or	No	
• impacting on a CCO stakeholding; or	No	
• a change in level of service; or	No	
• creating a high level of controversy; or	No	
• possible that it could have a high impact on the community?	No	

In terms of the Council's Significance Policy, is this proposal of high, medium, or low significance?		
HIGH	MEDIUM	LOW
		x

7.4 **Options**

<p>An assessment of costs and benefits for each option must be completed. Use the criteria below in your assessment.</p> <ol style="list-style-type: none"> 1. What options are available? 2. For each option: <ul style="list-style-type: none"> • explain what the costs and benefits of each option are in terms of the present and future needs of the district; • outline if there are any sustainability issues; and • explain if the outcomes meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions? 3. After completing these, consider which option you wish to recommend to Council, and explain: <ul style="list-style-type: none"> • how this option is the most cost effective option for households and businesses; • if there are any trade-offs; and • what interdependencies exist.

Option 1.a)

Approve the proposed renewal programme for the 2021/22 year as outlined in paragraph 7.2, with material damage excess remaining the same as previous years.

Option 1.b)

Approve the proposed renewal programme for the 2021/22 year as outlined in paragraph 7.2, however increase the excess for Material Damage cover (for Council property and buildings) for specified assets to \$100,000. This will reduce premiums for this particular policy (excluding Fire and Emergency levies) down by \$12,171, to \$61,800.

Option 1.c)

Approve the proposed renewal programme for the 2021/22 year as outlined in paragraph 7.2, however reduce the excess for property damage by Natural Disaster from 5% to 2.5% of the sum insured value. This will increase premiums for this particular policy (excluding Fire and Emergency levies) up by \$3,050, to \$77,021.

Option 1.d)

Approve the proposed renewal programme for the 2021/22 year as outlined in paragraph 7.2, however:

- increase the excess for Material Damage cover (for Council property and buildings) for specified assets to \$100,000, AND
- reduce the excess for property damage by Natural Disaster from 5% to 2.5% of the sum insured value.

This will reduce premiums down by \$9,116, to \$64,855.

Option 2.

Do not approve the proposed insurance renewal programme. Instead, the Committee may request that the status quo be in place while a full workshop is carried out to look at all options in relation to insurance protection.

7.5 **Financial**

- Is there an impact on funding and debt levels?
- Will work be undertaken within the current budget?
- What budget has expenditure come from?
- How will the proposal be funded? eg. rates, reserves, grants etc.

In Year 1 of the LTP (2021/22), Council budgeted \$203,479 for Insurance.

This is made up of the following expenditure:

Marsh Insurance Policies	\$161,823
Marsh Insurance Broking Fee	\$7,733
LAPP Contribution (estimate only)	\$33,923
	\$203,479

The LAPP contribution for 2020/21 was \$14,006 – based on an underground asset value of \$28,164,931. It is expected that the premiums will increase in 2021/22 as a result of increased natural disaster risk and a potential increase in total asset value, which is still being determined. The renewal for LAPP is from 1 November each year.

It is expected that there will be sufficient budget to cover the increased insurance premiums for 2021/22.

A buffer is required because during the year as projects are completed, for example the new bike park and basketball courts, further assets may be added to the insurance schedule for the Material Damage policy, resulting in higher premiums for the 2021/22 year than originally proposed.

7.6 **Prioritisation & Trade-off**

- Have you taken into consideration the:
- Council's capacity to deliver;
 - contractor's capacity to deliver; and
 - consequence of deferral?

There is no direct requirement to prioritise. Refer to section 6 for Risk Analysis for a discussion regarding Trade-offs, in terms of risk appetite.

7.7 **Legal Issues**

- Is there a legal opinion needed?
- Are there legal issues?

No legal opinion has been sought as this report does not give rise to legal matters.

7.8 **Policy Issues - Section 80**

- Are there any policy issues?
- Does your recommendation conflict with Council Policies?

There is no connection with any policies, however the Insurance Framework has been revised in line with the annual renewal. The Framework was developed two years ago, in 2019, and hasn't been reviewed since.

Attachments:

Appendix 1 - Insurance premiums 2021/22 compared with previous year

Appendix 2 - Revised Insurance Framework



Tiffany Radich
DIRECTOR – CORPORATE SERVICES



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 13 July 2021

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PREMIUM SUMMARY & COMPARISON - SDC

The following is a comparison of the premiums that will apply from renewal compared to expiring premiums

POLICY	EXPIRING PREMIUM	RENEWAL PREMIUM
Material Damage Commercial Assets	\$64,811	\$73,971
Fire and Emergency Levies (FEL)	\$20,963	\$26,056
\$47,100,994 2021 – 2022		(Note 2)
\$42,270,994 2020 – 2021		
Value of Commercial Assets Sums Insured		
Material Damage Residential Assets	\$2,757	\$2,854
FEL & Earthquake Commission Levies (EQC)	\$5,138	\$5,138
\$2,798,000 2021 – 2022		(Note 2)
\$2,798,000 2020 – 2021		
Value of Residential Asses Sums Insured		
Business Interruption	\$1,055	\$808
\$50K Gross Revenue, \$10m Additional Costs of Working + \$100K Claims Preparation Costs (<i>unchanged from 2020 – 2021</i>)		(Note 3)
Sums Insured		
Motor Vehicle	\$3,287	\$3,812
FEL	\$85	\$85
\$318,988 2021 - 2022		(Note 4)
\$328,025 2020 – 2021		
Value of Motor Vehicle Fleet Sums Insured		
Corporate Travel Insurance	\$85	\$85
50 Domestic Travel Days (<i>unchanged from 2020 – 2021</i>)		
Daily Rate - \$1.70 Domestic Travel		
Corporate Travel Insurance – end of period adjustment	\$46	\$0
Personal Accident – Annual Salary up to \$100K	\$929	\$929
Chief Executive, 4 Directors (Senior Management), 8 Middle Management and 11 Elected Members (<i>unchanged from 2020 – 2021</i>)		
Fine Arts and Collections	\$12	\$10
\$28m 'First Loss' coverage Limit Sum Insured 2021 – 2022 (<i>unchanged from 2020 – 2021</i>)		

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Airport Owners and Operators Liability \$10m maximum coverage Limit Sum Insured 2021 – 2022 (unchanged from 2020 – 2021)	\$850	\$1,250
Statutory Liability \$2m Limit, Sum Insured 2021 – 2022 (unchanged from 2020 – 2021)	\$2,244	\$3,500
Employers Liability \$1m Limit Sum Insured 2021 – 2022 (unchanged from 2020 – 2021)	\$410	\$455
Hall Hirers (General) Liability \$1m Limit Sum Insured 2021 – 2022, increasing to \$5m Limit as noted (unchanged from 2020 – 2021)	\$501	\$1,000
Cyber Risk Liability \$500K Limit Sum Insured 2021 - 2022 (unchanged from 2020 – 2021)	\$5,090	\$5,095 (Note 5)
Public Liability / Professional Indemnity \$300m AUD Limit Sum Insured 2021 - 2022 (unchanged from 2020 – 2021)	\$26,195	\$35,363
Environmental Impairment Liability \$1m Limit Sum Insured 2021 - 2022 (unchanged from 2020 – 2021)	\$1,412	\$1,412
TOTAL INSURER PREMIUM INCLUDING LEVIES <i>EXCLUDES END OF PERIOD ADJUSTMENTS WHERE APPLICABLE</i>	\$135,824	\$161,823

Notes:

- Total premiums shown within the Premium Summary & Comparison Table and the Notes which follow exclude GST where GST is applicable and are rounded to the nearest dollar
- Marsh has negotiated options for SDC to revise the 'all perils' deductible to \$100K for all claims made under the Material Damage Commercial Assets section of cover and also for specified assets as designated. *Premium shown below does not include FEL of \$26,056 and is as follows;*
 - \$100K deductible - all assets - \$52,588
 - \$100K deductible - specified assets - \$61,800

SDC may revise the Natural Disaster deductible from 5% of Material Damage (MD) Commercial Assets Site Sum Insured and a minimum of \$5K for the majority of claims made to;

- 2.5% of MD Site Sum Insured - \$77,021
- 10% of MD Site Sum Insured - \$66,185

Premium quoted above does not include FEL of \$26,056

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****An option to revise both the perils and Natural Disaster deductible is available upon request by SDC to Marsh****

3. In lieu of coverage for the Pool Complex – Page Street being recognised from July 1 2021 as insured for ‘Demolition Costs and Removal of Debris’ only, which removes the option to protect ‘Gross Revenue’ for this asset, the Limit of Liability has been amended to \$50K, previously \$150K

If Material Damage coverage is revised as referred to under Note 2, Business Interruption as outlined will change from as presented

4. SDC may elect to adopt an increased deductible for the majority of all ‘Section 1’ claims made. A \$2K deductible will revise the quoted premium to \$3,557, while a \$5K deductible will revise the quoted premium to \$3,436. Both additional options do not include FEL

5. Options to revise the current Cyber Risk Liability Policy Limit and Excess are as follows;

\$500K Limit *current*	- \$25K Excess	- \$4,555 premium
\$1m	- \$10K *current*	- \$6,015
\$1m Limit	- \$25K	- \$5,495

Stratford District Council Insurance Framework

D19/24913

APPENDIX 2

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1.0 Purpose

- 1.1 The purpose of the Insurance Framework is:
- To acknowledge the relevance of insurance and how it fits into Stratford District Council's ("the Council") Risk Management Framework,
 - Ensure that, following a risk event, the Council is effectively positioned to return in a timely manner to its pre-event state, and
 - To consider Council priorities and the financial impact to ratepayers of risk mitigation through insurance.
- 1.2 This framework provides a structure for future decision making about how insurance can be used to respond to events that have a financial impact on Council and that the community may be unable or unwilling to absorb. It identifies alternative options to fund restoration of Council's core functions after damaging events. The framework, therefore, considers the Council's ability to, and appetite for, absorbing a level of risk that matches the capacity to absorb financial losses from a damaging event.
- 1.3 This framework also outlines how broking services are to be procured and periodically reviewed for effectiveness.
- 1.4 The Insurance Framework is to be reviewed every three years to ensure that it remains fit for purpose in the context of changes in the insurance market, Council assets and activities, and the environment. The insurance programme that flows from the framework is reviewed each year, and is adjustable to meet the needs of Council, as identified at the time of renewal.

2.0 Principles

- 2.1 Council aims to minimise the cost of insurance while ensuring adequate cover is in place for mitigating risks, as established through Council's Risk Management Policy, to achieve the organisation's objectives as set out in the Long Term Plan. Insurance cover must provide value for money to ratepayers.
- 2.2 Decisions relating to cover and deductibles will be informed by sound knowledge of Council assets and their resilience. The potential financial loss due to a risk event must be well understood.
- 2.3 Insurance decisions should be guided by expert advice provided by insurance specialists who have a sound understanding of insurance products, the insurance market and local government insurance needs.

3.0 Introduction

- 3.1 As guardians of community assets, with a Gross Current Replacement Cost of \$370 million, the Council is responsible for ensuring that it is adequately protected from a range of threats, so that critical assets can be repaired or replaced as soon as possible after an event, and service delivery is disrupted as little as possible.
- 3.2 The local government environment is such that there are a number of statutory responsibilities the Council must comply with or risk facing financial repercussions (fines and legal penalties, financial compensation etc), and loss of trust with the community and regulators.
- 3.3 The following methods provide comprehensive protection currently:
- a) Property Insurance - for above ground assets (excluding Roading), through the Material Damage policy that covers commercial and residential property and contents.
 - b) Local Authority Protection Programme ("LAPP") - LAPP provides 40% cover for losses of mostly underground structures in the water, wastewater, stormwater and flood protection networks, as a result of a natural disaster. The remaining 60% is expected to be funded by government assistance.
 - c) Contingency Reserve – as at 30 June 2021 the Contingency Reserve balance was \$505,000. This reserve was created to assist in the event of an emergency, particularly recovering from a natural disaster.
 - d) Public Liability / Professional Indemnity (which also includes elected members) / Environmental Impairment Liability Insurances and Employers Liability, Statutory Liability - protects for legal liability in connection with the business of the Council.
 - e) Other Insurance Policies - Business Interruption, Motor Vehicle, Personal Accident and Sickness, Hall Hirers – General Liability, Travel, Airport Owners and Operators Liability, Collections (Fine Arts) Insurance, and Cyber Risk.
- 3.4 While there is confidence in the adequacy of existing arrangements, Councils operate in a dynamic environment so there is a need to periodically review these arrangements to ensure that they are fit for purpose.
- 3.5 This framework outlines the elements to consider through such reviews, making it clear what the Council's approach is to:
- a) Retaining risk through self-insurance or not insuring some assets, and
 - b) Sharing the remaining risk where it is not considered financially prudent to accept full risk, through the purchase of insurance.
- 3.6 Self-insurance is where the Council decides to bear the financial impact of a risk event occurring. To some extent this can be catered for by investing in an emergency reserve fund, or risk prevention mechanisms for example flood protection, investing

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in infrastructure resilience, staff training in areas such as fraud awareness and cyber security. Establishing credit lines with banks is also a self-insurance tool.

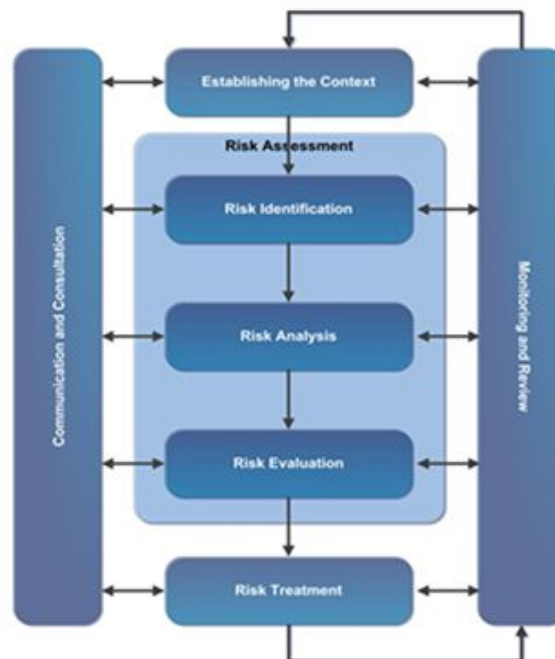
4.0 General Risk Management

- 4.1 The Council’s Risk Management Framework sets the scene for identifying risks that may affect the Council, analysing and evaluating the risks, and controlling the impact of those risks through various means, one of those being insurance.
- 4.2 Insurance is a reactive risk control and primarily provides a means of protection against financial loss from unexpected events. The main function of insurance therefore is providing financial security. It is important to recognise that insurance is essentially a mechanism by which risk is transferred to another party (the insurance company) for a premium. Although in most cases not all the risk is able to be transferred as some policies have exclusions, and most policies require a deductible (excess) to be paid in an event that results in a claim.

Risk Appetite

- 4.3 The insurance programme should reflect the Council’s risk appetite in key risk categories.

Overview – Risk Management Process AS/NZS ISO 31000:2009



- 4.4 The Council currently transfers a significant portion of its natural disaster risk to the insurance market. Nevertheless, not all fixed assets are included because it is not cost effective to do so (e.g. roading network assets). Therefore, this can be seen as a ‘low

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to moderate' risk appetite. The Council has largely taken a risk averse approach, however, has made a calculated decision to not insure particular assets and risks.

4.5 In taking this approach, the Council must have:

- A detailed knowledge of its asset base, especially existing levels of cover in relation to assets of critical importance to continued service delivery and a Probable Maximum Loss;
- An understanding of how much financial loss the Council is prepared to accept by not insuring all assets; and
- Confidence in the adequacy of alternative sources of funding available to the Council should uninsured assets be exposed to a damaging event.

Uninsured Risks

4.7 The following risks have not been insured. The current approach may be reviewed at any time where a different option may provide a more cost-effective solution.

4.8 Roads, Footpaths, Bridges – Damage caused by weather events or any other accidental damage is not covered by any insurance policy. The cost of insurance is prohibitive and scarcely available, and the cost of reinstatement may in part or in whole be covered by the National Land Transport Fund or another form of government assistance.

4.9 Contract Works / Construction Insurance – Depending on what construction works are occurring at a particular time, in the past these have not been covered by insurance as it is considered that the Contractor's public liability insurance would be sufficient to cover risk of damage part-way through construction. However, it is not common for Contractor's public liability insurance to provide financial compensation in the event of loss or damage to assets which are subject to contract works, due to circumstances which exist requiring proof for liability of loss or damage to Council assets. Contract Works insurance also covers assets against accidental physical loss or damage e.g. fire, storm, flood, burglary/malicious damage, impact by vehicle – these are things that the Contractor's insurer would not generally be liable for.

4.10 It is recommended that Contract Works insurance be considered for the construction, installation or erection of, or alteration to, a Council asset with a total project value of more than \$2,000,000 (as anything less may be covered under Council's material damage policy). Marsh recommend exercising caution in recognising the \$2m coverage extension, as while the coverage may assist SDC should loss or damage occur, it is not a 'one size, fits all' coverage extension

4.11 Crime / Fraud Insurance – This type of insurance generally provides financial compensation for all direct costs in dealing with a crime perpetrated against the Council, in particular fraud or theft. From 1 August 2019, the Council ceased its Crime Cover policy which provided cover for financial loss from fraud and theft by employees or third parties and other associated costs, as the increase in premiums meant value for money from having the insurance was significantly reduced. The lowest quote from

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an insurer was over three times the premium from the previous year, with the incumbent's offer being over five times higher than the previous year premium. The decision was made by the Council to self-insure, and ramp up internal fraud risk prevention controls and increase staff training.

- 4.12 Personal Accident and Sickness – this policy is in place but it only applies to elected members, the senior leadership team including CEO, and 8 middle managers (and only those individuals 75 years or under). It covers the individuals for total or permanent disability or loss of life, where an occurrence will trigger a payment of \$100,000 to the Council. The purpose of this policy is to ensure the costs of a by-election or recruitment and temporary contractor costs would be sufficiently covered.
- 4.13 Assets Uninsured – Currently the assets not insured include: Roads, Footpaths and Bridges, the existing TSB Pool, Playgrounds, Bus shelter, Kopuatama Cemetery, Municipal Building. Further detail on uninsured assets is provided in Section 5 of this document.

The Deductible/Premium Balance

- 4.14 The Council has a range of deductibles (excesses) that are dependent on the profile of the risk being mitigated in terms of likelihood and magnitude. Refer to the table below which shows current deductibles for each insurance policy.

<i>Description</i>	<i>2021/22 Premiums</i>	<i>Deductible (Excess)</i>
Material Damage - Commercial	\$ 100,027	\$ 5,000
Material Damage - Residential	\$ 7,992	\$ 5,000
Business Interruption	\$ 808	\$ -
Motor Vehicle	\$ 3,897	\$ 500
Personal Accident and Sickness	\$ 929	\$ -
Public Liability, Environment and Professional Indemnity	\$ 36,775	\$ 5,000
Employers Liability	\$ 455	\$ 2,500
Statutory Liability	\$ 3,500	\$ 25,000
Hall Hirers Liability	\$ 1,000	\$ 500
Airport Owners and Operators Liability	\$ 1,250	\$ 2,500
Travel - International	\$ 85	\$ -
Collections (Fine Arts) Insurance	\$ 10	\$ -
Cyber Risk	\$ 5,095	\$ 10,000
LAPP - Member Contribution	\$ TBC	\$ 60,000

Notes:

1. The excess for Material Damage policy is 5% (or 10% if built pre-1935) of the sum insured if the damage occurred as a result of a natural disaster.
2. Business Interruption insurance is generally reliant on a Material Damage policy claim to activate.

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3. Motor vehicle insurance is based on a total fleet value of \$318,988 (10 vehicles).
4. Public liability, environment and professional indemnity insurance deductibles start at \$5k for occurrences arising from Personal Injury or Property Damage, to \$50k for weather-tightness, \$10k for professional indemnity.
5. For Travel insurance, the excess for electronic devices is \$250.
6. For LAPP, the claim threshold is \$150,000.

4.15 Savings in insurance premiums could be achieved by increasing the deductible for the Material Damage policy however the downside is that it will limit the ability to make insurance claims. The current Public Liability, Professional Indemnity and Environmental Impairment Liability programme will almost certainly not provide a premium improvement of significance if Council were to request a higher deductible or reduced the sum insured to less than the current level and is not possible under the current insurance policies.

4.16 It may be beneficial reducing the deductible for Statutory Liability insurance and investigate the effect on premiums, and potential increase in compensated claims that could arise. Reducing Motor Vehicle insurance deductibles is not a plausible option, potentially aside from adding glass coverage (free window glass protection and a nil excess). The policy deductible of \$500 for the majority of 'loss or damage' claims to Council vehicles is the minimum deductible available with commercial vehicle insurance.

4.17 Property covered under the Material Damage policy may also be liable for fire and emergency levies. This is calculated at 0.106% of the asset's indemnity value. Savings in premiums can be achieved by ensuring that assets that are not exposed to risk from fire have this levy removed.

4.18 In the lead up to the annual renewal of the insurance programme, Council Managers will provide information on whether their areas have suffered any 'below deductible' losses (when the loss is less than the applicable deductible so no claim is made) during the previous 12 months. This information will be combined with that on actual claims made to inform the decision about the deductible amount.

Environmental Scan

4.19 The current environment must be reviewed regularly as internal and external changes to the environment in which the Council operates may influence insurance cover, limits, and deductibles. A discussion on Council risks is initiated by the Senior Leadership Team on a regular basis as part of a standing agenda item for weekly meetings.

4.20 Internal changes might include changes to the structure of the organisation or in the services delivered, or investments made where insurers might assess the Council as being higher or lower risk in a particular area.

4.21 External changes might include legislative amendments that place more responsibilities on local government, or policy changes. This also includes changes in

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the insurance market brought on by the appearance or disappearance of providers, and the reaction of the market to natural disasters e.g. removal of cover or increased premiums at renewal. An insurer withdrawal from the market, due to a lower ability to make a profit in that particular market, creates a risk of having limited long term reliable alternatives, and limited competition often leads to higher premium prices.

- 4.22 There has been a trend towards adverse judgments where Councils are seen as a convenient defendant to allocate liability. In relation to public liability insurance, as a response to recent cases involving local government (*Double J Smallwoods v Gisborne District Council*, *Plaza Investments v Queenstown Lakes District Council*, *Southland Stadium Trust v Invercargill City Council*, *Altmarloch JV v Marlborough District Council*), insurers have become more risk averse in recent years which has led to an increase in insurance premiums for liability policies.

5.0 Asset Protection

Asset Management Practices

- 5.1 One of the purposes of local government is to meet the current and future needs of communities for good-quality local infrastructure in a way that is most cost-effective for households and businesses. Asset management practice is a matter of strategic financial and risk management importance for the community.
- 5.2 As part of improving its asset management practice, the Council is gradually improving the quality of its asset information. As a result, we will be well placed to complete the modelling needed to calculate the Probable Maximum Loss of fixed assets and will be a requirement to qualify for any central government assistance in the event of a natural disaster. Additionally, higher quality information will lead to a better understanding of how resilient our assets might be during a significant natural event.

What Assets to Insure

- 5.3 It is important that all Council controlled assets are considered in the annual review process. All new assets purchased or developed must be added to the insurance schedule once control of an asset has been assumed by the Council.
- 5.4 In reviewing the Council's insurance programme the current and future use of specific assets is considered, so that a consistent response to loss can be applied.

Essential Assets

- 5.5 Assets identified as essential to the ongoing delivery of services to our community will be replaced like for like. Replacement value insurance is appropriate and gross

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replacement cost should be reviewed each year for appropriateness. Demolition costs, inflation adjustments should also be taken into account.

- 5.6 Generally, the majority of Council assets would come under this category as it is not considered financially prudent to invest in non-essential assets (albeit some assets are vested to Council). Therefore, unless specifically noted, all Council assets will come under this category.

Desirable Assets

- 5.7 Assets that may be replaced with something less i.e. those identified as desirable but not essential in the ongoing delivery of services to our community as per the Community Outcomes in the Long Term Plan. Functional replacement value (less than actual replacement), indemnity value (current value as is), or no insurance are options. Demolition costs should also be taken into account.
- 5.8 Assets that have fallen under this category in previous years include the Pensioner Flats, the Scout and Guide Hall, Playground structures, the Bus Shelter, and the Centennial Restrooms.

Held for Sale or Future Use Assets

- 5.9 Assets held for future projects only e.g. land acquired for roading or property acquired for community purposes where demolition of buildings is likely. Insurance should be assessed on a case-by-case basis. The council must keep insurers up to date with any changes to the asset value, control, ownership risks etc.

Surplus Assets

- 5.10 Assets that will not be replaced after their useful life and are surplus to Council and community needs. The options are demolition costs only, or no insurance.
- 5.11 Assets that have fallen under this category in previous years include some Domains and Halls, the Municipal Building, Centennial Restrooms, the Belltower, and some low value structures.

Not cost-effective to insure

- 5.12 The Council has made a decision to not insure particular assets due to the cost being prohibitive. The appropriateness of this strategy should be reviewed for each asset annually. Examples of such assets include Roads, Footpaths and Bridges, Aerodrome Runway, Park Tracks, Playgrounds, and the Skate Park.
- 5.13 As a general rule, all Council property assets above ground will be considered for insurance through the Council's Material Damage Policy, and must be on either the commercial property schedule, or the residential property schedule. All Council assets below ground will be considered for insurance through LAPP. All assets held in

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Council's asset management system (which includes all three water assets) will be marked as either "above" or "below" to identify the protection mechanism (insurance or LAPP) in place, which will then form the basis for asset schedules for the appropriate providers. This avoids double up of assets being insured under more than one policy.

- 5.14 Assets valued at below \$5,000 are not insured in the Material Damage insurance policy, and assets under \$20,000 are insured at the discretion of Council officers.

Asset Valuations

- 5.15 The importance of taking considerable care in determining the value at which an asset should be insured at cannot be underestimated. For example, significant losses arose following the Christchurch earthquakes when it was found that the Christchurch City Council had undervalued many of its crucial Council assets by millions of dollars.
- 5.16 On the other hand, if we insure an asset for a value higher than the total reinstatement cost, we will be incurring extra premium cost for no additional value. Additionally, for the same reason, when an asset is sold or disposed of, it is important that insurers are advised to remove the asset from the property schedule.
- 5.17 The Council's fixed assets are formally valued for accounting purposes every three years. The most recent valuation was for the Water, Wastewater, Stormwater and Rooding assets, as at 1 July 2018. The 2018 Three Waters valuation figures were used for insurance purposes for LAPP from 1 July 2019.
- 5.18 The Commercial and Residential property was last valued at 1 January 2020, with the next valuation to be as at 1 January 2023. The 2020 values, amended for reasonableness, were used for the Material Damage property insurance from 1 July 2021 with an allowance for inflation.
- 5.19 The Council does not currently obtain separate insurance valuations. A valuation specifically for insurance purposes may help more accurately determine what the replacement cost will be if there is a total loss to an asset and should include the reinstatement cost, indemnity value, demolition and clean-up costs, and provision for cost escalation to arrive at a total sum-insured figure for each asset. At the next tender for procurement for the land and building valuations, an insurance valuation quote will also be sought in order for the Council to assess the additional cost.
- 5.20 Inflation adjustment for the years in between valuations will be based on the market information available for the previous two years.

Membership of LAPP

- 5.21 Council works with AON, the insurance brokers for LAPP, during the annual renewal process, and for claims purposes.

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- 5.22 The Council has been a longstanding member of the LAPP mutual fund, which provided cover when commercial alternatives were either unavailable or not cost effective. The advantages of LAPP include that it is a non-profit and has low overheads, and management of the scheme's assets is controlled by local government. As at 31 October 2020, the LAPP fund balance was \$16,229,632.
- 5.23 The downside is that claims payments are at the discretion of the Trustee and there is no insurance policy and therefore no legal basis to dispute claims. However, recent change to the risk protection wording are similar to an insurance policy with improved bulk discounted pricing for three-waters and flood protection infrastructure and higher cover limit options. This will offer members certainty as to which assets are covered and how much they are covered for, and a choice as to how much overall cover is purchased.
- 5.24 Risk exposure is heightened following the events of other member authorities, which was particularly the case following Christchurch and Kaikoura earthquakes. After a major event the fund requires re-capitalisation and also leaves members exposed while the fund is being re-built.
- 5.25 The other 60% of the cost of restoring infrastructure is to be covered by government assistance, the terms of which are specified in *Section 33 of the Guide to the National Civil Defence Emergency Management Plan 2015* ("the Guide") and discussed further, later in this report.
- 5.26 There are commercial alternatives that may be worthwhile investigating in future, but at this stage are not as cost-effective. Whether LAPP will be capable of meeting the Council's future requirements compared with commercial alternatives is unknown.
- 5.27 Self-insurance for 40% of the replacement value of Council's underground infrastructure assets is not a feasible option¹. With the 2020/21 annual contribution to LAPP being \$14,006, it does not demonstrate financial prudence to instead set aside 40% of \$28m, or \$11m (in cash deposits and lines of credit), or be exposed to that level of loss, in the likelihood of a natural disaster.

Natural Disaster

- 5.28 It is widely expected that climate change is likely to bring more storm, flood and wildfire events. Furthermore, New Zealand is in a period of heightened seismicity risk. Additionally, Stratford is exposed to an active volcano which is overdue for a moderate to large eruption². Land use and increased urbanisation also increases the likelihood of flooding, as it decreases the amount of land that water can drain into and increases the number of impervious surfaces water flows over, e.g. paving, road surfaces, hard landscaping.

¹ As at 30 June 2021, the total value of assets insured with LAPP was \$28,164,931.

² Mt Taranaki began forming about 130,000 years ago and moderate to large eruptions have occurred on average every 500 years with smaller eruptions occurring about 90 years apart. The last major eruption of Taranaki occurred around 1854.

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- 5.29 A natural disaster is mostly relevant for insurance purposes when an extreme hazard impacts significant asset exposure. Due to the rare nature of these types of events it is difficult for insurers to estimate the quantity of a potential outcome and therefore the cost of insurance. This is often exacerbated by a lack of critical asset condition data.
- 5.30 The current plan for financing disaster relief and recovery relies on a mix of self-insurance (contingency reserves), borrowings, and risk transfer arrangements such as insurance.
- 5.31 Minimising risk of exposure is key to minimising the financial impact of a disaster. For example, all Council buildings have been assessed for earthquake risk.
- 5.32 The need for access to cash is higher when, in the event of an emergency, the extent of the Council's ability to borrow quickly at affordable rates is lower. The speed with which borrowing can be mobilized depends on the availability of funding, as well as the Council's track record in debt management. Having access to a sufficient level of cash facilities will enable restoration work to be effected immediately. The Council currently has access to a \$1,000,000 cash facility with TSB, and a \$6,000,000 short term investment fund.

Climate Change

- 5.33 Experts generally agree that climate change is affecting New Zealand's weather patterns. An increase in extreme rainfall is likely as temperatures increase, potentially increasing both the severity and frequency of flooding.
- 5.34 The government has initiated the Climate Change Response (Zero Carbon) Amendment Bill which will affect how local government responds to climate change. The Bill establishes a framework by which New Zealand will transition to a low emissions economy and adapt to a changing climate.
- 5.35 The Council is yet to consider how it responds specifically to Climate Change in terms of identifying and prioritising climate change risks, and documenting the approach that will be taken to address the risks affecting the Stratford district.

The Contingency Reserve

- 5.36 The Council maintains a Contingency Reserve that may be called on immediately following a natural disaster. The reserve seeks to smooth the impact on rates when the Council incurs significantly increased operating costs in recovering from a disaster. It may also be used as a temporary means to fund recovery costs temporarily while waiting for an insurance payout.
- 5.37 The reserve has previously grown by way of rates contribution, but most recently, and in the next ten years no funds have been allocated to the reserve. The last time funds

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were deposited into this reserve was in the year ended 30 June 2012, leaving a balance of \$505,000.

- 5.38 Any operating surplus that is not specifically tagged to an activity funded by targeted rates may be transferred at the end of the financial year to the Contingency Reserve.
- 5.39 The opportunity costs of creating financial buffers can be significant, especially when Stratford District rates are already comparably high. Building buffers implies forgoing other expenditures geared toward community development and spend on growth of the district and asset resilience.
- 5.40 The reserve should have restrictive rules regarding how the fund can be used. An official declaration of a disaster or public announcement by Council should be required before the contingency reserve can be used for disaster response.
- 5.41 Details of all movements to the reserve shall be reported to elected members annually.

Central Government Assistance

- 5.42 Government financial support is not mandatory and is determined by the Minister of Civil Defence or the Cabinet of the day. The Minister/Cabinet will consider financial support whether or not there is, or has been, a state of emergency in force. The objectives and principles for government financial support are set out in Parts 160 and 161 of the *National Civil Defence Emergency Management Plan*. The key points are as follows:
 - 5.43 *Part 160; confirms that the objectives of government financial support are to provide the **minimum level** of assistance to restore to the community the capacity for self-help; and to restore the affected community to a position in which normal social and economic activity can be resumed as quickly as possible.* This implies that if, in central government opinion, council assets lost or destroyed are not essential assets then financial support may not be available.
 - 5.44 *Part 161; confirms that government considers local risks to be a local responsibility; and that financial support is not an obligation to restore the community to a better state (than before the emergency) or to restore to previous levels if these are not sustainable long term.* This requires the Council to ensure it has good quality data on its assets, their condition, and the level of service provided by the asset. Currently, we hold this data in our asset management systems including RAMM for roading, and Assetfinda for the three waters assets.
 - 5.45 The key principles for central government assistance are: a) Local authorities are expected to bear the primary financial responsibility; b) Government assistance is for solutions which are the most appropriate long term; c) Risk management and associated costs should be carried by the local authority and others who benefit and who can best manage or mitigate the risk; d) Councils have a responsibility to the

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extent possible to insure against and attempt to minimise or mitigate risk in advance of any event. Government assistance is contingent on this.

- 5.48 Essential infrastructure recovery and repairs may be claimed as other eligible response costs. These include water, storm water, electrical, sewerage and gas facilities and other structures, such as retaining walls and tunnels upon which essential services depend. These assets must be local authority assets, which are not the property of trading utilities. It may also include repair or recovery of river management systems (including drainage schemes which are part of integrated river systems) where there is major community disruption or continuing risk to life, and repair or recovery of other community assets were damaged as a consequence of the failure of flood protection schemes.
- 5.49 The Minister of Civil Defence, together with either the Prime Minister or Minister of Finance, may authorise a lump sum contribution to a disaster relief fund of up to \$100,000 GST inclusive.
- 5.50 New Zealand Transport Agency may provide financial support towards the costs of road and bridge repair after a weather event or other natural disaster.
- 5.51 Government will fully reimburse local authorities for costs incurred in caring for displaced people. Costs which will not be eligible include:
- Local authority overheads, and
 - Indirect costs such as local authority staff time, Emergency Operations Centre (EOC) activation costs,
 - Office space and the use of vehicles.
- 5.52 It is recommended that government and insurer claims forms packs are available at Emergency Operation Centres. At least two people in the Council should be familiar in the preparation of these forms.

Roading

- 5.53 Roads, footpaths and bridges (excluding foot bridges) are not currently insured.
- 5.54 The National Land Transport Fund (“NLTF”) was established under Section 10 of the Land Transport Management Act 2003, to respond to a defined, major, short-duration natural event that has reduced or will reduce customer levels of transport service and results in unforeseen, significant expenditure. Activities that qualify for NLTF funding as emergency works will be those where an immediate response is required for public safety or to provide vital access, and reinstatement of customer levels of transport service.
- 5.55 Events that qualify for NLTF funding as emergency works will:

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- be of unusually large magnitude or severity for the particular area in which they occur (as a guide they would be expected to have an annual return period greater than 1 in 10 years) ,
- originate from natural, short duration triggering events, including very high intensity rainfall, severe wind, severe drought in government declared drought areas or seismic events,
- have reduced, or will reduce within a 12 month period, levels of transport service significantly below those that existed prior to the event,
- involve a total cost of \$100,000 or more per event.

9

6.0 Procurement of Insurance Broking services

- 6.1 The Stratford District Council is part of a shared service arrangement with New Plymouth District Council, South Taranaki District Council, and Taranaki Regional Council, to procure insurance broking and advisory services.
- 6.2 The Council implements the insurance programme annually with the assistance of an insurance broker. The broker serves as an intermediary between the Council and the insurance market. The procurement of insurance can be complex as in some cases, an insurance policy may be covered by several different insurers. For example, the Material Damage Policy is covered by four different insurers with varying percentages which change on an annual basis depending on the market.
- 6.3 The use of a broker is preferred, as although Council officers may be responsible for the renewal of council insurance policies, we do not generally have sufficient expertise in the insurance industry to enable direct procurement of insurance services.
- 6.4 The selection criteria that the Taranaki group of Councils will use for evaluating the preferred broking service provider must include:
- a proven record of placing insurance with local and global insurers for the full range of insurance cover potentially required e.g. natural disaster insurance;
 - a thorough understanding of the risks facing this Council specifically, as well as the local government sector generally;
 - a proven record of delivering timely claims management services and responses to ad hoc requests for advice; and
 - a commitment to monitoring significant movements in providers and market conditions, and advising the Council of threats to existing cover (e.g. a downgrading of an insurer's credit rating) and opportunities that can be taken during the insurance year or at renewal.

7.0 Monitoring and review

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- 7.1 The Insurance Framework is to be reviewed every three years to ensure that it remains fit for purpose. After each three-yearly review, the revised framework, in draft form, will be submitted to the Audit and Risk Committee for approval.
- 7.2 The Director – Corporate Services is responsible for the implementation of this framework and approval of the annual insurance renewal programme. This commences in April each year and is finalised by June. Marsh provides the Council with a full renewal report for the regional group by June for the following insurance year commencing 1 July. The LAPP trustees have recently amended the trust deed to change the insurance year start date from 1 July to 1 November. This has no material effect on the Council.
- 7.3 An annual report will be provided to the Audit and Risk Committee that details the arrangements made in accordance with this framework and any environmental changes that could impact on those arrangements.

8.0 Summary

- 8.1 The purpose of the Insurance Framework is to provide a structure for determining the balance between risk retention and risk sharing. Every three years the framework will be reviewed, considering:
- Changes to the Council’s operating environment and risk appetite (as informed by changes to its asset base, the amount of loss that can be accepted before insurance is needed, and confidence in other sources of funding);
 - What assets are being insured and on what basis, to enable an informed decision about the deductible/premium balance;
 - How underground infrastructure assets will be protected; and
 - The purpose, size, and rules around the use of the Contingency Reserve as a partial alternative to insurance.
- 8.2 The annual renewal insurance programme will flow from this framework.
- 8.3 Proactive insurance management will enable the Council to adequately address the objectives of this Framework.

DECISION REPORT



F19/13/04 – D21/24848

TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 20 July 2021
SUBJECT: APPROVE RISK MANAGEMENT POLICY

10

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the amendments to the Risk Management Policy be reviewed and approved.

Recommended Reason

The Risk Management Policy is due for review and is one of the key policies to come under the oversight of the Audit and Risk Committee.

Moved/Seconded

1. PURPOSE OF REPORT

- 1.1 To present amendments to the Risk Management Policy as part of a regular three yearly review of this policy.

2. EXECUTIVE SUMMARY

- 2.1 The Risk Management Policy has been amended to also include the Risk Management Framework and Risk Appetite Statement as appendices to the Policy. All three documents have been completely re-written to reflect feedback from elected members in relation to risk management, and Council processes and capability in terms of managing risk.
- 2.2 Its purpose is to clarify the purpose of risk management and allocate responsibilities, with the other appended documents providing guidance to staff and elected members of the risk management processes.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
x	x	x	x

This policy provides for risk management in all four well-beings.

4. **BACKGROUND**

- 4.1 The Risk Management Policy was first developed in 2018 following the formation of the Stratford District Council’s Audit and Risk Committee.
- 4.2 This report presents the first review of the initial policy and also includes the Risk Management Framework and Risk Appetite Statement as appendices to the policy. The Risk Management Framework provides further detail and guidance on risk management processes that staff and elected members will follow. The Risk Appetite Statement provides guidance in decision making and what types of risks are tolerable and where opportunities may be taken.

5. **CONSULTATIVE PROCESS**5.1 **Public Consultation - Section 82**

No public consultation has been undertaken.

5.2 **Māori Consultation - Section 81**

The draft policy will be referred to the appropriate iwi for feedback.

6. **RISK ANALYSIS**

Refer to the Council Risk Register - available on the Council website.

- Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of eventuating?
- Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks.
- Is there a legal opinion needed?

6.1 This report covers all risks and the risk management processes for Council.

7. **DECISION MAKING PROCESS - SECTION 79**

7.1 **Direction**

	Explain
Is there a strong link to Council's strategic direction, Long Term Plan/District Plan?	No
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	Protection of infrastructure and core functions.

7.2 **Data**

- | |
|--|
| <ul style="list-style-type: none"> • Do we have complete data, and relevant statistics, on the proposal(s)? • Do we have reasonably reliable data on the proposals? • What assumptions have had to be built in? |
|--|

Refer to the attached policy.

7.3 **Significance**

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?	No	
Is it:	No	
• considered a strategic asset; or	No	
• above the financial thresholds in the Significance Policy; or	No	
• impacting on a CCO stakeholding; or	No	
• a change in level of service; or	No	
• creating a high level of controversy; or	No	
• possible that it could have a high impact on the community?	No	

In terms of the Council's Significance Policy, is this proposal of high, medium, or low significance?		
HIGH	MEDIUM	LOW
		x

7.4 **Options**

An assessment of costs and benefits for each option must be completed. Use the criteria below in your assessment.

1. What options are available?
2. For **each** option:
 - explain what the costs and benefits of each option are in terms of the present and future needs of the district;
 - outline if there are any sustainability issues; and
 - explain if the outcomes meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions?
3. After completing these, consider which option you wish to recommend to Council, and explain:
 - how this option is the most cost effective option for households and businesses;
 - if there are any trade-offs; and
 - what interdependencies exist.

Option 1: Approve the amended Risk Management Policy.

Option 2: Approve the amended Risk Management Policy, with amendments.

Option 3: Do not approve the amended Risk Management Policy and continue with the existing policy.

7.5 **Financial**

- Is there an impact on funding and debt levels?
- Will work be undertaken within the current budget?
- What budget has expenditure come from?
- How will the proposal be funded? eg. rates, reserves, grants etc.

There are no direct funding impacts.

7.6 **Prioritisation & Trade-off**

- Have you taken into consideration the:
- Council’s capacity to deliver;
 - contractor’s capacity to deliver; and
 - consequence of deferral?

There are no direct trade-offs or prioritisation considerations.

7.7 **Legal Issues**

- Is there a legal opinion needed?
- Are there legal issues?

There are no legal issues to consider.

7.8 **Policy Issues - Section 80**

- Are there any policy issues?
- Does your recommendation conflict with Council Policies?

The amended Risk Management Policy does not conflict with any other Policies.

Attachment:

Appendix 1 – Risk Management Policy



Tiffany Radich
DIRECTOR – CORPORATE SERVICES



[Approved by]
Sven Hanne
CHIEF EXECUTIVE

DATE: 13 July 2021

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STRATFORD DISTRICT COUNCIL

POLICY: <u>RISK MANAGEMENT</u>	
DEPARTMENT: Corporate Services	RESPONSIBILITY: Director - Corporate Services
DOCUMENT NO: D21/24914	
REVIEW DATE: August 2021	NEXT REVIEW: August 2024
VERSION: 2	FIRST APPROVAL DATE: June 2018

Purpose

The purpose of this policy is to provide an overview of Council's risk management strategy and guidance to those involved in managing Council risk. It is expected that this policy will provide assurance to Stratford District Council stakeholders that appropriate systems are in place to identify and manage risks.

Scope

This policy must be adhered to by Council staff and elected members. Particular responsibilities are referred to later in this policy. However, there are other stakeholders that are affected by this policy, including contractors, the community, tangata whenua, and lenders.

Principles

The key Risk Management principles that will guide risk management processes are set out below.

- **Adds or protects value** by contributing to the achievement of the Council's objectives and improve or maintain performance.
- **Decision making** involves formal consideration of potential risks, and risk management.
- It is a **collective responsibility** in that all levels of the organisation must be involved in identifying and managing risks, to varying degrees.
- **Responsive to change** by ensuring regular reflection on the changing environment and emerging risks.
- **Pragmatic** by focusing on the most important risks and allowing informed risk taking based on Council's risk appetite.
- **Continuous improvement** in the processes used in identifying and managing risks and opportunities.

Managing and Reporting Risks

To ensure the above principles are embedded in Council risk management processes, Council leadership has a responsibility to:

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- Promote a culture that encourages transparent identification and open discussion of risks, threats and opportunities.
 - Apply a consistent approach, using an agreed and widely understood method and language.
 - Facilitate an appropriate level of monitoring, reporting, and escalation to inform decision making.
 - Balance cost and effectiveness, ensuring that improvements in controls are viable and cost effective given the expected benefits or outcomes, and focus on what matters most.
 - Provide assurance that key risks are adequately managed and that the Stratford District Council is able to plan for, rather than react to risk.
 - Are dynamic, iterative and responsive to change, and are tailored to Council's needs.
 - Incorporate audit and compliance disciplines as part of sound risk management.

To achieve this, Council will implement the *Risk Management Framework* (Appendix 1), which sets out the processes and procedures of risk management for Stratford District Council.

Specific Responsibilities

Council

- Approves Stratford District Council's Risk Management Policy.
- Approve decisions that sit outside agreed risk appetite.
- Ultimate responsibility for the management of risk.

Audit and Risk Committee

- Reviews the effectiveness of the implementation of the Risk Management Policy.
- Confirms the key risks and the risk treatments are in accordance with the agreed risk appetite.
- Reviews and monitors key risks, and their treatment, to ensure they are managed within the agreed risk appetite.
- Approves the Internal Audit plan, based on Council's risk register.

Chief Executive

- Manage reporting to the Audit and Risk Committee and Council to confirm that the risk management policy and framework are operating effectively.
- Set the tone and influence the culture of risk management across the Stratford District Council.

Senior Leadership Team

- Participate in and contribute to weekly discussion of risk identification and reporting of risk events at formal SLT meetings.
- Lead risk management processes within Council and ensure all staff members feel empowered, and are expected, to identify and communicate risks.

Director – Corporate Services

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- Preparation of relevant reports to the Audit and Risk Committee as outlined in the Risk Management Framework.
- Maintain the Risk Management Framework and Policy.
- Co-ordinate and provide oversight of the risk register and related activity.

All staff

- Actively identify, assess, and control risks, threats, events and opportunities.
- Report risk events and threats to direct manager.
- Ensure risk management is embedded into new and existing organisational processes.

Maintaining the Risk Management Policy

It is important that the policy (including appendices) remains relevant to the Stratford District Council's environment within which it operates in, and incorporates any changes to the risk management standard: AS/NZS ISO 31000 Risk Management - principles and guidelines. For this reason, the Risk Management Policy will be reviewed every two years.

Next review date: August 2023

Appendices

1. Risk Management Framework
2. Risk Appetite Statement

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STRATFORD DISTRICT COUNCIL Risk Management Framework

Reviewed August 2021

Purpose

The purpose of this framework is to:

- Provide assurance to Council and the Audit and Risk Committee that the Stratford District Council has in place the necessary arrangements to ensure that effective risk management is implemented at all levels, and across all activities, of the organisation.
- Provide guidance and promote consistency in organisational risk management, and to describe the components of Stratford District Council's risk management system.
- Inform all Stratford District Council staff of the processes and expectations in regard to risk management.

The mandate and responsibilities for risk management comes from the Risk Management Policy. This Risk Management Framework supports compliance with the Policy and sets out the Council's arrangements for ensuring that robust, reliable risk management occurs throughout the organisation, and meets risk management governance obligations.

Background – Establishing Context

Risk management happens every day and everywhere at the Stratford District Council. It is a key business process and a key leadership competency. Business as usual, initiatives and opportunities all require us to take risks. It is important to understand what those risks are and Council's appetite for risk, so that staff can make informed decisions in areas of uncertainty.

Good practice risk management is embedded into an organisation's culture; its business planning, financial management, and performance management processes. It is not carried out as an isolated exercise. It links closely with internal and external auditing processes and business continuity arrangements.

This framework contains the guidelines, processes & tools to enable a consistent approach for the identification, classification, treatment, and reporting of risks within the Stratford District Council. These must be applied across the Council to ensure consistency, coherence, and robustness.

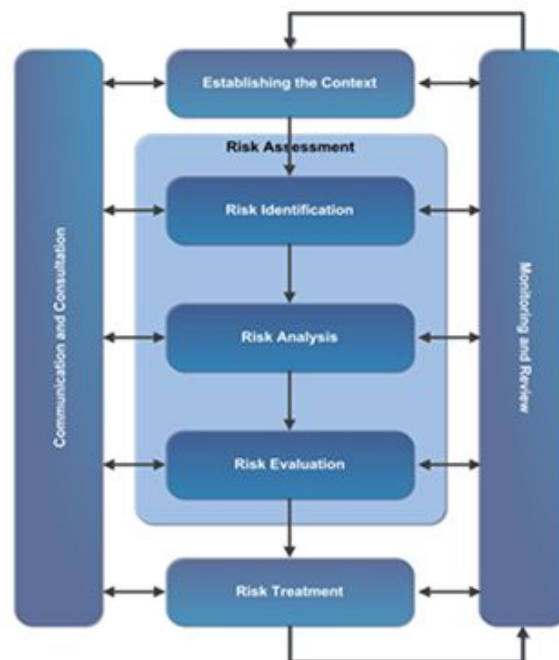
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Framework

Risk management activities at the Stratford District Council are based on the ISO31000 Risk Management Standard which directs governance and management responsibilities to:

- **FRAME** - Risk management practices are framed in the context of the Council's risk appetite; The Stratford District Council's strategic and business objectives; and the strategic, environmental and organisational context within which the Council operates and from which risks arise.
- **ASSESS** - what, why and how events may arise are identified, existing controls determined, and risks are analysed in terms of their likelihood and impact in the context of those controls.
- **RESPOND** - Stratford District Council develops and implements specific risk management plans - with controls and treatments in response to risks.
- **MONITOR** - Monitoring and review occurs throughout the risk management process, with oversight and review of Risk Registers and any changes that might affect them; this includes communication and reporting at all stages that enables the Council to minimise losses and capitalise on opportunities.

The following diagram gives an overview of the AS/NZS ISO 31000:2009 Risk Management process that Council will use.



Risk Assessment

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The Council maintains a Risk Register to record and manage all identified risks. The Risk Register is stored and maintained in the Vault¹ system.

Risk Identification

All staff members should be empowered, and expected, to identify and communicate risks. Risks identified will be reported to the staff member's direct manager and their Director, who will report the identified risk to the weekly Senior Leadership Team meeting.

From there, the risk will be reviewed against the current Risk Register to determine if there is already a related risk, and if that risk needs to be amended, or if a new risk needs to be added to the risk register.

Questions that should be asked include:

- What are the potential risks? When and where could they occur?
- What would be the impacts?
- What could prevent us from achieving our objectives and outcomes?
- Who and what would be impacted by the risk?
- Have all potential risks been considered?

Council's risk description will be stated with the risk first, and then the consequence, i.e "IF xxx occurs, THEN xxx will happen". For example *"IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets/funds and incorrect/misleading financial statements."*

All risks on the risk register will be allocated to one of the following risk categories (however, they may relate to more than one of the categories):

- Data and Information
- Reputational and Conduct
- Operational
- Financial
- Health, Safety, and Wellbeing
- Legislation and Compliance

Risk Analysis

¹ Council's online risk management and health and safety software.

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All new risks identified need to be analysed to determine potential causes, the likelihood of occurrence, and the potential consequences if they do occur. This is known as the *Inherent Risk*, prior to controls being implemented – refer to the *Risk Definition Table* below.

The below Risk Matrix is used for this purpose.

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	0-Low	1-Low	1-Low	4-Moderate	5-High

Risk Matrix Table

Below is the guidance on using the risk matrix table:

Likelihood

Almost Certain	90% or greater chance of occurring in next 12 months It would be unusual if this didn't happen
Likely	60% to 90% chance of occurring in next 12 months Will occur more often than not
Possible	25% to 60% chance of occurring in next 12 months Not likely, but don't be surprised
Unlikely	2% to 5% chance of occurring in next 12 months Would be a surprise if this happened
Rare	Less than 2% chance of occurring in next 12 months Exceptional circumstances only

Consequence (may have one or some of these characteristics)

Minor	No impact on Community Outcomes and Wellbeing Less than \$10,000 financial impact No reduction in service delivery No community interest or damage to reputation
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Important	<p>Little to no impact on Community Outcomes and Wellbeing Between \$10,000 and \$100,000 financial impact Some reduction in service delivery Some community interest or little damage to reputation</p>
Serious	<p>Some impact on Community Outcomes and Wellbeing Between \$100,000 and \$500,000 financial impact Some reduction in service delivery Significant community interest or damage to reputation</p>
Major	<p>Major impact on Community Outcomes and Wellbeing Between \$500,000 and \$10,000,000 financial impact Large reduction in service delivery affecting a number of people Significant and sustained community interest or damage to reputation</p>
Catastrophic	<p>Devastating impact on Community Outcomes and Wellbeing More than \$10,000,000 financial impact Reduction in service delivery affecting a significant portion of district Significant loss of trust and confidence from the community</p>

Risk Evaluation

Analysed risks will be evaluated to determine whether a risk is tolerable in its current state or whether further action is required. The evaluation process will also determine what level of reporting is required, as per the table below.

Overall Risk Rating	Actions for Risk Mitigation	Reporting of Risk Events
Extreme	<ul style="list-style-type: none"> Urgent and active management required. Risk treatment plan e.g. Business Continuity Plan, must be implemented immediately to reduce the risk exposure to an acceptable level. Regular reporting required. 	<ul style="list-style-type: none"> Immediate notification to CEO, Mayor and Chair of Audit and Risk Committee. Advise Director – Corporate Services to track risk.
Very High	<ul style="list-style-type: none"> Director attention is required. Risk treatment plan required. 	<ul style="list-style-type: none"> Notification to Audit and Risk Committee on Risk Register (only Very High or Extreme risks reported).

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		<ul style="list-style-type: none"> Advise Director – Corporate Services to track risk.
High	<ul style="list-style-type: none"> Management attention is required. Check controls are in place at least annually. 	<ul style="list-style-type: none"> Notification to Director. Report to Audit and Risk Committee annually.
Moderate	<ul style="list-style-type: none"> Management responsibility to monitor. Focus on ensuring internal controls are effective and review the ongoing risk at least every three years. 	<ul style="list-style-type: none"> Senior Leadership Team to review risk register periodically.
Low	<ul style="list-style-type: none"> May be monitored using routine practices. Focus on ensuring internal controls are effective. 	<ul style="list-style-type: none"> Senior Leadership Team to review risk register periodically.

Risk Response Table

The evaluation of risks will consider established risk tolerances for such risks, as well as any risk-specific factors. This will allow us to determine the *Target Risk*, or the risk level that Council is able to tolerate.

Risk Treatment

Council will identify opportunities to reduce the likelihood or consequence of the risk to achieve the *Target Risk* level – taking into account both the Council's risk appetite statement, and the potential costs of reducing the likelihood and consequence of the risk.

Risk treatment/controls will be developed to minimise the likelihood and consequence of a risk event occurring. The controls will be recorded in Vault, and will require a reconsideration against the risk matrix to determine the *Residual Risk*.

Risk	Definition	Purpose of Assessment
Inherent risk	The initial assessment of the consequence and likelihood of a risk prior to considering any existing controls, or if existing controls failed.	The inherent risk assessment enables management to determine the level of resources (people, systems and processes) required to manage the risk to an acceptable level.
Residual risk	The assessment of the consequence and likelihood of a risk taking into account the	The residual risk assessment enables management to determine where remediation of existing controls and/or

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	existing controls and an assessment of their effectiveness.	new risk treatments are required and appropriate.
Target Risk	Target risk is the assessed risk rating which Stratford District Council can accept for the risk, consistent with Stratford District Council's risk tolerance.	The target risk assessment enables management to understand the risk as if the proposed risk treatments /mitigations have been successfully implemented by comparing it to a relevant benchmark or best practice indicator.

Risk Definition Table

Monitoring and Reviewing Risks

To be effective, risk management must be embedded in Stratford District Council's systems and processes to ensure that it is part of 'the way we do business'.

Council Decision-Making

All Council decisions must be made with risk being one of the considerations. To this effect, the Council decision report template will require the following to be completed:

Refer to the Council Risk Register.

- *Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of eventuating?*
- *Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks?*
- *Is there a legal opinion needed?*

Senior Leadership Team

Risk Management is a permanent agenda item on the Senior Leadership Team meetings agenda. This is an opportunity for directors to bring identified risks, threats, events and opportunities from their respective departments for discussion. This is where the process to update the risk register is initiated.

Audit and Risk Committee

The role of the Committee is *"to assist the Council in discharging its responsibilities relative to risk management, and regulatory, legal and contractual conformance and compliance and managing risk in an appropriate manner"* (taken from the Committee's Terms of Reference).

The Committee members are able to monitor risk through the following methods:

APPENDIX 1

- Reviewing the risk review report, which is a standing item on the agenda.
- Request information, either to be replied to directly at a Committee meeting, or to be placed on Matters Outstanding.
- Request a deep dive into a particular risk area be added to the annual Programme of Works.

Definitions

The following definitions are consistent with international good practice as embodied in AS/NZS ISO 31000:2009 Risk management – Principles and guidelines:

Risk: The effect of uncertainty on achieving objectives.

Risk Event: An actual threat to Council or incident that has caused harm.

Consequence: Outcome of an event affecting objectives.

Likelihood: Chance of an event with consequences occurring.

Risk Management: Coordinated activities to direct and control an organisation with regard to risk.

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

Risk Management Framework: Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. The framework is made up of Risk Management policy, risk management processes, risk management practices and tools.

Risk Appetite: An organisations approach to assess and pursue, retain, take or turn away from risk.

Risk Owner: Person or entity with the accountability and authority to manage a risk.

Risk Assessment: Overall process of risk identification, risk analysis and risk evaluation.

Risk Source: An element which either alone or in combination has the potential to give rise to risk.

Risk Treatment Plan: A formal plan to record controls and mitigations to minimise the likelihood and consequence of a risk event, to be signed off by the CEO.

APPENDIX 1

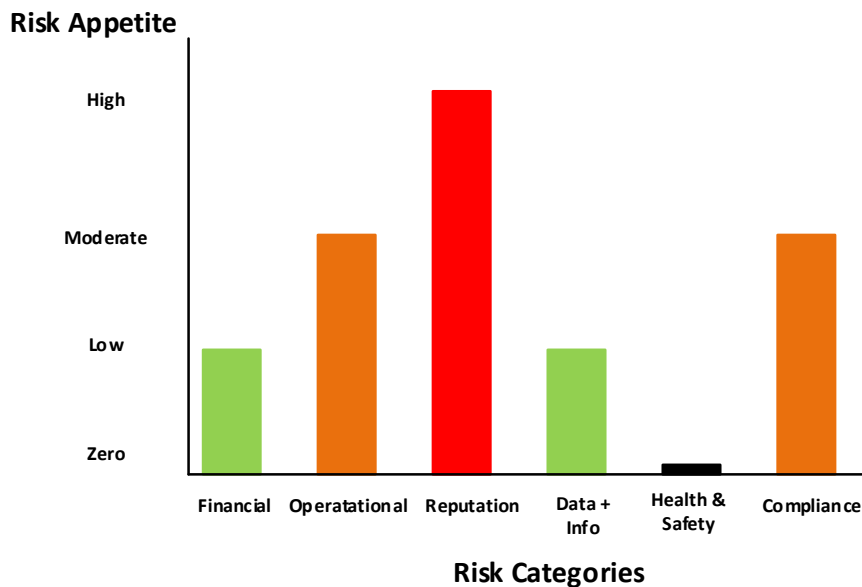
APPENDIX 2

STRATFORD DISTRICT COUNCIL
Risk Appetite Statement

Reviewed August 2021

The risk appetite statement sets out the various risk zones in which Council is willing to operate in, with respect to Council's risk categories. It is accepted that the risk appetite may change from time to time, depending on the threats and opportunities at the time.

Zero Appetite	Council is not willing to accept any instance of this risk occurring.
Low Appetite	Council accepts a low amount of this risk occurring with active monitoring of risks in place.
Moderate	Council accepts that there may be risks from time to time, and that some controls are required.
High	Taking risks is acceptable if there is potential for beneficial outcomes for Council.



Potential risk events that are beyond Council's risk appetite should be escalated to the Senior Leadership Team where a risk treatment plan can be developed and threats and actions can be monitored closely. Where a risk has been identified as more than a high risk at the residual risk level, reporting to the Audit and Risk Committee is also required.

APPENDIX 1

Where Council has a zero to low level of risk appetite, resources should be prioritised towards minimising and controlling the likelihood and consequences of these risks.

Where Council accepts a moderate to high risk appetite, it is important that controls are in place and are working effectively, however resource allocation towards this will not be prioritised, unless there are significant consequences as a result of a risk event occurring. In this case, the risk appetite may be recalibrated specific to the situation.

INFORMATION REPORT



TO: Audit and Risk Committee

F19/13-D21/24853

FROM: Health and Safety/Emergency Management Advisor

DATE: 20 July 2021

SUBJECT: REPORT FOR THE AUDIT & RISK COMMITTEE

RECOMMENDATION

THAT the report be received.

Moved/Seconded

11

This report presents a summary of the three monthly progress and any highlights for the main areas of activity within for the period to 30 June 2021.

1. **HIGHLIGHTS**

No major injuries to date with staff or contractors.

2. **EXECUTIVE SUMMARY**

- 2.1 This report provides an overview of Council's health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the three months ending 30 June 2021.
- 2.2 Results of data analysed since 30 April show that there have been a total of 12 events logged in Vault. This incorporates 7 pool events that are now being logged in Vault.

Incidents (30 April 2021 – 30 June 2021)

	Period 30 April 2021- 30 June 2021	YTD (1 January 2021 – 31 December 2021)
Events	12	57
<i>Of which:</i>		
Injury	1	1
ACC Claims	1	1
Notifiable	0	1
Near Miss	2	4
Observations	1	3
Type of Incident		
Slips/Trips/Falls (no injury)		
Sprains/Strains	1	
Cuts/Abrasions/ Bleeding nose	6	
Bruising		
Near Miss	2	
Aggressive/Abusive Customer		
Vehicle Damage	1	
Insect Stings	-	
Plant/Equipment		
Other	2	
Level of Treatment		
No Treatment	5	
First Aid	6	
Medical Centre	1	
Hospital	-	
Level of Investigation		
No Investigation	11	
Formal Investigation	1	
WorkSafe Investigation	-	
Health and Wellbeing		
Workstation Assessments		
EAP Referrals	3	
Health Monitoring Assessments	0	
Health and Safety Committee Meeting	0	
Site Reviews	3	

2.3 Incidents

Reported number of incidents has dropped over the period with the usual minor first aid incidents coming from the pool and attributed to contact on inflatables. A variety of incidents reported from the rest of council ranged from a vehicular accident, to a fall on glue when a new floor was being prepared for installation, and a person hurting themselves whilst helping remove equipment at the pool. There were two near misses and a positive observation also logged.

2.4 Civil Defence

Todd Velvin has been appointed the Taranaki Civil Defence Regional Manager, a position he has held for the last three months, stepping in after Craig Campbell-Smart moved on to become the regional group recovery manager. Staff training in civil defence functions continues to vary and is very much based on whether staff can be released from their business as usual roles. The Taranaki Emergency Management Office is currently undergoing major renovations including earthquake strengthening and is due to be completed on 21 July.

Rural Support Trust Facilitator Training was held recently focussing on the Transitioning of Taranaki to A Volcanic Future. It looked at Mounga Taranaki and the likely impacts of an eruption as well as actions farmers can take now to mitigate some of the impacts.

2.5 Contractors

Completion of the pre-qualification of local contractors continues to be a focus for the advisor. It is important in a small community that Council is seen as supporting local but the reality is that even after nearly six years of the new Act being in force, some contractors seem unable to understand what the requirements are of having a health and safety system in place and worse, not knowing the ramifications if they have not.

2.6 Investigations

There were three formal investigations. The main investigation was centred on a second chlorine leak at the pool. This time it was confirmed that foreign material had entered the system through contaminated cylinders. Unlike last time, the leak was a lot smaller and contained immediately by trained staff on site. Emergency shut off valves have also been purchased to ensure no further leaks. These valves can be also transferred to the new complex once it is operational.

The second and third investigations were contractor related with the same contractor involved in both incidents. Corrective actions include training for the crew and supply detection equipment to all crews. The second incident was several weeks later on a council job that involved a burst water main. The main had to be uncovered resulting in partial collapse of a trench and the subsequent injury to one of the contractor's staff. The contractor has received treatment and resumed normal duties the following day.

2.7 Site Reviews

Only the one review has been carried out with nothing outstanding.

2.8 Wellbeing

Wellbeing continues to be a topic everybody is talking about lately in and out of Council. This committee agenda contains a separate report on the findings from Council's most recent wellbeing survey and associated actions.

The advisor and several staff members were fortunate enough to attend a wellbeing conference that was held in New Plymouth where mental, physical and financial

wellbeing were discussed and now at the forefront of considerations all businesses must employ whilst discharging their duty of care.

Skin checks will be taking next place month and align with the physical wellbeing – Te Taha Tinana – of our implementation plan.



M Bestall
HEALTH AND SAFETY/ CIVIL DEFENCE ADVISOR



Approved by:
Sven Hanne
CHIEF EXECUTIVE

DATE: 13 July 2021

INFORMATION REPORT



TO: Audit and Risk Committee F19/13-D21/25066

FROM: Director – Corporate Services

DATE: 20 July 2021

SUBJECT: AUDIT NEW ZEALAND REPORT – PROGRESS ON AUDITOR RECOMMENDATIONS

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2018/19 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Moved/Seconded

1. PURPOSE OF REPORT

The purpose of this report is to inform the Committee of the issues identified in the final Audit New Zealand Management Report for the most recent year-end external audit, and summarises the actions that have or are to be taken by Council officers to respond to audit recommendations.

This is in line with the Audit and Risk Committee’s Terms of Reference which includes a responsibility *“To review the external audit findings and the annual financial statements and report back to the Council”*.

2. EXECUTIVE SUMMARY

This report summarises progress on any outstanding Audit New Zealand recommendations.

There are currently eight outstanding recommendations. The Contract Management Register has been brought forward from previous years. Two are from the 2019/20 annual report audit, and the rest are new from the audit of the Long Term Plan 2021-31.

Appendix 1 lists each of the issues identified by Audit New Zealand that came with some form of recommendation, and the current status.

3. LOCAL GOVERNMENT ACT 2002: SECTION 10

The Annual Report is an important way in which Council demonstrates its actions are aligned with Section 10 of the Local Government Act 2002. Audit matters raised contribute to the above by ensuring the Annual Report is fit for purpose and compliant with legislation.

4. BACKGROUND

Audit New Zealand issued an unmodified audit opinion for the year ended 30 June 2020 on 13 October 2020. As a follow up, Audit New Zealand issued a Management Report setting out the findings from the audit, highlighting areas where Council is doing well, and making recommendations for improvement.

With regards to the Long Term Plan, the audit management report was finalised in June 2021, and presented to the Audit and Risk Committee at the June 2021 meeting.

It is normal that the auditors will provide recommendations for improvement to ensure a high standard is maintained in terms of internal controls and accuracy in collecting and recording information that is required to be publically reported. A summary of the recommendations is provided in *Appendix 1* to this report. A progress update on these recommendations will continue to be provided to the Committee at each meeting.

5. INFORMATION SUMMARY

Refer to the management reports provided to the December 2020 (Annual Report 2019/20 auditor recommendations), and June 2021 (Long Term Plan 2021-31 auditor recommendations) Audit and Risk Committee meetings for further background and detail on each of the recommendations. A summary is provided in *Appendix 1*.

6. STRATEGIC ALIGNMENT

6.1 Direction

The Annual Report is a statutory requirement and must include an independent audit report. It is largely reporting historical information, whereas the Annual Plan and Long Term Plan are forward looking and direction setting.

6.2 Annual Plan and Long Term Plan

Direct alignment with the Long Term Plan.

6.3 District Plan

The Council audits do not have a direct relationship with the District Plan.

6.4 Legal Implications

There are no legal implications.

6.5 **Policy Implications**

There are no policy implications to consider directly. However, some of the audit recommendations may involve Council having to review particular policies.

Attachment:

Appendix 1 - Schedule of Audit NZ Recommendations



Tiffany Radich
DIRECTOR CORPORATE SERVICES



Approved by
S Hanne
CHIEF EXECUTIVE

DATE: 13 July 2021

APPENDIX 1

Schedule of Audit NZ Recommendations

Recommendation	Current status	Comments	Timeframe
<p>Asset Data Improvements be made to ensure that data is complete and covers the performance and condition of all assets. There are also specific areas, largely non-critical assets, where the confidence levels in data held are lower than what we consider to be acceptable for the purposes of developing its renewal programme.</p>	In progress	<p>The Council is committed to making improvements to ensure that data is complete, including asset condition for all assets.</p> <p>In all cases, the Council will weigh the cost and benefits of data collection with the risk associated with not collecting the data. The Council will be guided by the Risk Management framework at all times to ensure that the condition of its assets and the reliability of asset data is improved.</p>	Ongoing
<p>PBE IPSAS 41 – Financial Instruments Perform a more detailed and robust assessment on the impact of the introduction of PBE IPSAS 41.</p>	Closed	Council staff were under the impression that the application of PBE IPSAS 41 had been sufficiently covered in terms of the work carried out on the assessment impact and updating the accounting policies. Further work in this area is unlikely to bring any direct benefits to Council (other than not being reported on by Audit NZ).	N/A
<p>Capital Expenditure do-ability The LTP forecasts \$127 million of capital expenditure over the 10 years of the LTP, with 40% of the forecasted projects to be delivered in the first three years. The assumption made is that the capital expenditure programme will be achieved. Capital Expenditure do-ability The LTP forecasts \$127 million of capital expenditure over the 10 years of the LTP, with 40% of the forecasted projects to be delivered in the first three years. The assumption made is that the capital expenditure programme will be achieved.</p>	In progress	Council has recognised that there is a medium to high level of uncertainty around delivering 100% of its capital works programme over the next 10 years, and the LTP specifically discusses skill shortages, contractor availability, and cost certainty as factors that may impact on this. We will continue to monitor Council's progress on planned capital works on a monthly basis over the LTP.	Ongoing

Recommendation	Current status	Comments	Timeframe
<p>Roading – Theoretical replacement profile We recommend the District Council develop a theoretical replacement profile for roading assets in order to inform the renewals forecasting and formalise documentation held to support renewals planning.</p>	Closed	The theoretical replacement profile is a very costly exercise and may not put council in a better position than it is currently in terms of outcomes for the district’s residents and ratepayers. However, we are working toward a more robust method of renewals planning albeit in a more cost-effective way.	N/A
<p>Financial Budget Model The District Council’s current financial model is entirely spreadsheet based with numerous formulas throughout. There is therefore an increased risk of error as spreadsheets can be easily changed and may lack certain control features.</p>	In progress	Council has committed to undertake a review of its ERP system by year 4 of the Long Term Plan and the RFP will also cater for an all-inclusive enterprise budgeting software. Access to the Master Version is limited to Director – Corporate Services and the Corporate Accountant. The spreadsheet financial model is reviewed annually, including integrity checks and fit for purpose testing.	Ongoing
<p>Reconciliation between the general ledger and the asset management system Management should ensure that capital additions in the general ledger are reconciled to those capitalised in Asset-Finda on a monthly basis. This reconciliation should include a report on the depreciation charged.</p>	In progress	<i>Due to existing processes, the only time the two systems are reconciled is at asset revaluation dates. The Accountant and GIS Officer are continuing to work on a solution that enables monthly reconciliation of asset values between AssetFinda and Authority. The new GIS officer has a work program relating to this area which is currently focusing on updating Assetfinda with Authority work order projects, and monthly meetings have been established with asset managers to ensure projects are capitalised on a timely basis.</i>	<i>Fully implemented by 30 June 2021.</i>

Recommendation	Current status	Comments	Timeframe
<p>Assessment of asset condition be carried out at valuation cycles</p> <p>Having appropriate information over the condition of assets and taking this into account when revaluing will give the District Council a better picture of their assets. This will also mean the District Council will have better information for asset management planning.</p>	<p>To consider for next infrastructure valuation.</p>	<p><i>Asset condition is reviewed regularly to inform the programme of works. However, in terms of the three yearly asset valuations asset condition was not an essential consideration, due to the significant cost of adding this component and data already being held, collected by contractors, in relation to asset condition.</i></p>	<p><i>Next valuation for 2021/22 year.</i></p>
<p>Contract management register</p> <p>Consider improvements to the contract management register and processes to include a whole-of-Council contract management system.</p>	<p>In progress</p>	<p><i>The new contracts register module in Authority is now being used by staff. However, work is being undertaken by IT to link work orders to contracts and set up workflows to enable more effective contract management.</i></p>	<p>TBC</p>

INFORMATION REPORT



TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 20 July 2021
SUBJECT: FINANCIAL RISK MANAGEMENT REPORT

F19/13-D21/24987

RECOMMENDATION

THAT the report be received.

Moved/Seconded

1.0 Financial Results Summary

The May year-to-date ('YTD') results have revenue up against budget by \$8,093,350, at \$31,470,104, and expenditure over budget by \$1,064,450, at \$18,573,430, with a YTD net surplus of \$8,219,536.

Full financial reports for May 2021 YTD have been provided to the Policy and Services Committee (June 2021 meeting).

1.1 Operational Results

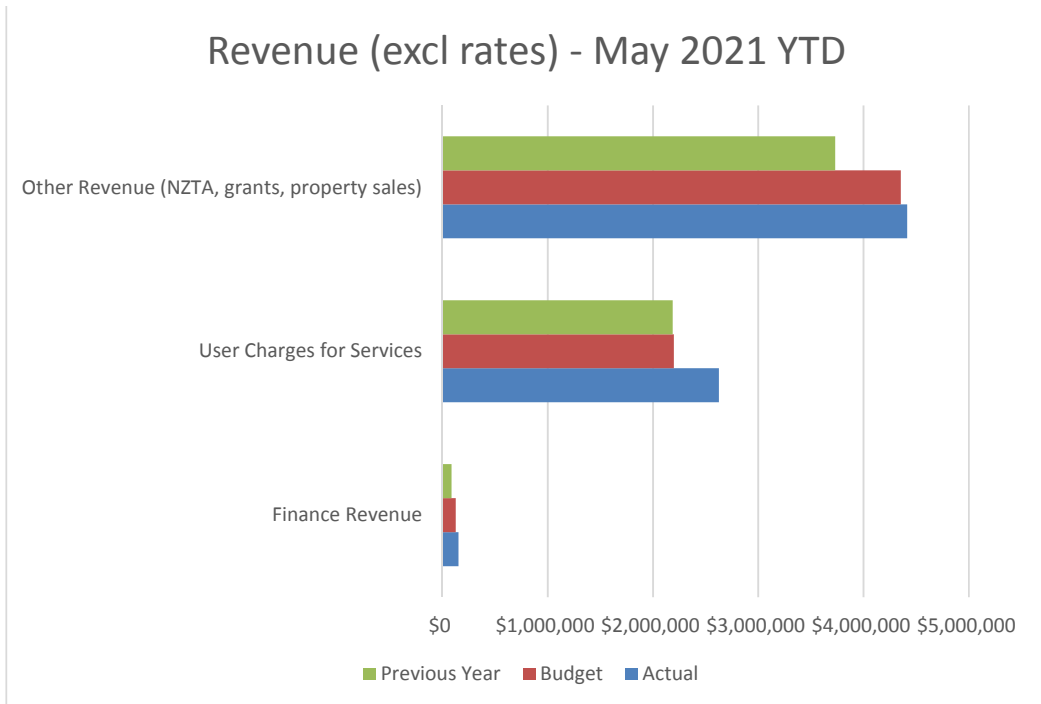
For all three operating revenue streams, revenue for the YTD is above budget on the previous YTD.

Other revenue - NZTA subsidies are ahead of YTD budget by \$311,381.

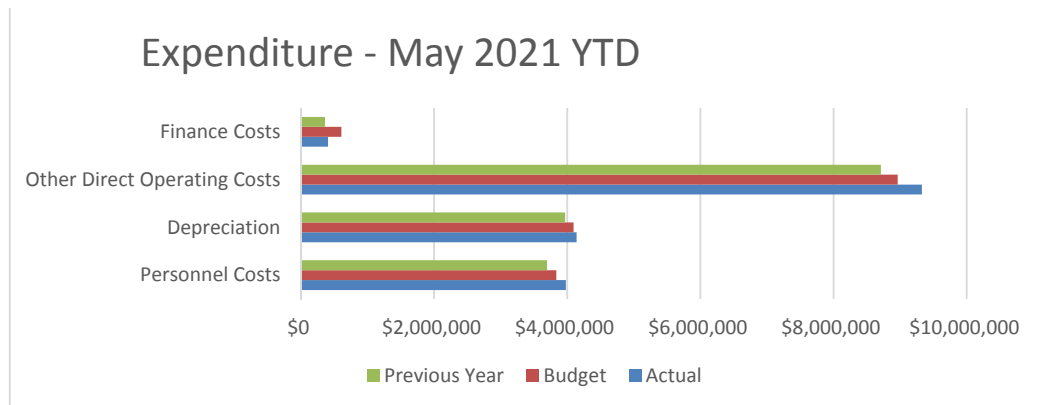
User charges – this is higher than YTD budget by \$427,194. Receipts from building control and resource consent activities are up on budget for the YTD. Also, transfer station income, farm milk income, and cemeteries income are all higher than YTD budget.

Finance revenue – this is higher than budget as Council has had higher than expected surplus cash to invest on term deposits, resulting in higher interest revenue.

Extraordinary revenue is not included in the graph below and includes revenue not budgeted for such as provincial growth funding received of \$8,626,144 to date, financial contributions of \$71,087, and subdivision section sales of \$2,588,528.



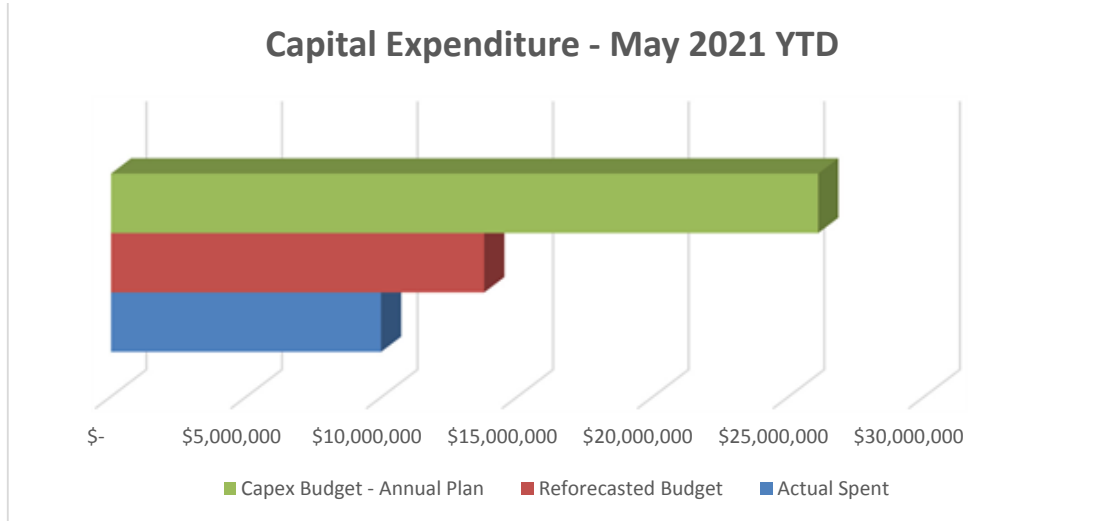
All categories of expenditure are higher than budget and previous YTD except finance costs which is below budget due to a lower weighted average interest cost than budgeted.



1.2 Capital Expenditure

The total annual capital budget of \$26,086,092 has been re-forecasted down to \$13,764,531. This is largely due to the new swimming pool project which has commenced but will not be completed by the end of this financial year.

As at 31 May, \$9,959,790 (72%) of the **re-forecasted** capital budget has been spent. The capital expenditure report attached, outlines what stage each project is at.



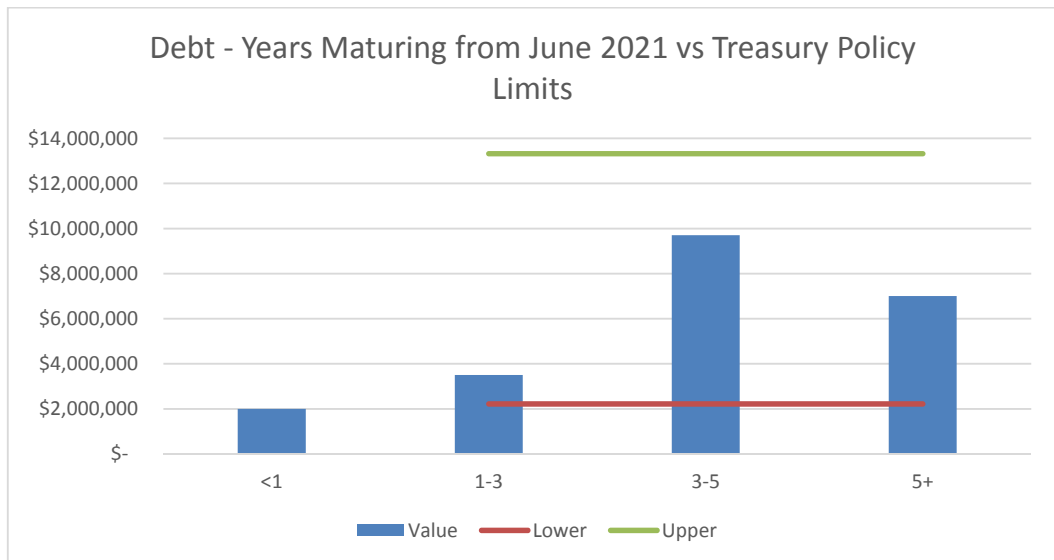
2.0 Treasury Report

2.1 Debt Maturities

Gross Council debt is currently \$22,200,000. Net debt is \$9,020,000 after taking into account \$7,000,000 on term deposits with registered NZ banks, and the \$7,180,000 loan to the Stratford Agricultural and Pastoral Association.

The weighted average interest rate for debt is currently 2.18% (average 6 year term).

Refer to the attached Treasury Report for the new loans schedule.



2.2 Financial Investments

Council currently has a total of \$7,000,000 on term deposits with registered banks, all with Westpac bank. The weighted average interest rate for the term deposit investments is 0.8% (average 114 day term).

It is expected that Council will carry \$6,000,000 of term deposits over the next 12 months to cover reserves, however surplus cash on hand will be invested for an appropriate term.

The investments with Stratford Agricultural and Pastoral Association total \$7,180,000 and is netted off gross debt to calculate net debt for covenant purposes. The first principal loan repayment is not due until December 2025. Interest is charged quarterly and the first two invoices were issued and paid by the due date.

2.3 Covenant Compliance

All internal, and Local Government Funding Agency (“LGFA”), covenants were met as at 30 June 2021, except for the Maximum Investment with Counterparty limit. This limit has been breached as Council officers assessed the risk of doing so, against the benefit of the higher interest rates received and found that the risk was minimal – the term deposits are with Westpac bank and are all maturing within the next 120 days. The chair of the Audit and Risk Committee and the Mayor approves any breach on the day of the investment being made, in line with Council’s Treasury Management Policy.

Also note that the investments with the Stratford Agricultural and Pastoral Association of \$7,180,000 breaches the Treasury Policy. Audit and Risk Committee endorsement was received in October 2020, and Council approval given in November 2020 specifically for this loan.

	<i>Actual</i>	<i>Policy</i>
Actual Fixed Debt	100%	>60%
Actual Floating Debt	0%	<60%
Fixed 1-3 years	11%	10-60%
Fixed 3-5 years	39%	10-60%
Fixed >5 years	41%	5-60%
Debt Matures 1-3 years	11%	10-60%
Debt Matures 3-5 years	39%	10-60%
Debt Matures > 5 years	41%	10-60%
Debt Servicing to Revenue Ratio	2%	<10%
Net Debt to Revenue Ratio	30%	<130%
Liquidity Ratio	178%	>110%
Net Debt per Capita	\$ 812	<\$3,000
Net Debt per Ratepayer	\$ 1,693	N/A
Maximum Investment with Counterparty	\$ 7,000,000	\$ 4,000,000

4.0 Accounts Receivable

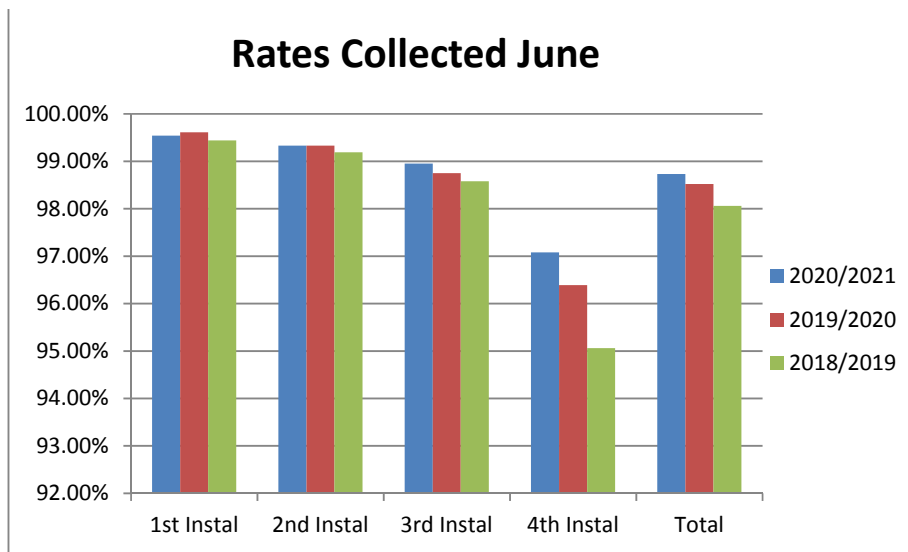
4.1 Debtors

Overdue debtors (excluding rates) as at 31 May 2021, was \$100,045 (2% of total debtors). Of this, \$56,619 relates to overdue infringements that are with the Ministry of Justice for collection. All other overdue accounts are either under a payment arrangement or with the debt collector for collection, unless they are under dispute.



4.2 Rates

Total rates collected is higher than previous years despite the challenges of Covid-19 - there are no concerns about rates collection.



Council set the rates for 2021/22 in June 2021. This will result in changes for some of our ratepayers. Council are introducing a new 50% charge for properties that are able to connect to water and wastewater services but are not connected (as at 1 July). The boundaries for community halls targeted rates have been amended which may capture additional properties previously not charged.

Attachments:

Appendix 1 - Capital Expenditure Report – May 2021 YTD

Appendix 2 - Treasury Report as at June 2021



Tiffany Radich
DIRECTOR – CORPORATE SERVICES



Approved By:
S Hanne
CHIEF EXECUTIVE

DATE: 13 July 2021

APPENDIX 1

CAPITAL EXPENDITURE SUMMARY BY ACTIVITY AS AT 31 MAY 2021

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
GROWTH - to meet additional demand									
Economy	Proposed Council subdivision	0	300,000	300,000	93,141	93,141	206,859	Completed	Practical Completion Certificate has now been completed. The total project cost was \$4.4m - fully funded from section sales.
Total Growth Expenditure		0	300,000	300,000	93,141	93,141	206,859		
LEVEL OF SERVICE - to improve the level of service on an existing asset or provide an additional asset to increase a service level									
Roading - Provincial Growth Fund shovel ready projects	Various safety improvements	0	0	751,934	979,211	979,211	(227,277)	Completed	\$751,934 is funded from the Provincial Growth Fund. All projects have been completed, and the remaining funds not covered by PGF are to be drawn from the Roading Reserve (overspend is not NZTA funded).
Roading	Low cost / low risk safety improvements	0	1,047,924	1,047,924	1,002,167	1,047,924	0	By 30 June 2021	We have a retreat on Upper Mangaehu Rd to come to charge in June. This should expend the remaining budget.
Stormwater	Reticulation Capacity Increase	110,700	0	110,700	0	0	110,700	N/A	This project is unlikely to be completed by the end of the financial year due to an inability to find a contractor to complete the works required.
Stormwater	Manhole Lid Safety Screens	123,100	0	123,100	0	0	123,100	N/A	This project is unlikely to be completed by the end of the financial year due to an inability to find a contractor to complete the works required.
Wastewater	Reticulation capacity increase	104,900	145,911	250,811	71,435	71,435	179,376	Completed	This budget was mainly for the Broadway upgrade.
Wastewater	Safety screens	33,900	0	33,900	0	33,900	0	By 30 June 2021	Road reserves safety screens will be installed by the end of the year.
Wastewater	Pump station telemetry	83,900	82,000	165,900	0	0	165,900	Not required	
Wastewater	Bulk discharge	0	51,300	51,300	1,050	51,300	0	By 30 June 2021	Replacement pump has been selected, job scheduled to be completed by June 2021
Wastewater	Stage 2 treatment - Oxidation Pond	262,100	0	262,100	1,131	10,000	252,100	By 30 June 2021	Ponds are completed. As part of the consent conditions, there is a one year trial which ends shortly. Depending on the outcome of the trial, the funds may or may not be required.
Water Supply	Water Meter Installation	346,000	0	346,000	147,790	200,000	146,000	By 30 June 2021	Ongoing, in conjunction with the zoning project.
Water Supply	Zoning	209,800	475,657	685,457	354,875	485,000	200,457	By 30 June 2021	Ongoing, in conjunction with the water meter installation project.
Water Supply	Second trunkmain	0	0	0	63,675	120,000	(120,000)	By 30 June 2021	This is for consultancy fees towards the design and route selection of the pipeline contract. Ground will be broken in July 2021, as part of stage 1.
Water Supply	Stratford street work rider mains	31,400	30,750	62,150	0	0	62,150	Not required	
Parks and Reserves	Park Development	15,600	0	15,600	12,683	15,600	0	Completed	Planting and lime chip path extension.
Parks and Reserves	Walkway development	15,600	0	15,600	16,850	16,850	(1,250)	Completed	This was for the eastern loop.
Parks and Reserves	Walkway signs	10,500	17,018	27,518	0	27,518	0	By 30 June 2021	The design phase for the signs is now in progress, in conjunction with the new branding.
Parks and Reserves	Plantings and signs	12,500	22,462	34,962	0	34,962	0	By 30 June 2021	The design phase for the signs is now in progress, in conjunction with the new branding.

APPENDIX 1

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards Government grant funded									
Parks and Reserves	Victoria Park improvements (including bike park and half basketball court)	521,300	11,698	532,998	667,548	1,357,000	(824,002)	By 30 June 2021	Funding of \$1,870,000 from Provincial Growth Fund approved. Stage 1 (bike park and half basketball court) has commenced; stage 2 (the pump track) has commenced, and a contract has been let for the construction of stage 3 (public toilets).
Parks and Reserves	Discovery Trail	104,200	0	104,200	31,222	31,222	72,978	Completed	The remainder of this project was dependent on external funding, however the application was declined.
Swimming Pool	Various Pool improvements	37,200	0	37,200	0	37,200	0	By 30 June 2021	On-going expenditure
Swimming Pool	Pool development	15,636,500	0	15,636,500	3,163,496	5,300,000	10,336,500	By February 2023	Funding of \$8m from Provincial Growth Fund approved, then with \$12m from loans, making a total project cost of \$20m, with further grant funding likely. Of this total, \$5.3m will be spent by 30 June 2021, and the balance over the following 20 months.
Civic Amenities	Stratford 2035	100,000	0	100,000	1,787	50,000	50,000	By 30 June 2021	\$50,000 was to be grant funded, however the application was not successful so expenditure has been updated to reflect this. Currently waiting on updated quotes from suppliers / contractors for flag trax and a lighting audit, which will then form the basis for the design and implementation of the lights.
Civic Amenities	Broadway / Prospero Place upgrade	0	80,629	80,629	46,155	80,629	0	By 30 June 2021	The major project to date is the Village Green development. The balance of funds will be spent on any further development work required for the village green space.
Civic Amenities	WMC - civil defence upgrade	50,000	0	50,000	0	0	50,000	Not required	
Farm	Calf bay	15,000	0	15,000	6,158	15,000	0	By 30 June 2021	Calf bay completed. Refurbishment to other calf bays will also be required.
Farm	Yard upgrade	30,000	0	30,000	0	30,000	0	By 30 June 2021	Three quotes for physical works have been requested, once evaluated and accepted, works will commence at the end of May.
Farm	Relocate concrete feed pad and lime chip turning area	0	0	0	52,986	52,986	(52,986)	Completed	This was going to be done in year 1 of the LTP however due to the issue around the temporary concrete pad, it was brought forward.
Farm	Race relocation	0	0	0	35,062	35,062	(35,062)	Completed	This was required due to the high number of stock injuries.
Farm	Landscaping / riparian planting	10,400	0	10,400	8,940	10,400	0	By 30 June 2021	Some remaining fencing work will be completed throughout the year.
Library	Information centre relocation	0	0	0	70,056	70,056	(70,056)	Completed	
Total Level of Service Expenditure		17,864,600	1,965,349	20,581,883	6,734,277	10,163,255	10,418,628		
REPLACEMENTS - replaces an existing asset with the same level of service provided									
Roading - Financially assisted NZTA	Unsealed Road metalling	795,000	(85,000)	710,000	248,292	250,000	460,000	By 30 June 2021	The underspend is to cover the cost of the works undertaken on Puniwhakau Rd.
Roading - Financially assisted NZTA	Sealed Road resurfacing	750,000	(70,000)	680,000	636,609	636,609	43,391	Completed	Revised NZTA approved budget to allow for contractual lump sum items claimed in the maintenance contract. Reseals are 50% completed for this year.

APPENDIX 1

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
Roading - Financially assisted NZTA	Drainage Renewals	525,415	(100,415)	425,000	372,935	412,935	12,065	By 30 June 2021	Revised NZTA approved budget to allow for contractual lump sum items claimed in the maintenance contract.
Roading - Financially assisted NZTA	Pavement Rehabilitation	742,800	(62,800)	680,000	609,534	609,534	70,466	Completed	Beaconsfield Road rehabilitation has been completed.
Roading - Financially assisted NZTA	Structure Components Replacement	80,000	0	80,000	8,402	70,000	10,000	By 30 June 2021	This is for repairs to the retaining wall on Mohakau Road, and repairs to McBride's Bridge.
Roading - Financially assisted NZTA	Traffic Servcies Renewals	50,000	(518)	49,482	69,315	70,000	(20,518)	By 30 June 2021	Revised NZTA approved budget to allow for contractual lump sum items claimed in the maintenance contract.
Roading - Financially assisted NZTA	Sealed Road resurfacing-Special purpose	151,000	(50)	150,950	154,714	154,714	(3,764)	Completed	This was to undertake a substantial length of sealing on Pembroke Rd following the installation of the underground power cables to the Mountain House.
Roading non-subsidised	Underverandah lighting	12,500	0	12,500	12,750	12,750	(250)	Completed	This funding was used for the bus shelter extension on Miranda Street. As the Connector bus is becoming more popular, TRC approached Council to request the extension, and have contributed \$10,000 to the cost.
Solid Waste	Transfer Station - Building renewals	20,800	40,800	61,600	0	0	61,600	Not required	
Stormwater	Weather events emergency fund	2,600	0	2,600	0	2,600	0	By 30 June 2021	Ongoing
Stormwater	Reticulation Renewals	55,600	0	55,600	12,000	55,600	0	By 30 June 2021	Physical works ongoing
Wastewater	Step / aerate treatment renewals	31,500	0	31,500	0	31,500	0	By 30 June 2021	Work has now commenced on this project.
Wastewater	Treatment pond renewals	160,400	0	160,400	0	0	160,400	Completed	Ponds are completed. As part of the consent conditions, there is a one year trial which ends shortly, to ensure the bacteria survives. These funds may or may not be needed.
Wastewater	Bulk discharge	10,500	0	10,500	0	10,500	0	By 30 June 2021	This is part of the bulk discharge project above, in Level of Service.
Wastewater	Reticulation renewals	0	266,920	266,920	283,296	283,296	(16,376)	Completed	Physical works were undertaken via maintenance contracts. The majority of the project was for Central Broadway.
Water Supply	Laterals	32,100	0	32,100	17,473	20,000	12,100	By 30 June 2021	Ongoing
Water Supply	Stratford street work rider mains	267,400	202,087	469,487	0	0	469,487	Not required	
Water Supply	Midhurst street work rider mains	15,700	0	15,700	5,131	5,131	10,569	Not required	
Water Supply	Infrastructure general Stratford	26,200	0	26,200	28,377	28,377	(2,177)	Completed	
Water Supply	Infrastructure general Midhurst	3,200	0	3,200	0	3,200	0	By 30 June 2021	Ongoing
Water Supply	Infrastructure general Toko	1,600	0	1,600	1,170	1,600	0	By 30 June 2021	Ongoing
Water Supply	Grit tank replacement	0	248,495	248,495	75,098	80,000	168,495	By 30 June 2021	
Water Supply	Meter replacements	52,400	93,614	146,014	0	0	146,014	By 30 June 2021	This work will not be completed in the current year.
Water Supply	Patea delivery line	0	259,400	259,400	73,322	80,000	179,400	By 30 June 2021	
Water Supply	Hydrants	15,500	0	15,500	5,918	15,500	0	By 30 June 2021	On-going

APPENDIX 1

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
Civic Amenities	WMC - replace furniture	3,100	0	3,100	2,415	3,100	0	By 30 June 2021	Due to the tables being damaged and worn over time, 15 tables have now been replaced with new trestle tables.
Civic Amenities	Community hall renewals	0	0	326,761	329,678	329,678	(2,917)	Completed	Funding of \$326,761 from Provincial Growth Fund approved, however this went over budget due to previously unknown structural and electrical issues. The additional costs will be funded from reserves.
Civic Amenities	CRR - various replacements	8,700	0	8,700	20,736	20,736	(12,036)	Completed	Once the PGF works were completed, wi-fi and a heat pump was installed. In addition, 2 air condition units were in a very poor state and needed to be replaced.
Library	Equipment	0	0	0	6,133	10,000	(10,000)	By 30 June 2021	Funding of \$10,000 from the National Partnership Programme has been approved
Farm	Yard repairs	30,000	0	30,000	0	30,000	0	By 30 June 2021	Two quotes for physical works have been requested, once evaluated and accepted, works will commence by 31 May.
Farm	Effluent pump replacement	0	0	0	15,710	15,710	(15,710)	Completed	The existing pump failed so a replacement was required immediately. The cost of this has partly been covered by insurance, less the excess.
Farm	House - fireplace and floor coverings	12,000	0	12,000	12,344	12,344	(344)	Completed	One fireplace has been installed in the sharemilkers house, and a fireplace was installed in the workers cottage.
Miranda Street Office	Furniture Replacement	3,100	0	3,100	648	3,100	0	By 30 June 2021	On-going
Miranda Street Office	Floor coverings	42,700	0	42,700	13,379	42,700	0	By 30 June 2021	Only selected floor coverings will be done now as many carpeted areas were assessed as being fine. The remainder of the budget will be used to replace heat pumps in the council chambers, and to replace the concertina door between the chambers and committee room. Quotes are being obtained for the heat pumps and door, and a carpet quote has been accepted. All work will be completed by 30 June 2021.
Miranda Street Office	Office renovations	0	0	0	1,150	1,150	(1,150)	By 30 June 2021	Alterations to extend office space are in progress.
Miranda Street Office	Dishwasher	2,100	0	2,100	0	0	2,100	Not required	This has been purchased at a much lower cost so the renewal budget is not required.
Corporate	Computers/Peripherals/ Software	80,000	0	80,000	37,612	80,000	0	By 30 June 2021	On-going
Corporate	AssetFinda and GIS software replacement	0	15,000	15,000	14,796	14,796	204	Completed	
Corporate	Civil defence equipment	10,000	0	10,000	0	10,000	0	By 30 June 2021	This will be determined when the potential upgrade to the War Memorial Centre is completed.
Corporate	Telephone System	0	25,000	25,000	17,571	17,571	7,429	Completed	Completed
Corporate	Website redevelopment	0	0	0	22,460	40,000	(40,000)	By 30 June 2021	Planning for this commenced in previous years, however finalisation of the new council website was pending the branding design for Council.
Corporate	Vehicle Replacement (after trade in)	31,000	0	31,000	23,404	23,404	7,596	Completed	A Toyota Corolla hybrid was purchased in December 2020 to replace a Mazda pool vehicle which was sold at the same time.
Corporate	Miscellaneous	20,000	0	20,000	0	20,000	0	By 30 June 2021	

APPENDIX 1

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
Total Replacement Expenditure		4,044,915	832,533	5,204,209	3,132,372	3,508,135	1,696,074		
TOTAL EXPENDITURE		\$21,909,515	\$3,097,882	\$26,086,092	\$9,959,790	\$13,764,531	\$12,321,561		

APPENDIX 2

LIABILITIES AND INVESTMENTS STATEMENT AS AT 30 JUNE 2021					
Public Debt Statement					
Lender	Amount	Interest Rate	Term (Years)	Date Drawn	Maturity Date
LGFA	\$ 2,000,000	2.81%	4	August 2018	April 2022
LGFA	\$ 1,000,000	1.55%	3	April 2020	April 2023
LGFA	\$ 1,500,000	3.47%	5	May 2018	May 2023
LGFA	\$ 1,000,000	1.14%	3	April 2021	April 2024
LGFA	\$ 2,000,000	2.53%	5	May 2019	May 2024
LGFA	\$ 2,000,000	3.38%	7	August 2018	April 2025
LGFA - A&P	\$ 3,700,000	1.04%	5	December 2020	December 2025
LGFA	\$ 1,000,000	1.67%	5	April 2021	April 2026
LGFA	\$ 1,000,000	2.02%	6	April 2020	April 2026
LGFA	\$ 1,000,000	1.38%	7	May 2020	April 2027
LGFA	\$ 1,500,000	3.65%	9	August 2018	April 2027
LGFA	\$ 1,000,000	2.12%	7	April 2021	May 2028
LGFA - A&P	\$ 3,500,000	1.87%	12	December 2020	December 2032
	\$ 22,200,000	2.18%			
Internal Debt Register					
Activity	Amount	Start Date	Term	Interest Rate	Details
Water Supply	\$ 1,430,000	2013	N/a	2.18%	Water treatment plant
Farm	\$ 2,190,521	2016	N/a	2.18%	Opening plus capex
Committed Cash Facilities					
Lender	Facility Value	Outstanding	Rate		
TSB Bank	\$ 1,000,000	\$ -	BKBM* + 3%		
	\$ 1,000,000				
Investment Statement					
Investee	Amount	Interest Rate	Term (Days)	Start	End
Westpac	\$ 1,000,000	0.77%	125	5/03/2021	8/07/2021
Westpac	\$ 1,000,000	0.68%	91	11/05/2021	10/08/2021
Westpac	\$ 1,000,000	0.88%	120	11/05/2021	8/09/2021
Westpac	\$ 4,000,000	0.87%	120	16/06/2021	14/10/2021
A&P Association	\$ 3,680,000	1.29%	1826	22/12/2020	22/12/2025
A&P Association	\$ 3,500,000	2.12%	4383	22/12/2020	22/12/2032
	\$ 14,180,000	1.27%			
LGFA	\$ 32,000	2.13%	1827	10/05/2019	10/05/2024
LGFA	\$ 32,000	2.41%	1326	27/08/2018	14/04/2022
LGFA	\$ 16,000	1.15%	1103	7/04/2020	15/04/2023
LGFA	\$ 24,000	3.06%	1826	24/05/2018	24/05/2023
LGFA	\$ 25,000	0.74%	1092	19/04/2021	15/04/2024
LGFA	\$ 32,000	2.98%	2423	27/08/2018	15/04/2025
LGFA	\$ 92,500	0.64%	1826	21/12/2020	21/12/2025
LGFA	\$ 25,000	1.27%	1822	19/04/2021	15/04/2026
LGFA	\$ 16,000	1.62%	2199	7/04/2020	15/04/2026
LGFA	\$ 16,000	0.98%	2530	11/05/2020	15/04/2027
LGFA	\$ 24,000	3.25%	3153	27/08/2018	15/04/2027
LGFA	\$ 25,000	1.72%	2583	19/04/2021	15/05/2028
LGFA	\$ 87,500	1.47%	4383	21/12/2020	21/12/2032
	\$ 447,000	1.64%			
Shareholdings Statement					
	No. of Shares	Share Price	Value of Shares		
Fonterra	158,716	\$ 3.76	\$ 596,772		
Ravensdown	17,920	\$ 1.00	\$ 17,920		
Civic Financial Services Ltd	65,608	\$ 0.93	\$ 61,015		
			\$ 675,708		

*BKBM - The Bank Bill Market Rate is a short term interest rate used widely in NZ as a benchmark for pricing debt.

INFORMATION REPORT



TO: Audit and Risk Committee
FROM: Director – Corporate Services
DATE: 20 July 2021
SUBJECT: RISK REVIEW

F19/13 – D21/24911

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

_____/_____
Moved/Seconded

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1. PURPOSE OF REPORT

This report is part of the Committee’s regular Programme of Works. It includes a review of any changes made to the Council’s Risk Register, and informs the Committee of any incidents in relation to the Top Ten Council risks since the last Audit and Risk Committee meeting.

2. EXECUTIVE SUMMARY

The Council maintains a Risk Register within the online risk management software program *Vault*. The risk register is reviewed weekly by the Senior Leadership Team (“SLT”) to ensure such things as the risk scores are appropriate, control measures are adequate, and that we have captured all real risks to Council.

Changes to the risk register are discussed and agreed to by SLT before coming into effect. In the past quarter, one new risk was added to the risk register – “Failure of a Financial Investment”.

As changes are made to the register with new additions, amalgamation of risks, and changes to the risk ratings, there may also be changes to what is deemed to be a Top Ten Council risk. There has been a change to the control for *Risk 72: Elected Members – Decision Making*.

There was an incident in relation to *Risk 58: Contractor damage or breach*, since the last risk report, and an incident in relation to *Risk 72: Elected members - Decision Making*.

3. LOCAL GOVERNMENT ACT 2002: SECTION 10

How is the subject of this report applicable to the purpose of the Act?

- Is it for the provision of good quality local infrastructure? If so, why?; **OR**
- Is it for the performance of a good quality regulatory function? If so, why?; **OR**
- Is it for the performance of a good quality local public service? **AND**
- Is it in a way that is most cost-effective to businesses and households? If so, why?

Good quality means, infrastructure, services, and performance that are efficient and effective, and appropriate to present and anticipated future circumstances.

Local public service means, a service provided for the community which is for the benefit of the District.

Active management and monitoring of council risks will enable more stable provision of public services for the community, and an improved ability to respond to risk events.

4. BACKGROUND

The Risk Register was first presented to the Audit and Risk Committee at the June 2018 meeting and subsequently adopted by Council. It followed the approval of the Council's *Risk Management Policy* and *Risk Management Framework*, which details how the Council will manage and monitor risk.

The *Risk Management Framework* reads:

“Risk management happens every day and everywhere at the Stratford District Council. It is a key business process and a key leadership competency. Business as usual, initiatives and opportunities all require us to take risks. It is important to understand what those risks are, so that we can make informed decisions in areas of uncertainty.”

The Risk Register also includes control measures to mitigate the likelihood of a risk occurring, and/or the impact of an adverse event.

“The outcomes and benefits expected from applying effective risk management are:

- *Improved achievement of the Stratford District Council's strategic direction, objectives and priorities.*
- *Reduced risks – significant risks are identified and managed and early warning of problems and emerging risks are addressed, with appropriate design and operation of internal controls.*
- *Improved decisions – decisions are made after analysis of risk.*
- *Improved planning and resource allocation – risks are prioritised and included in business planning so that resources are better managed.*
- *Increased accountability and transparency – clarity of key risks and the responsibility and accountability for their management.”*

The Top Ten Risk Register is solely for risks where the combination of severity and probability of occurrence gives a raw risk score rating of “very high”. These risks are monitored more regularly and in more depth than the other risks by SLT.

5. INFORMATION SUMMARY

5.1 New Risks identified and added to the Risk Register

There were no new risks added to the Risk Register since the last risk report.

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	Low	1-Low	1-Low	4-Moderate	5-High

5.2 Changes to the Top Ten Risks

The control measure for *Risk 72: Elected members - Decision Making*, has been added to:

Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Information related to decision making should be given to elected members in a timely manner. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.

5.3 Incidents or Threats in relation to the Top Ten Risks

There was an incident in relation to *Risk 58: Contractor damage or breach*, in that a complaint was made by a member of the public about an employee of a contractor and how they had been spoken to. This matter was considered minor, however an apology was made by the contractor to the complainant at the request of Council.

There was also an incident in relation to *Risk 72: Elected members - Decision Making*, regarding the process around establishing a Māori ward. The initial decision made in March 2021, post the change in legislation abandoning petitions against Māori wards, did not have a formal decision report with all the relevant information, particularly feedback and consultation with the relevant iwi, allowing elected members to make an informed decision. The decision was later overturned by elected members following a number of submissions from the public and iwi. However, in the meantime there was some reputational damage as a result of the March 2021 decision. In future, all council decisions should have a formal decision report informing elected members.

6. STRATEGIC ALIGNMENT

6.1 Direction

Direction has been taken from the Council's *Risk Management Policy* and *Risk Management Framework*, both of which have been approved by the Audit and Risk Committee.

6.2 Annual Plan and Long Term Plan

Not applicable.

6.3 District Plan

Not applicable.

6.4 Legal Implications

Not applicable.

6.5 Policy Implications

The *Risk Management Policy* is currently under review and it is expected that the updated Policy will result in a change to current reporting, so that regular reporting to the Audit and Risk Committee will only be in relation to Very High to Extreme risks with an annual review of the full council risk register.

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Attachments:

Appendix 1 - Top Ten Risk Register

Appendix 2 - Detailed Risk Register



Tiffany Radich

DIRECTOR – CORPORATE SERVICES



Approved by

Sven Hanne

CHIEF EXECUTIVE

DATE: 13 July 2021

APPENDIX 1

Top Ten Risk Register

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data /knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate

APPENDIX 1

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Information related to decision making should be given to elected members in a timely manner. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

APPENDIX 1

APPENDIX 2

Stratford District Council Risk Register - Detailed

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
1	Compliance and Legislation	Legislation Changes	IF changes to legislation or case law occur and are not implemented by staff, THEN council may be acting illegally and in breach of legislation.	4 High	Regular review and update Legislative Compliance Register. Staff training and attending relevant industry conferences. Regular policy review to ensure policies and procedures are in line with legislation changes.	2 Moderate
2	Compliance and Legislation	Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	3 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	1 Low
3	Compliance and Legislation	Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and receive attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	3 Moderate	Quality assurance. Resourcing levels maintained. Schedule of dates and commitments is regularly maintained and updated by Quality Assurance officer. Regular review and update of Legislative Compliance Register.	1 Low
4	Compliance and Legislation	Bylaws and Policies	IF Council fails to keep Policies and Bylaws up to date, THEN the Policies and Bylaws may become unenforceable and irrelevant, and council could be acting illegally, or the policy is not fit for purpose.	8 High	Quality assurance, Resourcing levels maintained, Regular Policy Schedule review by CEO. Regular review of Bylaw timetable maintained in Content Manager.	3 Moderate
5	Compliance and Legislation	Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
6	Compliance and Legislation	Three Waters - Non-Compliance	IF Council does not comply with its obligations under legislation (i.e. Resource Management Act, NZ Drinking Water Standards, Health and Safety at Work Act) THEN administrative fines and penalties may result, in addition to reputational damage if publicised.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with legislative requirements through regular update of Legislative Compliance Register. Subscribe to regular email updates from local government and relevant industry bodies, council listserv to ensure staff are notified of legislation changes.	2 Moderate
7	Compliance and Legislation	Property and Parks - Non-Compliance	IF Council does not comply with its obligations under legislation (eg. Resource Management Act 1991, Building Act 2004, Health and Safety at Work Act 2015) THEN administrative fines and penalties may result, and reputational damage.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with all legislative requirements impacting on property and park assets. Ensure maintenance contracts have robust out-clauses that cover a range of situations where non-compliance or unsatisfactory work is identified. Council has secured public liability insurance and statutory liability insurance.	Low
8	Compliance and Legislation	Annual Report Adoption and Publication	IF the Council's Annual Report is not adopted by 31 October and made publically available by 30 November, THEN there will be additional audit scrutiny and reputational damage within local government. Loss of community trust - the community is unable to assess Council performance in a timely manner.	2 Moderate	Set annual report timetable to ensure statutory deadline is met. Good project management by key staff. Keep updated of possible changes to legislation and plan accordingly. Good communication to all staff, and establish rapport with Audit NZ and respond in a timely manner to all queries.	1 Low
84	Compliance and Legislation	Tax Compliance Breach	IF the Council files incorrect or misleading tax returns (specifically GST, FBT and PAYE), then it may be liable for financial penalties, IRD audit scrutiny, and lack of auditor confidence.	4 High	Ensure staff are properly trained and stay up to date with tax legislation and current topical issues. All tax returns should be reviewed and signed off by someone other than the preparer of the tax return. All property purchases and sales should be reviewed by Finance specifically to check correct GST treatment. FBT on motor vehicles and private use should be reviewed at least annually. All entertainers and individual contractors must be reviewed for correct withholding tax treatment.	3 Moderate
9	Compliance and Legislation	LTP/Annual Plan	IF LTP/Annual Plan is not adopted by 30 June THEN council cannot set rates, statutory breach reported to Minister, unable to commence service delivery, additional audit scrutiny	8 High	Set a timetable to ensure statutory deadline is met. Good project management. Good quality data is provided. Keep abreast of possible changes to legislation and plan accordingly. Good communication to all staff and liaison with Audit NZ.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
10	Data and Information	Systems Down - Natural Disaster	IF there is a natural disaster THEN systems may be down temporarily, reduction in worker productivity, unable to respond to customers, data unavailable, potential permanent loss of data.	8 High	Backups done daily and stored off-site. Most critical data is in the cloud, data centre is overseas so workers can access system remotely from anywhere. Civil Defence will make hardware available for emergency response.	3 Moderate
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
13	Data and Information	Communication to data centre	IF there is a loss of communication to the Data Centre (due to IT failure, power failure, or other damage to link) THEN systems downtime will cause temporary disruption. Council staff will be unable to access data and complete work and respond to customers satisfactorily.	4 High	Can access private link or an internet link - reroute the traffic. Backup generator if power supply lost.	3 Moderate
14	Data and Information	Uncontrolled access to Physical and Digital Records	IF there is uncontrolled or unauthorised access to archives, THEN records/ files could go missing, privacy breached, possible legislative breaches.	2 Moderate	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	1 Low
15	Data and Information	Records Handling	IF hard copy protected records are handled in a way that could cause damage, degradation or misorganisation, THEN this could lead to loss of protected records, non-compliance with legislation and potential financial penalties.	3 Moderate	Access to archives is limited to trained staff. Ensure the Information Management Specialist is fully trained in all areas of protected records management. Maintain a register of archived records, and a process by which records will be archived. Storage area must be restricted and temperature controlled.	Low
16	Data and Information	Unapproved online platforms used	IF unapproved online platforms are used for Council business, THEN Council sensitive information and individual private details could be hacked and made available publically.	3 Moderate	All Council information should only be stored on platforms that are approved by IT and gone through proper procedures and checks by IT.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
17	Financial	Roading Annual Work Programme	IF non-availability of labour and plant or weather events affect ability to complete annual programme of work, THEN risk of spend being under budget (over-rating) and unable to access NZTA claims originally budgeted for, and services being unavailable to the public.	3 Moderate	Encourage maintenance contractor to sub-contract out work if they do not have sufficient resources in-house. Ensure there is a clear understanding between Council and Contractor of completion timeframes, as per the Contract. Outsource work to another contractor - this has to be considered carefully due to contract obligations and commitments.	2 Moderate
18	Financial	Accessing Funding	IF incorrect assessment is made to determine required maintenance funding, all funding options are not sought, or insufficient funding is made available THEN Council may miss out on funding and Council has to fully fund projects.	3 Moderate	Ensure funding assessments are carried out by sufficiently experienced personnel and strong cases are made for funding. A system should be established to regularly monitor all available funding for council projects.	1 Low
19	Financial	Internal Financial Controls	IF internal financial controls are compromised and ineffective, THEN possible fraud, budget blowout, delayed service	6 High	Good quality controls. Implement annual external and internal audit recommendations. Adhere to Procurement and Delegations Policy. Communications of internal controls to all staff. Recommend internal audit conducted every year. Annual leave not to accrue > 2 years. Electronic signature images not to be relied upon.	1 Low
20	Financial	Creditor Payments	IF creditors are not paid correctly or on time THEN goods and services delayed, increased costs, reputational damage and possible fraud.	2 Moderate	Ongoing training of competent staff and appropriate staffing levels. Adhere to Procurement Policy. Good planning and time management Creditor statement reconciliations. Cash and treasury management.	Low
21	Financial	Assessment of Rates	IF rates are assessed incorrectly or inaccurately THEN ratepayers could legally challenge the rates assessment and Council could be forced into a legal battle.	4 High	Resourcing and training of competent staff. Test EOY prior to June. Have Civica rectify errors prior to 30 June. Re-test EOY after errors corrected. Check FIS and Rates Resolution align and legal advice taken.	2 Moderate
22	Financial	Rates Invoices Processing	IF rates invoices are not sent out accurately and on time THEN cashflow delayed, legal obligation not met. Can result in reputational damage with ratepayer community.	3 Moderate	Resourcing and training of competent staff. Clear accountability for rates invoicing and appropriate training in systems given. Timetables for processing and posting to be clarified ahead of due dates. Good communication with NZ Post.	2 Moderate
23	Financial	Outstanding Debt	IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.	3 Moderate	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all ratepayers on direct debit.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
24	Financial	Direct Debits	IF direct debits are not processed correctly, and on the due date, THEN cash flow delayed, and may result in public distrust of Council's direct debit process resulting in a reduction in ratepayers who choose to pay by direct debit.	2 Moderate	Direct debit processing treated as a daily priority done early as possible in the day. If any IT issues get onto it as soon as possible. Ensure at least 2 staff are trained in processing the direct debits.	1 Low
25	Financial	Procurement contracts	IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.	6 High	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	1 Low
26	Financial	Credit Risk	IF Council is unable to increase borrowing to fund urgent capital or operational expenditure, or is unable to renew borrowing once it matures, or is called to repay a loan if covenants are breached THEN projects will not proceed, council may have to cease operations, possible replacement of councillors.	8 High	Regularly monitor debt covenants and cashflow forecasts reported monthly to Policy and Services Committee, and quarterly to Audit and Risk Committee.	4 Moderate
27	Financial	Significant Population Reduction	IF there is a significant population reduction, resulting in loss of ratepayer base and reduction in property values - THEN this could result in higher rates for others and significant cost reductions may be required.	5 High	Ensure variable costs are clearly identifiable, and therefore able to be isolated and adjusted if ratepayer base reduced. Council actions to align with council mission and vision to make Stratford a great place to live.	4 Moderate
28	Financial	Interest Costs	IF financing costs increase THEN this results in increased costs to council and budget being exceeded or increase to rates.	4 Moderate	Treasury management programme in place to ensure interest rate maturity risk profile is spread evenly over the next 5 plus years. Could investigate longer term swap options. Borrowings and investments must be maintained within treasury policy covenants. Regular reporting to Policy and Services committee meeting.	2 Moderate
62	Financial	New Regulations require Significant Investment	IF new environmental regulations or legislation imposed on councils requires a significant increase in capital expenditure, THEN ability to finance investment could be compromised and rates increases could breach limits.	6 High	Attempt to keep debt and expenditure low and achieve cost efficiencies regularly so that council can weather any necessary investment in order to be compliant with changing legislative environment.	4 High

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
63	Financial	Theft by Contractors	IF contractors have unrestricted access to council property and/or information, THEN there is an opportunity for theft and consequently loss of Council assets.	4 Moderate	All contractors must go through a pre-qualification process. Visitors to Council buildings must sign in. Access to the building has now been restricted with the use of fobs. Protected records are stored in a safe or locked storage room.	2 Moderate
74	Financial	Inadequate financial provision to fund asset replacement	IF there is inadequate financial provision in reserves to fund the replacement of assets, THEN the Council may have to borrow more than expected, or asset replacement may need to be delayed which may affect service level performance.	3 Moderate	Ensure annual depreciation is based on accurate fixed asset values (replacement cost) and accurate useful lives. Assets should not, unless necessary, be replaced before the end of their useful life.	1 Low
79	Financial	Bribery and Corruption	IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	4 High	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	3 Moderate
81	Financial	Management Override of Internal Controls	IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets /funds and incorrect/misleading financial statements.	4 High	Audit and Risk Committee oversight. Internal and External audits annually. Fraud Policy awareness training for all staff at least three yearly. Regular review of policies to ensure in line with best practice. SLT to undergo ethics training. Prior to new employment, full reference checking of at least one recent, direct manager (particularly for financial and management roles). Zero tolerance for any bullying type behaviour.	3 Moderate
85	Financial	Failure of a Financial Investment	IF a Council financial investment fails or devalues significantly, Council's assets reduce, resulting in lower revenues in future and potentially higher rates increases.	12 Very High	Ensure security is taken over assets where applicable, regular reporting requirements and audits are met where applicable, and adhere to Treasury Management Policy at all times unless approved by Audit and Risk Committee.	8 High
29	Health, Safety, and Wellbeing	Public Events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged	4 High	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated Hazard Identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
31	Health, Safety, and Wellbeing	Abusive Customers	IF abusive customers come into any of the Council's service centres, THEN there is the risk that council staff or the general public could be harmed or exposed to violence.	4 High	Staff have personal alert alarms if in danger, customer service training and policies on how to deal with situations so they do not escalate. Security cameras in place. Fob access required to access staff office area. Mayor's office is secured by glass entry way.	2 Moderate
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data /knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
34	Health, Safety, and Wellbeing	Food / Health Safety	IF Council doesn't adequately respond to a complaint and a member of the public falls ill or dies, THEN Council is at risk of legal proceedings under the Food Act/Health Act.	4 High	Quality assurance standards and process in place and adhered to by staff. Ongoing training/awareness of HSE requirements and responsibilities. Ensure Food safety bylaw is regularly reviewed.	2 Moderate
35	Health, Safety, and Wellbeing	Parking control	In the process of administering the Parking function, IF a member of the public is injured or vehicle is damaged, THEN possible death or serious injury could result.	4 High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Body cameras to be worn by compliance officer when out on duty.	2 Moderate
36	Health, Safety, and Wellbeing	Council Vehicle accident	IF a staff member has an accident in a council vehicle, THEN this could result in possible death or serious injury and damage to motor vehicle asset.	4 High	All staff must have a full drivers licence, all staff are aware of procedures if there is an accident. Staff driver training to be provided to regular drivers. GPS and mobile phone tracking.	3 Moderate
37	Health, Safety, and Wellbeing	Staff under Stress	IF staff are affected by personal issues or by work pressures and experiencing high levels of stress, THEN work performance may decline and/or fatigue, illness, unsafe work practices may result.	7 High	New Wellbeing Strategy implemented and regularly monitored by the Health and Safety Committee. Managers are responsible for being aware of the wellbeing of their direct reports. There are various options available for relieving the pressure of staff who are overworked including increasing staff or reallocating work - regular wellbeing newsletters emailed out to all staff by H&S officer. EAP service is widely communicated to all staff. All critical staff have a backup option available so they can take annual leave for at least a week at a time.	3 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
38	Health, Safety, and Wellbeing	Exposure to Hazardous Substances	IF staff are affected by exposure to hazardous substances eg chemicals, liquids, fumes and other toxic substances THEN there are possible risks to staff health and wellbeing.	6 High	All hazardous substances are correctly labelled and stored according to best practice safety procedures and guidelines. Training is mandatory for all staff working with hazardous substances. Use appropriate PPE gear at all times in the vicinity of the hazardous substances. Regular health checks for staff. Regular testing of hazardous substances and chemicals LABELLING and STORAGE be carried out RANDOMLY. The Stratford Water Treatment Plant has site licences for the storage of chemicals, these must be kept up to date. Fire extinguishers are on site, all signage is current and covers off on all of the chemicals held on site, labels are all correct and current. We currently have 5 authorised handlers. Ixom also do site audits when their representative is in the immediate area.	3 Moderate
39	Health, Safety, and Wellbeing	Playground Equipment Failure	IF Playground equipment, or other recreational equipment fails THEN a member of the public could be seriously injured or killed.	8 High	Biennial playground inspection report and quarterly compliance checks by contractor to bring any issues to attention of council staff.	3 Moderate
40	Health, Safety, and Wellbeing	Swimming Pool Accident	IF a member of the public has an accident in the water or a medical emergency at the Stratford Pool, THEN this could result in possible death or serious injury.	4 High	Training and qualifications are mandatory for lifeguards, children and elderly are monitored by lifeguard/s at all times. More staff brought on at busier periods.	3 Moderate
41	Health, Safety, and Wellbeing	Workplace Bullying or Harrassment	IF Bullying and harrassment in the workplace occurs THEN it can have an impact on the health and wellbeing of staff subject to the bullying and other staff witnessing the behavior. This may impact on staff productivity and the ability of Council to attract good quality candidates.	4 High	Top down culture against bullying and harassment of any kind, policy is followed through by management, staff are aware of the reporting process. The reporting process to deal with bullying and harassment is fair, transparent, confidential and dealt with in a timely manner.	3 Moderate
61	Health, Safety, and Wellbeing	Asbestos Related Work	IF council buildings are contaminated with asbestos, THEN there is the possibility of asbestos exposure to staff and the public and increased risk of asbestosis and other lung and pleural disorders.	4 Moderate	Asbestos protocols need to be developed in line with the asbestos regulations. Community needs to be made aware of Asbestos disposal guidelines. Staff involved in building compliance or construction work should be appropriately trained in handling of asbestos materials.	2 Moderate

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66	Health, Safety, and Wellbeing	Dog Attack	IF a dog attacks a member of the public and the dog control team have been slow or negligent in responding to complaints, THEN the the council may be liable for costs, and the public safety may be compromised.	4 High	Compliance officer to respond immediately to dog complaints. Ensure all dogs in the district are registered and the dog bylaw is complied with. Dogs are microchipped. Ensure dog pound is secure and access is restricted.	1 Low
67	Health, Safety, and Wellbeing	Muscular discomfort - Ergonomics	IF muscular pain or discomfort or eye strain occurs as a result of the work environment and setting, THEN this will impact on staff health and wellbeing and long term comfort at work.	2 Moderate	Apply ACC Habit At Work guidelines. Workstation assessments should be carried out to reduce the likelihood of onset of long term discomfort and pain conditions.	1 Low
68	Health, Safety, and Wellbeing	Armed Robbery	IF there is an armed robbery at any of council's services centres, THEN there is the potential for death or serious harm.	8 High	Establish emergency procedures, including use of panic buttons. Security cameras in place. Ensure staff are trained to deal with potential threat. Design / limit access to building so that threats are minimised.	4 Moderate
69	Health, Safety, and Wellbeing	Employee Substance Abuse	IF staff are affected by drugs or alcohol while at work, THEN there is an increased risk of an accident or injury, property damage, and reduced work performance.	8 High	Ensure staff are aware of drug and alcohol policy. Initial drug testing done prior to employment to filter out regular users. Utilise EAP.	2 Moderate
70	Health, Safety, and Wellbeing	Dangerous Roads due to weather events	IF there are dangerous road conditions that are not managed and communicated to the public appropriately, THEN there is a higher potential for car accidents and possible road fatalities.	2 Moderate	Ensure standard operating procedures are in place for potential weather events that may cause damage to the roads. This should include timely social media communications, installation of temporary barriers, cordons and signage in affected areas.	1 Low
73	Health, Safety, and Wellbeing	Water supply network is Contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	8 High	Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.	8 High
80	Health, Safety, and Wellbeing	Fatigue Management	IF Fatigue affects an employee, as a result of working extraordinary hours, THEN the employee may have limited functionality which could result in personal injury or injury to others. It could also lead to stress and long term mental illness if it is reoccurring and could mean Council is in breach of the Health and Safety Act.	3 Moderate	Ensure employees take regular, quality rest breaks during the working day, in line with the Employment Relations Act (HR Policy requires this). Ensure all staff know their responsibilities in terms of managing fatigue. Ensure shift workers rostered times are manageable. The Vehicle Use Policy has limits on driving a Council vehicle after exceeding max number of work hours. Contractor fatigue management to be reported and monitored through regular contractor meetings.	1 Low

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83	Health, Safety, and Wellbeing	Aerodrome - Unsafe Conditions	IF the Council fails to carry out its legislative responsibilities to ensure aircraft movements are restricted or prohibited in unsafe conditions/areas of the Aerodrome, THEN lives could be put at risk and property damaged.	4 High	Establish operational procedures specific to this risk, and regularly monitor compliance. Council has Airport Owner and Operators Liability insurance cover of up to \$10m for all related costs Council is legally obligated to pay for property damage or bodily injury including death.	2 Moderate
42	Operational	Payroll Processing	IF Staff are not paid correctly or on time THEN staff may become disgruntled and distrustful of their employer, work standards could drop and employment laws could be breached.	3 Moderate	Training of practices and legislation. Staff competent and levels appropriate. Good planning for staff leave in the finance team and time management. External notification of updates and changes. More than one staff member should be fully functional in payroll. Ensure facility available to access cash if Council is short.	1 Low
43	Operational	Roading - other work clashing	IF there is work being carried out by others on/in road reserve, e.g. Broadspectrum, THEN council may not be able to complete its own work programme.	3 Moderate	Co-ordination of planned works with other contractors in the area when planning physical works.	2 Moderate
44	Operational	Road Closures - unplanned	IF there are un-planned road closures due to collapse of culvert/bridges/landslides and so forth e.g. Wingrove Rd culvert collapse THEN access in/out of district could be lost and people could be injured as a result.	4 High	Asset criticality review to identify critical roading assets and increase monitoring activities. Ensure quality workmanship and contractors are aware of their obligations to report and repair any damages to roads. Resources diverted from other planned projects to remediate repairs to enable the road to be re-opened.	3 Moderate
45	Operational	Contractor - Damage to Property	IF maintenance contractor damages council or private property while carrying out contracted work, THEN council could be liable for damages and additional expenditure.	4 High	Stringent Operational procedures: Daily reporting of compliance. Regular liaison with contractor and regulators to monitor performance to ensure compliance. Contractor pre-approval process. Council has material damage insurance policy, excess \$5k.	3 Moderate
46	Operational	Other Contractors in Network Corridor	IF work by others in Network Corridor results in damage to components of the 3 waters infrastructure THEN services to the public may cease or become unreliable or compromised.	3 Moderate	Co-ordination between services before major projects begin. Ensure all works have Corridor Access Requests.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
47	Operational	Attracting Qualified Staff	IF Council is unable to attract suitably qualified personnel, THEN services may become under threat and may cease.	4 Moderate	Internal training and succession planning programs. Ensure market wages are offered for all high demand positions. Recruit off shore option should be available for high-demand positions. Make greater use of consultants if necessary and/or shared services with neighbouring Councils. Make Stratford District Council a great place to work - measure staff engagement and respond to any issues expediently.	2 Moderate
48	Operational	Maintenance Contractor fails to deliver	IF maintenance contractor fails to deliver contractual service necessitating termination of contract and re-tendering, THEN assets may become under threat, unreliable, or unable to meet community needs.	4 High	Careful assessment of tender to ensure contract price viable for contractor to deliver level of service. Regular liaison with contractor to monitor performance and ensure compliance. Contractor pre-approval process must not be bypassed.	3 Moderate
49	Operational	Property design /construction information	IF Council does not have adequate information on original design or construction of asset, THEN there is a greater potential for failure of future work and unsafe future construction.	3 Moderate	Carry out regular condition assessment of assets. Reassess use of asset or redesign to suit.	1 Low
50	Operational	Key Person risk	IF a key person in the organisation could not work for a significant period of time THEN this could affect council's ability to perform core functions and duties.	4 High	Ensure Promapp is up to date with all staff day to day processes, if known absence ahead of time ensure an appropriate training plan in place. Make use of local consultants where appropriate. Connect with colleagues from neighbouring three councils to share resource if needed.	2 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High

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65	Operational	Biosecurity threat risk	IF there is a biosecurity threat to animals, or plant life THEN this could affect the economic wellbeing of the district and the ability of council to financially meet community needs.	4 High	Ensure council takes a proactive approach to working with Biosecurity NZ, MPI, TRC and the community where a threat is identified.	2 Moderate
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
76	Operational	Heavy/Extreme Rainfall incidents	IF the Stratford District experiences heavy rainfall continually over a period THEN roads may flood, restricting accessibility, landslips and mudslides may restrict road access and cause property damage, productive land areas may flood reducing functions, Stormwater, Wastewater and Water Supply assets may fail from overburdening, and overflows from Wastewater system may result in untreated water entering the Patea River.	8 High	Asset Management Plans and Incident Control Response Plans to document critical asset areas and response plan in the event of heavy rainfall incidents.	3 Moderate
77	Operational	Terrorist Attack	IF a terrorist attack occurred in Stratford, THEN loss of life, property damage, and business discontinuity may result.	4 Moderate	Develop Lockdown procedures for all Council public sites i.e. Library, I-Site, Council Office, TSB Pool. Be alert and aware of potential threats, work closely with Police and establish plan to minimize damage to people and property.	4 Moderate
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
82	Operational	Failure of a Significant Contractor	IF a Contractor's financial situation deteriorates and impacts on their ability to deliver on a procurement contract, THEN the project may be left unfinished, Council may lose out on funds already spent, and may have to put contract out for tender again - resulting in project delays and additional cost.	4 High	Due Diligence required for all significant contracts that are required to go out for tender. Refer process in Procurement Manual (D19/33336), and Due Diligence Checklist (D18/35114).	2 Moderate
33	Reputational and Conduct	Animal Welfare	IF an animal that has been impounded is injured or dies due to maltreatment, THEN this could result in animal welfare agency scrutiny, possible court and legal costs, and reputational damage.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Vet Care/Assessments. Ensure notification is given to new animals being impounded so that compliance officer ensures the animals are being cared for and regularly fed and have access to water. Monthly farm meetings to bring up any animal welfare issues. Property Manager to regularly visit farm and make visual assessment of cow welfare.	2 Moderate
53	Reputational and Conduct	Release of incorrect or confidential information	IF incorrect or confidential information was given out through social media, media releases, staff actions at the services desks, LGOIMA requests, council meetings, and/or functions THEN risk of damaged reputation, ratepayer distrust and actions from Local Government ministry and/or Privacy Commissioner.	8 High	All Media releases are to be checked off by Dir – Community Services, and signed off by CEO or Mayor. Social Media Policy in place for clear guidance of social media use. Front counter training needs and communication guidelines established - a resource centre (knowledge base) maintained for FAQ's from public. Consider implementing a Privacy Impact Assessment for how council handles personal information.	2 Moderate
54	Reputational and Conduct	Building Consent Authority (BCA) Accreditation	IF Council loses BCA accreditation, THEN council cannot perform its building control function and there is no approval process for construction work and building compliance for the Stratford district.	4 High	Ensure best practice processes and procedures are in place and staff numbers and skill levels in the building consents team are appropriate. IAANZ audit recommendations to be taken on board. QA process implemented.	1 Low
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
56	Reputational and Conduct	Building Consent location	IF Council issues consent and/or code compliance and the location of the building or structure that council signs off on is found to be in the wrong location THEN reputation damage could result and legal action may be taken against Council.	4 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. Engage professional surveyor if considered high risk. Council has public liability insurance.	1 Low
57	Reputational and Conduct	Online Passwords	IF online passwords are shared or used inappropriately, THEN there is the risk that staff can access or hack Council owned systems and release sensitive information.	4 High	Ensure that where a staff member leaves and they have access to logins accessible online that the passwords are changed and access ceases. Limit use of online accounts.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
59	Reputational and Conduct	CCO and other Out-sourced Functions	IF Council's non-core activities (farm, aerodrome) or CCO (Percy Thomson Trust) operate in a way that has potential for non-compliance with the law or potential for financial loss THEN there may be legal, financial, environmental and health implications.	4 High	Ensure regular meetings between council staff and external operators are held and there is good reporting and monitoring of key risks and KPI's by council staff. CCO's must report six-monthly to Council. Farm Business plan is prepared annually, separate to the Annual Plan, which contains all other council operations.	3 Moderate
60	Reputational and Conduct	Elected Members Communication	IF elected members disclose incorrect or confidential information to the public or talk about council negatively, THEN this could damage the reputation and public trust of elected members and council staff.	6 High	Ensure elected members have a good awareness and understanding of the SDC Code of Conduct. Induction for new councillors should be thorough and cover communication with the public, in private, and at Council meetings.	3 Moderate

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Information related to decision making should be given to elected members in a timely manner. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High
75	Reputational and Conduct	Council employees abuse members of the public	IF Council employees, during the course of their Council duties abuse members of the public, particularly children, THEN the Council may suffer significant reputational damage and potentially be taken to court.	8 High	All staff in a public facing role, particularly where they must deal with children, must be police vetted before they commence work. Exception is where the role is urgent and requires immediate start - in these situations the employee should not be left alone at any time until a satisfactory police report has been received.	4 Moderate