



RĀRANGI TAKE

AGENDA

Te Komiti Whakamauru Tūraru | Risk and Assurance Committee Meeting

I hereby give notice that a Meeting of the Te Komiti Whakamauru Tūraru | Risk and Assurance Committee will be held on:

Te Rā | Date: Thursday, 23 May 2024

Te Wā | Time: 9.30am

**Te Wāhi | Location: Council Chamber
Ground Floor, 175 Rimu Road
Paraparaumu**

**Mark de Haast
Group Manager Corporate Services**

Kāpiti Coast District Council

Notice is hereby given that a meeting of the Te Komiti Whakamauru Tūraru | Risk and Assurance Committee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 23 May 2024, 9.30am.

Te Komiti Whakamauru Tūraru | Risk and Assurance Committee Members

Mr David Shand	Chair
Mayor Janet Holborow	Member
Lawrence Kirby	Member
Cr Liz Koh	Member
Cr Jocelyn Prvanov	Member
Cr Glen Cooper	Member
Mr David Cochrane	Member

Te Raupapa Take | Order Of Business

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1 NAU MAI | WELCOME**2 KARAKIA A TE KAUNIHERA | COUNCIL BLESSING**

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro *As we deliberate on the issues before us,*

E pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. *We trust that we will reflect positively on the communities we serve.*

Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, *Let us all seek to be effective and just,*

Ā, mā te māia, te tiro whakamua me te hihiri *So that with courage, vision and energy,*

Ka taea te arahi i roto i te kotahitanga me te aroha. *We provide positive leadership in a spirit of harmony and compassion.*

3 WHAKAPĀHA | APOLOGIES**4 TE TAUĀKĪ O TE WHAITAKE KI NGĀ MEA O TE RĀRANGI TAKE | DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA**

Notification from Elected Members of:

4.1 – any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting, and

4.2 – any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

5 HE WĀ KŌRERO KI TE MAREA MŌ NGĀ MEA E HĀNGAI ANA KI TE RĀRANGI TAKE | PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA**6 NGĀ TEPUTEIHANA | DEPUTATIONS**

Nil

7 NGĀ TAKE A NGĀ MEMA | MEMBERS' BUSINESS

(a) Updates from the Chair

(b) Leave of Absence

(c) Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

8 HE KŌRERO HOU | UPDATES

Nil

9 PŪRONGO | REPORTS

9.1 ERNST & YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2024

Kaituhi | Author: **Michael Parrish, Manager, Financial Accounting**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

Te pūtake | Purpose

- 1 This report provides the Risk and Assurance Committee with Ernst & Young's Audit Plan, on behalf of the Office of the Auditor General (OAG), for the year ending 30 June 2024.

He whakarāpopoto | Executive summary

- 2 There is no requirement for an Executive Summary.

Te tuku haepapa | Delegation

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.
 - *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

Taunakitanga | Recommendations

- A. That the Risk and Assurance Committee receives and notes the Ernst & Young Audit Plan for the year ended 30 June 2024 attached as Appendix 1 to this report.

Tūāpapa | Background

- 4 The Council's Auditors, Ernst & Young (Audit), have been engaged to undertake the audit of the Council's Annual Report, including the Council's Summary Annual Report and compliance with its Debenture Trust Deed, for the year ended 30 June 2024.
- 5 The Audit Plan is attached as Appendix 1 to this report. This provides an overview of audit's focus areas, their risk assessment and their audit approach for the year ended 30 June 2024.

He kōrerorero | Discussion

Audit focus areas and risk assessment

- 6 The areas of audit focus are summarised below:
 - Property, Plant and Equipment. (Council will perform a full revaluation of the three water assets, but will need to ensure assets are held at fair value less accumulated depreciation)
 - Rates setting and collection
 - Statement of service performance reporting (Non-financial Performance reporting)
 - Expenditure, Procurement and Tendering
 - Debt Facilities and Derivatives
 - Revenue from Grants and Subsidies

Materiality

- 7 Audit has set their materiality threshold at \$3.8 million, being 3% of forecast expenditure for 2023/24. Materiality is broadly defined as the quantum of any misstatements (through error or otherwise), that would likely mislead users of the financial statements. Any identified misstatements impacting on the Council's operating result by more than \$190,000 will be reported to the Committee by way of Audit's Closing Report on conclusion of their audit.

He take | Issues

- 8 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Ngā kōwhiringa | Options

- 9 There are no options to be considered.

Tangata whenua

- 10 There are no tangata whenua considerations arising from this report.

Panonitanga āhuarangi | Climate change and Environment

- 11 There are no climate change considerations within this report.

Ahumoni me ngā rawa | Financial and resourcing

- 12 As disclosed in the audit proposal letter dated 27 June 2023, the fees for the period ending 30 June 2024 will equate to \$243,000. This is before any estimated disbursements and is exclusive of GST.

Ture me ngā Tūraru | Legal and risk

- 13 There are no legal and risk issues arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

- 14 There are no policy implications arising from this report.

Te whakawhiti kōrero me te tūhono | Communications & engagement

Te mahere tūhono | Engagement planning

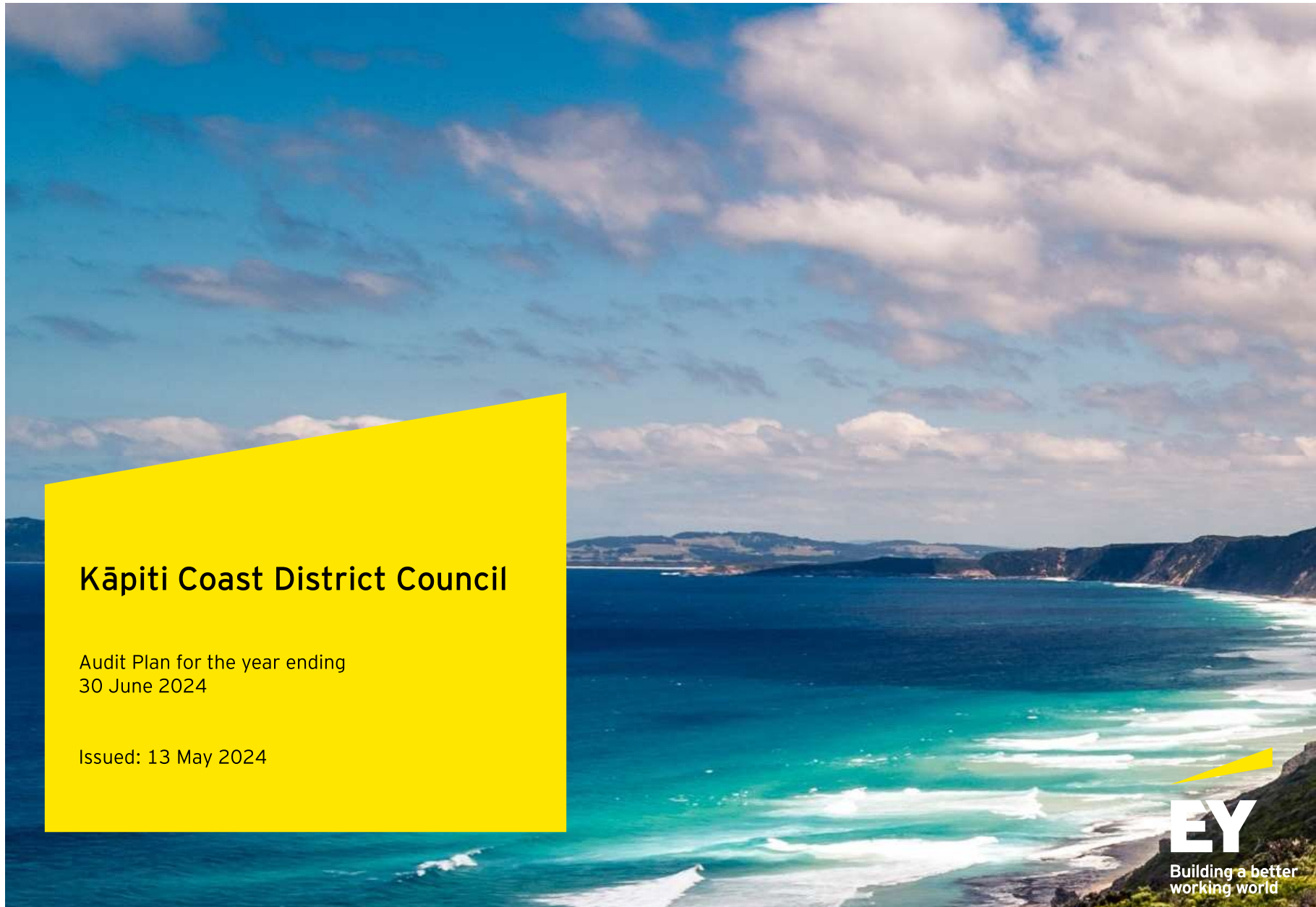
- 15 An engagement plan is not required for this report.

Whakatairanga | Publicity

- 16 There are no specific publicity considerations arising from this report.

Ngā āpitihanga | Attachments

1. Ernst & Young Audit Plan for the year ended 30 June 2024 [↓](#)



Kāpiti Coast District Council

Audit Plan for the year ending
30 June 2024

Issued: 13 May 2024



9.2 PROGRESS UPDATE REGARDING AUDIT CONTROL FINDINGS 2022/23Kaituhi | Author: **Sharon Foss, Manager Risk and Assurance**Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services****TE PŪTAKE | PURPOSE**

- 1 This report provides the Risk and Assurance Committee with a progress report on Ernst & Young's Report on Control Findings for the year ended 30 June 2023.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 There is no requirement for an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.
 - *Reviewing and maintaining the internal control framework.*
 - *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee:
 - A.1 notes the progress update regarding Ernst & Young's Report on Control Findings for the year ended 30 June 2023, attached as Appendix 1 to this report, and
 - A.2 that Ernst & Young will re-assess these as part of their audit for the year ended 30 June 2024.

TŪĀPAPA | BACKGROUND

- 4 In accordance with NZ Auditing Standards, Ernst & Young (EY) performed a review of the design and operating effectiveness of the Council's significant financial reporting processes as part of their audit for the year ended 30 June 2023. That review is part of EY's annual Audit Plan, as considered by this Committee, and reflects the areas of focus set by the Office of the Auditor General.
- 5 The EY Report on Control Findings highlights weaknesses in our first line of defences (controls). Of interest for the Committee are the levels that EY classify the control risk matters they identify.

Ernst & Young – Risk Ranking System	
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance, or best practice for processes. Action should normally be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 -12 months.

HE KŌRERORERO | DISCUSSION

- 6 There are three control findings from EY that are open across their last two external audits. EY will consider if these can be closed out, as part of their audit for the financial year ended 30 June 2024

Control Findings open at 30 June 2023 by risk ranking	Risk Ranking			Total
	High	Moderate	Low	
	---	1	2	3

7 The table below details the year-to-date progress against these control findings.

EY Risk Ranking	Control Findings at 30 June 2023	Summary - as at 14 May 2024	Completion Status
Moderate	<p>2.1.1</p> <p>Accuracy of response and resolution times (MagiQ service request data refers)</p>	<p>Agreed action:</p> <ul style="list-style-type: none"> Undertake an internal review of the performance measure data prior to finalising. Update the process for recording requests for service to correct this weakness. <p>Action update:</p> <ul style="list-style-type: none"> Work being completed to determine 1st line of defence point of failure and associated risk treatments. Supporting documentation is being updated and associated training provided. 	In Progress

EY Risk Ranking	Control Findings at 30 June 2023	Summary as at 14 May 2024 (updates on actions are highlighted)	Completion Status
Low	<p>2.2.1</p> <p>Aged work in progress review (Waikanae duplicate rising main infrastructure project refers)</p>	<p>Agreed action:</p> <ol style="list-style-type: none"> Establish annual reviews of aged work in progress projects Document the review and ensure that the assessment includes consideration of: <ul style="list-style-type: none"> the age of the work in progress, whether the asset is ready for use, and any indicators of impairment. <p>Action update: Generic Improvement: Assurance around Aged Work in Progress (WIP)</p> <ul style="list-style-type: none"> As part of our annual end of year review process the aged WIP balances that are standalone projects and have had no movement in the last 12 months will be assessed for impairment. The reviews will be documented in accordance with standard accounting practice. <p>Action update: Specific Finding: WIP - Waikanae Duplicate Rising Main Project</p> <ul style="list-style-type: none"> Completion is still expected in 2025. Note: the original 30 June 2024 completion date was not met due to resource consent delays. 	<p>In Progress</p> <p>Likely be carried over to 2025</p>

EY Risk Ranking	Control Findings at 30 June 2023	Summary as at 14 May 2024	Completion Status
Low	2.2.2 Overhead rate applied to projects	<p>Agreed action: Develop a specific overhead allocation model.</p> <p>Action update:</p> <ul style="list-style-type: none"> Last financial year planning started on the development of a mechanism to ensure our time and effort for projects are considered. SLT considered alternate overhead allocation models for the 2024-34 Long-Term Plan. It was agreed that the overhead allocation model for the current Long-Term Plan was to be applied to the 2024-34 Long Term Plan and was to be applied correctly. 	Complete

He take | Issues

8 There are no additional issues to be raised in this report.

Ngā kōwhiringa | Options

9 There are no options to be raised in this report.

Tangata whenua

10 There are no tāngata whenua considerations arising from this report.

Panonitanga āhuarangi | Climate change and Environment

11 There are no climate change issues arising from this report.

Ahumoni me ngā rawa | Financial and resourcing

12 There are no additional financial or resource issues arising from this report.

Ture me ngā Tūraru | Legal and risk

13 There are no legal considerations arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

14 There are no policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

Te mahere tūhono | Engagement planning

15 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Whakatairanga | Publicity

16 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Appendix 1 - Ernst & Young's Report on Control Findings for the year ended 30 June 2023 [↓](#)

9.3 HEALTH AND SAFETY QUARTERLY REPORT: 1 JANUARY 2024 - 31 MARCH 2024

Kaituhi | Author: **Rach Wells, Group Manager People and Capability**

Kaiwhakamana | Authoriser: **Darren Edwards, Chief Executive**

TE PŪTAKE | PURPOSE

- 1 This Report presents the Health and Safety Quarterly Report for the period 1 January to 31 March 2024.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 Not required for this report.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C 1:
 - *Ensuring that the Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation;*
 - *Assisting elected members in the discharge of their responsibilities by ensuring compliance procedures are in place for all statutory requirements relating to their role;*
 - *Governance role in regard to the Health and Safety Plan.*

AKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee notes the Health and Safety Quarterly Report for the period 1 January 2024 – 31 March 2024 attached as Appendix One to this Report.

TŪĀPAPA | BACKGROUND

- 4 The quarterly Health & Safety Report is intended to provide the Council with insight into initiatives and activities and their progress, as part of our Council's commitment to providing a safe and healthy place to work. The contents and any subsequent discussions arising from this report can support Officers to meet their due diligence obligations under the Health & Safety at Work Act (HSWA) 2015.
- 5 The timing of the Health and Safety Quarterly Reports does not prevent an 'as and when required' verbal update from the Chief Executive to the Mayor and Council regarding serious or high-profile risk events. Such events would be recorded and retrospectively included in the next available Quarterly Report.

HE KŌRERORERO | DISCUSSION**He take | Issues**

- 6 There are no issues to highlight in addition to those included in Appendix One to this report.

Ngā kōwhiringa | Options

- 7 There are no options arising from this report.

Tangata whenua

- 8 There are no mana whenua considerations arising from this report.

Panonitanga āhuarangi | Climate change

- 9 There are no climate change considerations arising from this report.

Ahumoni me ngā rawa | Financial and resourcing

10 There are no financial or resourcing considerations arising from this report.

Ture me ngā Tūraru | Legal and risk

11 There are no legal and risk considerations in addition to those already noted in this report.

Ngā pānga ki ngā kaupapa here | Policy impact

12 There are no policy considerations arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

13 There are no communication and engagement considerations arising from this report.

Te mahere tūhono | Engagement planning

14 An engagement plan is not needed regarding this report.

Whakatairanga | Publicity

15 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Health & Safety Quarterly Report for the period of 1 January to 31 March 2024 [↓](#)

9.4 TOP 10 ORGANISATIONAL RISK REPORT

Kaituhi | Author: **Nienke Itjeshorst, Lead Risk and Assurance Advisor**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

TE PŪTAKE | PURPOSE

- 1 This report updates the Risk and Assurance Committee on the Top 10 Organisational Risks currently facing the organisation.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 This report does not require an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.

- *Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Risk and Assurance Committee receives and notes this report, including Appendix 1 to this report.

TŪĀPAPA | BACKGROUND

- 4 The Top 10 Organisational Risks (Top 10 Risks) are aimed at setting a clear direction for staff as to what the Senior Leadership Team (SLT) have identified as the highest areas of potential risk for the organisation to being able to successfully achieve its objectives.
- 5 “Risk” for the management of the council organisation is defined as:
 - 5.1 the impact of uncertain events that can happen in the future on the planned objectives that SLT wants the organisation to deliver and/or achieve (short, medium and long term), and
 - 5.2 includes strategic, reputational, regulatory, legal, security, change and operational risks.
- 6 The current Top 10 Risks are managed in a risk register in our Enterprise Risk Management software: Camms Risk. It is important to note that these risk listings are:
 - 6.1 not ranked in order of severity,
 - 6.2 capped at 10, to provide a clear focus for SLT and this Committee,
 - 6.3 not ‘set in stone,’ emerging organisational risks can be brought forward to replace an existing risk when required and/or relevant.
- 7 Engagement on the organisational risk profile is through on-going conversations with SLT and activity managers about these risks, the controls to prevent or mitigate these risks and status of risk treatments that are underway to implement the controls to achieve the target risk level. These conversations ensure each risk is regularly reviewed providing assurance that the treatments are being conducted to further mitigate the risk.
- 8 The next table identifies the current Top 10 Organisational Risks.

Risk No.	Risk Title
ORG 1	Loss of life, serious injury or illness due to insufficient Health, Safety and Wellbeing management.
ORG 2	Failure to adequately maintain social licence.
ORG 3	Failure to give effect to Te Tiriti and our obligations to Iwi, Hapu and Māori.
ORG 4	Inadequate mitigation and adaptation responses to known and future climate change challenges.
ORG 5	Failure to achieve legislative obligations.
ORG 6	Inadequate management of the impacts of central government reform/change.
ORG 7	Inadequate safeguards against cyber security threats.
ORG 8	Failure to prudently manage Council's financial stability including fraudulent activity.
ORG 9	Failure to maintain business continuity for our core services and inadequate planning and preparedness for emergencies.
ORG 10	Inability to attract and retain sufficient capacity to deliver Council's objectives.

- 9 A list of AS/NZ/ISO 3100:2018 Standard: Risk Management – Guidelines definitions is included in the Heatmap Report on the last page.

HE KŌRERORERO | DISCUSSION

- 10 This report provides an update of the current Top 10 Risks. The associated Risk Heatmap Report ([Appendix 1](#) to this report), details how the organisation is treating and mitigating these risks, with progress updates against each of the individual risk treatments.

Changes to Top 10 Organisational Risks

- 11 A workshop with SLT in March 2024 discussed the effectiveness of controls in place to mitigate the Top 10 Risks. For each control SLT considered whether a control was operating as was intended, which is to reduce the likelihood and/or impact of the risk. Controls rated 'partially effective' had new treatments included and/or existing treatments extended to support increasing the effectiveness of the control. These effectiveness ratings are included on the last page of the Risk Heatmap Report in Appendix 1 to this report.
- 12 The changes highlighted in the Risk Heatmap Report mainly relate to three themes that emerged from the review and further discussions.
- 12.1 SLT oversight of Asset Management Planning (AMP) should be improved and a new treatment has been added to ensure this happens. The treatment includes developing an AMP Policy that has a review and regular reporting process to SLT and this Committee.
- 12.2 Strategic alignment on large (land) developments across the organisation is important and a treatment has been put in place to refine and clarify current processes.
- 12.3 Continuous staff education is required regarding key components of best practice work delivery in alignment with policies and organisational values.
- 13 Also changed are the likelihood ratings for Top 10 Risks' 4 and 6, resulting in these risks trending towards target in the Risk Summary Overview. The reason for SLTs' reconsideration was that the likelihood ratings seemed to connect more with the actual event of climate change and government reform, rather than with the risk that our organisation 'fails to prepare for or manage change.'
- 14 Following inclusion of the risk of "*inadequate planning and preparedness for emergencies*" into ORG 9 (as reported in February), the Risk Heatmap Report has been updated. It now includes an additional heatmap as the likelihood rating for Business Continuity Planning is different than for Emergency Management given these processes are in different stages of development.

He take | Issues

15 There are no issues to be raised in this report.

Ngā kōwhiringa | Options

16 There are no options to be raised in this report.

Tangata whenua

17 There are no tangata whenua considerations arising in addition to those included in Appendix 1 to this report.

Panonitanga āhuarangi | Climate change

18 There are no climate change considerations arising in addition to those included in Appendix 1 to this report.

Ahumoni me ngā rawa | Financial and resourcing

19 There are no further financial and resourcing considerations arising from this report.

Ture me ngā Tūraru | Legal and risk

20 There are no further legal considerations arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

21 There are no further policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**Te mahere tūhono | Engagement planning**

22 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Whakatairanga | Publicity

23 There are no publicity considerations.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Organisational Top 10 Risk Heatmap Report 23 May 2024 [↓](#)

9.5 INTERNAL AUDIT WORK PROGRAMME - PROGRESS UPDATE

Kaituhi | Author: **Sharon Foss, Manager Risk and Assurance**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

TE PŪTAKE | PURPOSE

1 This report updates the Risk and Assurance Committee on the Internal Audit function of Council.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

2 This report does not require an Executive Summary.

TE TUKU HAEPAPA | DELEGATION

3 The Risk and Assurance Committee has delegated authority to consider this report under section C.3 of the Governance Structure and Delegations.

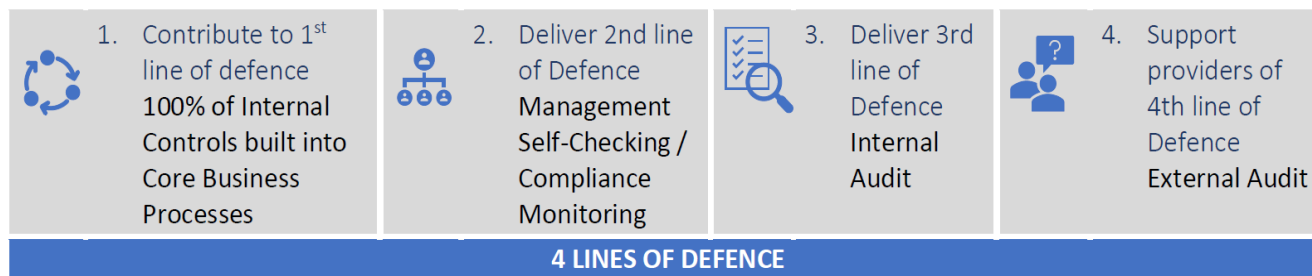
- *Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

TAUNAKITANGA | RECOMMENDATIONS

A. That the Risk and Assurance Committee receives and notes the Internal Audit progress update on the work programme for 2023/24.

TŪĀPAPA | BACKGROUND

4 Internal audit is line three of the 'Four Lines of Defence' model used in the Risk and Assurance workstream.



5 Each of the four sources of assurance in the table above contribute to the overall level of assurance provided and importantly by breaking them down into four categories they can be integrated into everyday life at Council.

First line: Risks are managed and controlled day-to-day. Assurance comes directly from those responsible for delivering specific objectives or processes.

Second line: Council oversees the control framework so that it operates effectively.

Third line: Internal audit, providing reasonable (not absolute) assurance of the overall effectiveness of governance, risk management and controls.

Fourth line: Assurance from external independent bodies such as the external auditors and other external bodies.

- 6 The 2024 internal audit work programme approved in February this year by this Committee was set with reference to a range of sources including:
- the Office of the Auditor-General published resources and guidance,
 - Audit NZ published resources and guidance,
 - Ernst and Young (our “appointed auditor” appointed by the Auditor-General) independent recommendations and control findings, and
 - other observations made from internal audits.
- 7 In addition to the work programme, this Committee receives two other reports on internal audits:
- this progress report on the internal audits within the work programme; and
 - a final outcomes report on the internal audits completed in the past calendar year. This will report on internal audits completed in 2024.

HE KŌRERORERO | DISCUSSION




Third Line of Defence (Internal Audit)

- 8 In accordance with both the NZ Auditing Standards and our external auditors, EY, we use the following risk ranking system when selecting which internal audits to conduct.




Internal Audit - Risk Ranking System	
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance, or best practice for processes.
Low	A weakness which does not seriously detract from the internal control framework.







Progress

- 9 The following status categories update this Committee on progress made on the internal audit work programme at the time of finalising this report.

Progress Status Categories		
 Planned	 Underway	 Completed

- 10 The progress on the Internal Audit Work Programme is noted below.

Internal Audit Work Programme 2024			
Risk Ranking	Activity	Status	Progress Status as of 14 May 2024
High	Compliance with Mitigation of Fraud Policy.		Completed
High	Compliance with Procurement Policy Framework.		Completed
High	Compliance with Employee Code of Conduct document. <u>Audit scope</u> - Test the fundamental principles and high-level rules that apply to employee conduct.		In progress It was decided to separate this audit from the Conflict of Interest audit. The draft report on Compliance with the Employee Code of Conduct is

Internal Audit Work Programme 2024			
Risk Ranking	Activity	Status	Progress Status as of 14 May 2024
			with the Group Manager, People and Capability for consideration.
High	Review of Employee Conflict of Interest Declarations. <u>Audit scope</u> - Test the fundamental principles and high-level rules that apply to conflicts of interest.		In progress It was decided to separate this audit from the Employee Code of Conduct audit. The draft report on the review of Employee Conflict of Interest is with the GM, People and Capability for consideration.
High	Compliance with General Expenses Policy. <u>Audit scope</u> - Test compliance with selected internal controls within the General Expenses Policy		In progress
Moderate	Compliance with Receipt of Gifts and Hospitality Policy. <u>Audit scope</u> - Test compliance with rules that apply to Receipt of Gifts and Hospitality.		In progress
Moderate	Compliance with Protected Disclosures (Protection of Whistleblowers) Policy. <u>Audit scope</u> - Test the rules that apply to protecting disclosures (protection of whistleblowers).		Planned for June 2024.
Moderate	External Audit (Ernst & Young) 2022/23 - Control Findings. Follow up on recommendations.		Ongoing F/Y 2022/23 See Progress Update Regarding Audit Control Findings 2022/23 report on this agenda.
Low	Review preparedness for business interruption and continuously improve.		Ongoing.

He take | Issues

11 There are no issues to be raised in this report.

Ngā kōwhiringa | Options

12 There are no options to be raised in this report.

Tangata whenua

13 There are no tāngata whenua considerations arising from this report.

Panonitanga āhuarangi | Climate change

14 There are no climate change issues arising from this report.

Ahumoni me ngā rawa | Financial and resourcing

15 There are no further financial and resourcing considerations arising from this report.

Ture me ngā Tūraru | Legal and risk

16 There are no legal considerations arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

17 There are no policy implications arising from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT**Te mahere tūhono | Engagement planning**

18 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Whakatairanga | Publicity

19 There are no publicity requirements or considerations arising from this report.

NGĀ ĀPITI HANGA | ATTACHMENTS

Nil

9.6 LEGISLATIVE COMPLIANCE 1 JANUARY TO 31 MARCH 2024

Kaituhi | Author: **Sarah Wattie, Governance & Legal Services Manager**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

TE PŪTAKE | PURPOSE

- 1 The purpose of this report is to notify the committee of legislative non-compliance in the third quarter of the financial year, 1 January 2024 to 31 March 2024.

HE WHAKARĀPOPOTO | EXECUTIVE SUMMARY

- 2 An executive summary is not required.

TE TUKU HAEPAPA | DELEGATION

- 3 The Risk and Assurance Committee has delegated authority to consider this report under section C3 of the Governance Structure and Delegations document for the 2022-2025 triennium. These delegations include:
 - 3.1 ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.
 - 3.2 assisting elected members in the discharge of their responsibilities by ensuring compliance procedures are in place for all statutory requirements relating to their role.

TAUNAKITANGA | RECOMMENDATIONS

- A. That the Committee:
 - A.1 notes legislative non-compliance for the third quarter of the financial year from 1 January 2024 to 31 March 2024 as outlined in Attachment 1 to this report.

TŪĀPAPA | BACKGROUND

- 4 Local government is governed by a complex statutory framework with the Council responsible for a range of legislative requirements. Legislative compliance is important to Council carrying out its functions under the Local Government Act 2002 in a fair and effective manner that is accountable to the local community. Failure to achieve Council's legislative obligations has also been identified as one of Council's top 10 risks.
- 5 Each quarter key Council staff responsible for Council's compliance with legal obligations under different Acts are asked to complete a quarterly declaration of known non-compliance with legislative requirements and key assurance areas being privacy, procurement, authorised expenditure, cyber security and Local Government Official Information and Meetings Act 1987 (LGOIMA) requirements.
- 6 Council staff are asked to report against all applicable legislation. A legislative compliance schedule exists to assist staff in completing this declaration, set out in Attachment 2 to this report. Council's external auditors have identified the following legislation and regulations where non-compliance could have a fundamental effect on operations:
 - Local Government Act 2002
 - Local Authorities (Members' Interests) Act 1968
 - Local Government (Rating) Act 2002
 - Local Government (Financial Reporting and Prudence) Regulations 2014

- Building Act 2004
- Resource Management Act 1991.

HE KŌRERORERO | DISCUSSION

- 7 This section sets out legislative compliance breaches for the third quarter of the financial year, 1 January 2024 to 31 March 2024, against all applicable legislation with risk ratings, corrective actions and status assigned for each breach. It also provides an assurance against key assurance areas outlined above being privacy, procurement, authorised expenditure, cyber security and LGOIMA.

Organisational Risk Levels

- 8 Organisational risks levels have been assigned to legislative compliance breaches reported to this Committee based on Council's organisational risk framework. The risk levels are set out below:

Organisational Risk Levels	
High	<ul style="list-style-type: none"> • Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance.
Moderate	<ul style="list-style-type: none"> • Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance, or best practice for processes.
Low	<ul style="list-style-type: none"> • A weakness which does not seriously detract from the internal control framework.

Key Assurance Areas

- 9 The Risk and Assurance Committee has requested the following key assurance areas be reported on in addition to legislative compliance:
- **Privacy breach:** A privacy breach is not meeting the requirements of the Privacy Act 2020 which may include releasing personal information to someone not authorised to receive it or using personal information in an unauthorised way.
 - **Procurement breach:** A procurement or probity breach is a failure to follow the requirements of Council's procurement policy, which sets out the requirements for our staff to ensure they carry out procurement in a way that is transparency, accountable, impartial and equitable.
 - **Unauthorised expenditure:** Unauthorised expenditure is expenditure that breaches Council's finance and purchasing policies, such as a staff member spending money without the appropriate financial delegation.
 - **Cyber security breach:** A cyber security breach is a breach of Council's information security systems which may result in the disclosure of sensitive, personal or commercial information to persons who are not authorised to receive the information or members of the public.
 - **Local Government Official Information and Meetings Act 1987 (LGOIMA):** A breach of this act relates to failure to meet deadlines or requirements for official information requests or transparency and notification requirements relating to Council meetings.
- 10 Confidential investigations are not included in this legislative compliance report and will be reported in public excluded where required.

11 **Table 1: Assurance against key risk areas**

Risk area	Description
Privacy	There were six privacy breaches reported in the period, two of which were related to breaches by other organisations.
Procurement	There were no reported procurement breaches in the period.
Unauthorised expenditure	There was no reported unauthorised expenditure in the period.
Cyber security	There were no reported cyber security breaches in the period.
LGOIMA	There was one breach of requirements under the LGOIMA (official information and meeting requirements) in the period.

- 12 The Privacy Commissioner's Privacy Week 2024 took place from the 13 -17 May 2024 and a series of communications, guidance and events accessible to all staff were provided to highlight the importance of privacy.

Legislative Compliance Breaches

- 13 Legislative compliance breaches for the third quarter of the financial year are set out in Attachment 1 to this report. These include ongoing breaches previously reported to this Committee.

He take | Issues

- 14 There are no issues for this report.

Ngā kōwhiringa | Options

- 15 There are no options required for this report.

Mana whenua

- 16 Council has a partnership with local iwi and hapū on the Kāpiti Coast District represented by Te Rūnanga O Toa Rangātira, Ngā Hapū o Ōtaki and Āti Awa ki Whakarongotai Charitable Trust.
- 17 Council's accountability to the community on legislative compliance extends to its partnership with iwi and commitments made to reflect the obligations under Te Tiriti o Waitangi, as well as other obligations to Māori, mana whenua and tangata whenua under the Local Government Act 2002, Resource Management Act 1987 and other legislation.

Panonitanga āhuarangi | Climate change

- 18 There are no climate change implications arising directly from this report.

Ahumoni me ngā rawa | Financial and resourcing

- 19 There are no financial implications arising directly from this report.

Tūraru ā-Ture me te Whakahaere | Legal and Organisational Risk

- 20 Except for the issues noted in this report, there are no other legal or risk implications.

Ngā pānga ki ngā kaupapa here | Policy impact

21 There are no policy implications arising directly from this report.

TE WHAKAWHITI KŌRERO ME TE TŪHONO | COMMUNICATIONS & ENGAGEMENT

22 This report is for the purpose of providing information only and does not trigger the Council's Significance and Engagement policy.

Te mahere tūhono | Engagement planning

23 There is no requirement for engagement planning.

Whakatairanga | Publicity

24 There are no additional publicity considerations arising directly from this report.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Legislative Compliance Breaches and Updates 1 January to 31 March 2024 [↓](#)
2. Legislative Compliance Schedule [↓](#)

9.7 QUARTERLY TREASURY COMPLIANCE

Kaituhi | Author: **Jing Zhou, Chief Financial Officer**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

Te pūtake | Purpose

- 1 This report provides confirmation to the Risk and Assurance Committee of the Council's compliance with its Treasury Management Policy (Policy) for the quarter ended 31 March 2024.

He whakarāpopoto | Executive summary

- 2 This is not required for this report.

Te tuku haepapa | Delegation

- 3 The Risk and Assurance Committee (Committee) has the delegation to consider this matter under the section of Part C.3 of the Governance Structure and Delegations 2022-2025 Triennium which states: "*This committee is responsible for monitoring the Council's financial management, financial reporting mechanisms and framework, and risk and assurance function, ensuring the existence of sound internal systems.*"

Taunakitanga | Recommendations

A. That the Risk and Assurance Committee:

- A.1 Receives and notes this report.
- A.2 Notes the Council's non-compliance with its current Treasury Management Policy Fixed/Floating Risk Control limit in March 2024.
- A.3 Notes that the Council's Fixed/Floating Risk Control Limit is fully compliant with its new draft Treasury Management Policy, developed in conjunction with Bancorp, for the reporting period, adopted by Council on 28 March 2024 together with its draft 2024-34 Long Term Plan.
- A.4 Notes the Council has fully complied with all other requirements of the current Treasury Management Policy for the three months ended 31 March 2024.

Tūāpapa | Background

- 4 The Policy sets out a framework for the Council to manage its borrowing and investment activities in accordance with the Council's objectives and incorporates legislative requirements.
- 5 The Policy mandates regular treasury reporting to management, the Strategy, Operations and Finance Committee, as well as quarterly compliance reporting to the Risk and Assurance Committee.

6 To assess the effectiveness of the Council's treasury management activities and compliance to the Policy, certain performance measures and parameters have been prescribed. These are:

- cash/debt position;
- liquidity/funding control limits;
- interest rate risk control limits;
- counterparty credit risk;
- specific borrowing limits; and
- risk management performance.

He kōrerorero | Discussion

Cash/Debt Position

7 Table 1 below shows the Council's net debt position as at 31 March 2024 against the 2023/24 full year budget and the prior year closing balance.

Table 1	March YTD Actual	Full Year Budget	Prior year 2022/23
	\$000's	\$000's	\$000's
External debt	330,000	315,000	275,000
less borrower notes	(7,620)	(7,335)	(6,110)
less Term Deposits	(80,000)	(60,000)	(55,000)
less cash*	(15,424)	(7,875)	(14,084)
Net debt	226,956	239,790	199,806

*Cash includes \$2.4Mill held for supplier retentions

8 During the past three months, the Council has issued \$25 million of new debt. This was used to pre-fund the April 2025 debt maturity (\$20 million), and 2023/2024 capex programme costs (\$5 million).

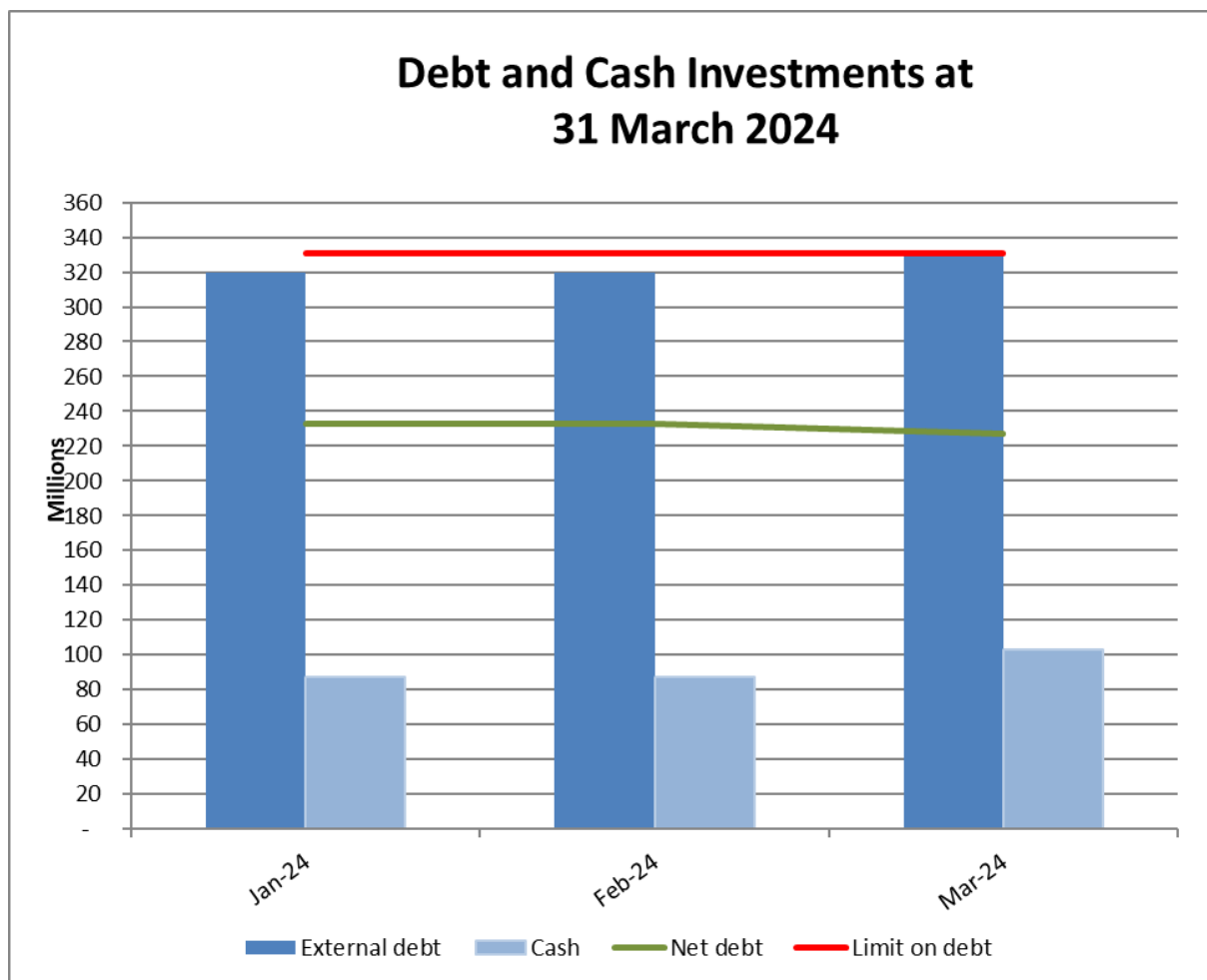
9 The table below shows (a) the movement in the Council's external debt balance, (b) the movement in the Council's pre-funding programme by debt maturity and (c), that part of the Council's Capex programme funded by new borrowings for the nine months ended 31 March 2024.

Borrowings	Gross borrowings \$000	Pre-funding					Total Prefunding \$000	CAPEX Capex programme \$000
		TD Oct 2023 \$000	TD May 2024 \$000	TD Oct 2024 \$000	TD Apr 2025 \$000			
Opening balance 1 July	275,000	25,000	30,000	-	-	55,000	n/a	
New Long term debt issued YTD	80,000	-	-	30,000	20,000	50,000	30,000	
Matured Long term debt	(25,000)	(25,000)	-	-	-	(25,000)	n/a	
Total	330,000	-	30,000	30,000	20,000	80,000	30,000	

10 As at 31 March 2024 the Council had \$103 million of cash, borrower notes and term deposits on hand. This is broken down as follows:

Term deposits, cash & borrower notes	Prefund borrowings \$000	Borrower notes \$000	Cash \$000	Total \$000
LGFA debt maturing May 2024	30,000	-	-	30,000
LGFA debt maturing Oct 2024	30,000	-	-	30,000
LGFA debt maturing Apr 2025	20,000	-	-	20,000
Surplus cash	-	-	15,424	15,424
Borrower notes held	-	7,620	-	7,620
Total	80,000	7,620	15,424	103,044

- 11 For the three months ended 31 March 2024, the Council has not breached its net debt upper limit, as shown in the chart below.

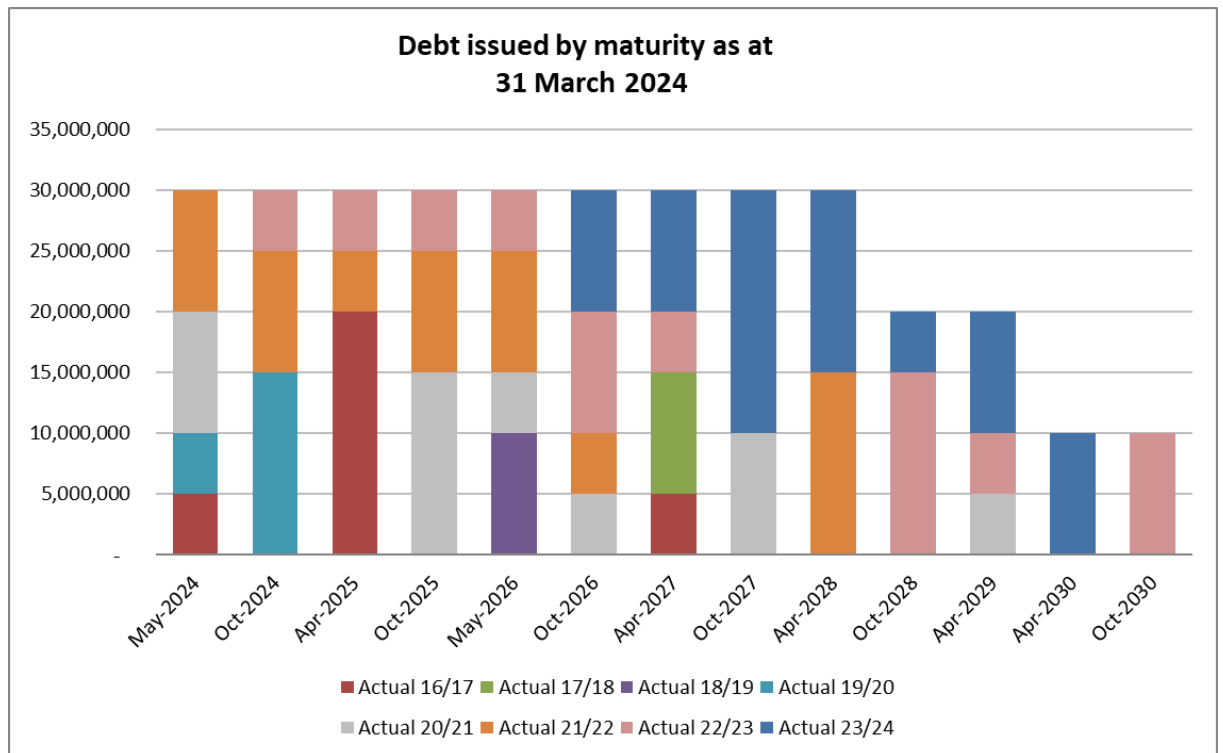


- 5
12 The Council targeted through its LTP 2021-41 financial strategy to keep net borrowings below 280% of total operating income with a preferred limit of 250%. As at 31 March 2024, the Council's net borrowings are 198.0% of forecasted 2024 total operating income.

Liquidity/Funding control limits

- 13 Liquidity and funding management focuses on reducing the concentration of risk at any point so that the overall borrowings cost is not increased unnecessarily and/or the desired maturity profile is not compromised due to market conditions. This risk is managed by spreading and smoothing debt maturities and establishing maturity compliance buckets.
- 14 Since October 2015 the Council's treasury strategy has included a debt pre-funding programme. The Policy allows pre-funding of the Council debt maturities and Capex programme up to 18 months in advance, including re-financing.

- 15 The following chart presents the Council’s debt maturity dates in relation to the financial year in which the debt was issued. This demonstrates that since 2016/17, the Council has actively reduced risk concentration by spreading debt maturity dates and debt maturity values.

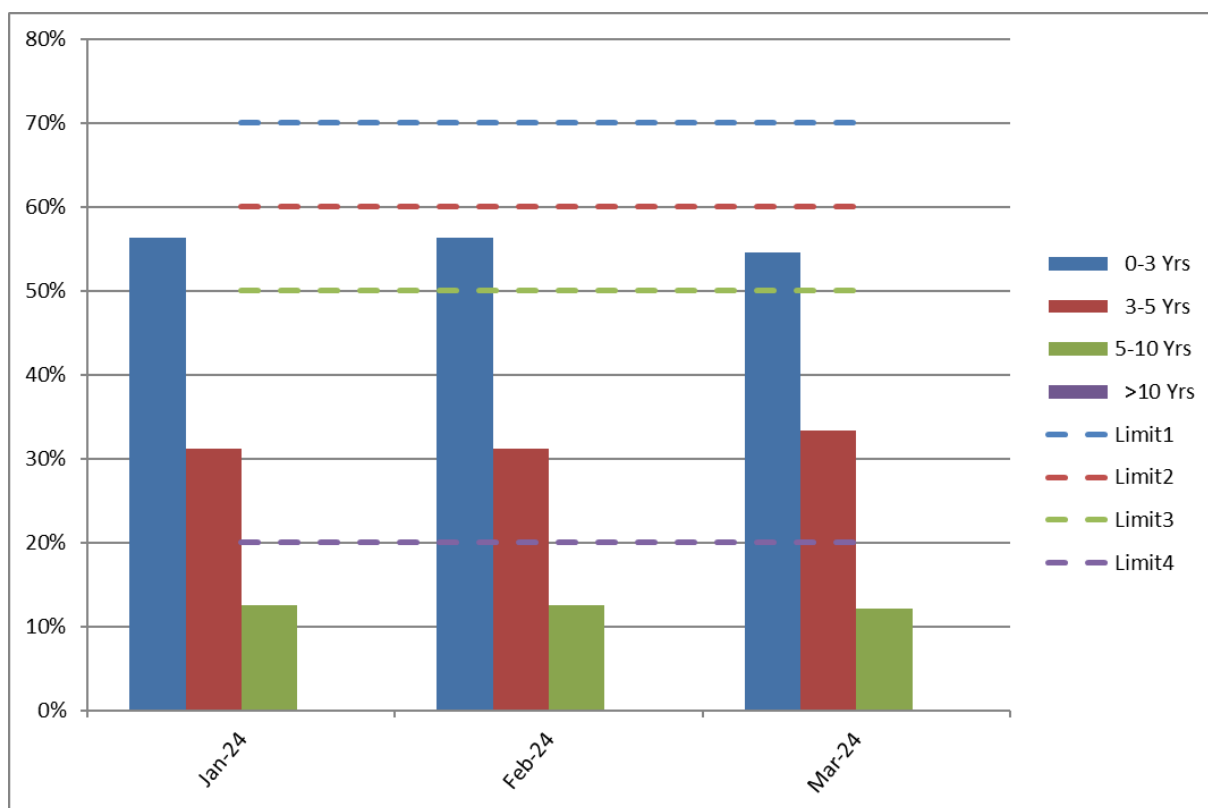


6

- 16 Debt maturities must fall within maturity compliance buckets. These maturity buckets are as follows:

Maturity Period	Minimum	Maximum
0 to 3 years	10%	70%
3 to 5 years	10%	60%
5 to 10 years	10%	50%
10 years plus	0%	20%

- 17 For the three months ended 31 March 2024, the Council has been fully compliant with its debt maturity limits, as shown by the chart below. The upper limits, as shown by dashed lines, relate to the bars of the same colour. For example, the 0 to 3 years upper limit of 70% is in blue. Actual maturities in the 0-3-year bucket are represented by the blue bars. The Council has no long-term debt maturing in ten years' time or beyond.



Interest rate risk control limits

- 18 The Council seeks endorsement from Bancorp, its independent treasury advisor for all debt issuances. Typically, Council issues debt on a floating rate basis and applies its fixed interest rate swaps (hedges) to minimise its exposure at any one time to interest rate fluctuations. This ensures more certainty of interest rate costs when setting our Annual Plan and Long-Term Plan budgets.
- 19 Without such hedging, the Council would have difficulty absorbing adverse interest rate movements. A 1% increase in interest rates on \$330 million of external debt would equate to additional interest expense of \$3.30 million per annum. Conversely, fixing interest rates does however reduce the Council's ability to benefit from falling and/or more favourable interest rate movements.
- 20 The objectives of any treasury strategy are therefore to smooth out the effects of interest rate movements, while being aware of the direction of the market, and to be able to respond accordingly.
- 21 The Policy sets out the following interest rate limits:
- Major control limit where the total notional amount of all interest rate risk management instruments (i.e. interest rate swaps) must not exceed the Council's total actual debt; and
- Fixed/Floating Risk Control limit, that specifies that at least 55% of the Council's borrowings must be fixed, up to a maximum of 100%.

22 The table below shows that the Council has breached its fixed/floating risk control limit in March 2024.

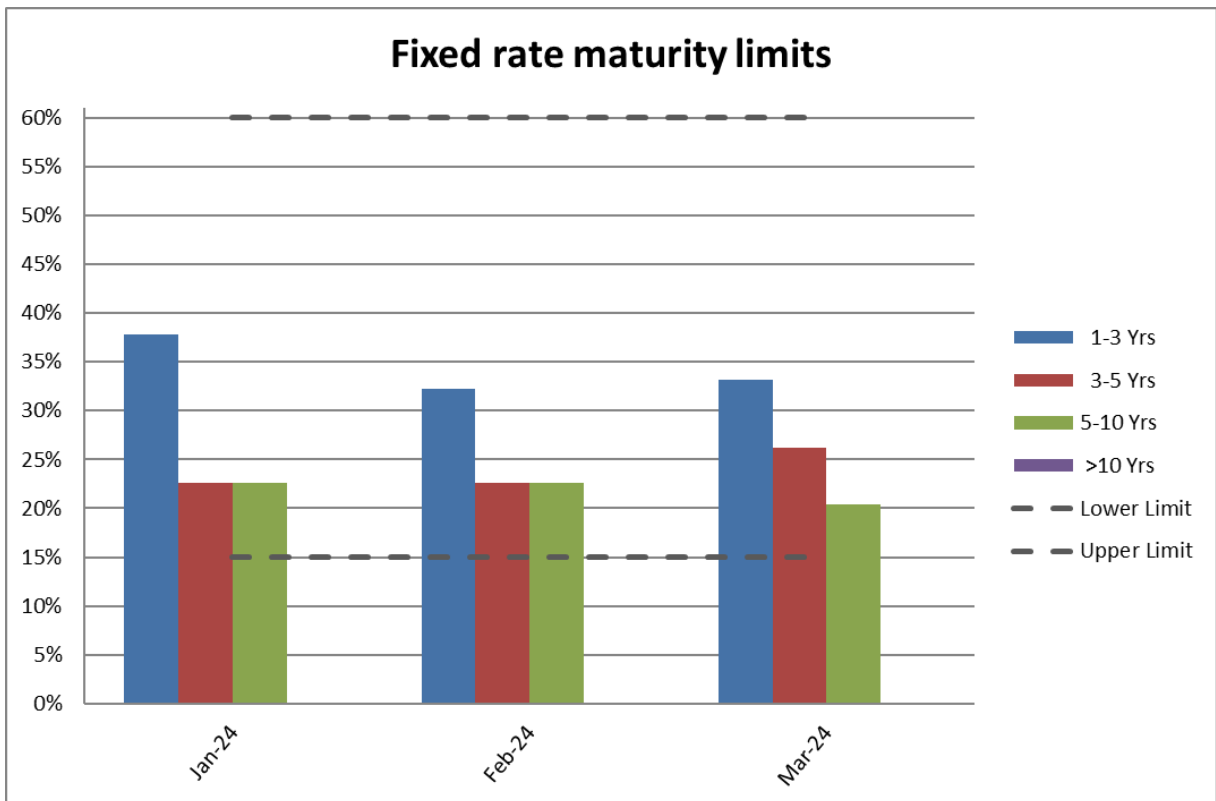
\$000's	Jan-24	Feb-24	Mar-24
External debt (floating)	320,000	320,000	330,000
Swaps (fixed portion)	177,000	177,000	172,000
Fixed %	55.3%	55.3%	52.1%
Unfixed debt	143,000	143,000	158,000

23 On the 28 March 2024, Council adopted a new draft Treasury Management Policy together with its draft 2024-34 Long Term Plan. Developed in conjunction with Bancorp, new Fixed/Floating Risk Control limits (ranging from 20% to 100%) are now applied to different maturity buckets of Council’s borrowings. Under the new draft policy, Council was fully compliant for the reporting period.

24 Like debt maturities, hedging instrument maturities must also fall within maturity compliance buckets. These maturity compliance buckets are as follows:

Period	Minimum	Maximum
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 to 10 years	15%	60%
10 years plus	0%	20%

25 The Council has been fully compliant for the three months ended 31 March 2024, as shown by the following chart. Note that maturities falling within 1 year are not included. The Council has no hedging instrument maturities in ten years’ time or beyond.



Counterparty Credit Risk

- 26 The policy sets maximum limits on transactions with counterparties. The purpose of this is to ensure the Council does not over-concentrate its investments or risk management instruments with a single party.
- 27 The policy sets the gross counterparty limits as follows:

Counterparty/Issuer	Minimum Standard and Poor's long term	Investments maximum per counterparty	Risk management instruments maximum per counterparty	Borrowing maximum per counterparty
NZ Government	N/A	Unlimited	None	Unlimited
LGFA	AA-/A-1	\$20m	None	Unlimited
NZ Registered Bank	A+/A-1	60% of total investments or \$25m; whichever is greater	50% of total instruments or \$80m; whichever is greater	\$50m

- 28 The Council was in full compliance with all counterparty credit limits for the three months ended 31 March 2024. The tables below show the Council's investments and risk management instruments holdings per counterparty for this period.

Term deposit & Cash investments

Counter party	Jan-2024		Feb-2024		Mar-2024		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	30,000	37.48%	30,000	37.60%	35,000	36.68%	✓
NZ Registerd Bank 2	10,000	12.49%	10,000	12.53%	10,000	10.48%	✓
NZ Registerd Bank 3	30,000	37.48%	30,000	37.60%	35,000	36.68%	✓
NZ Registerd Bank 4	10,051	12.56%	9,782	12.26%	15,424	16.16%	✓
	80,051	100.00%	79,782	100.00%	95,424	100.00%	

*Policy Limit: 60% of total investments or \$25 million; whichever is greater

Interest rate swaps

Counter party	Jan-2024		Feb-2024		Mar-2024		Comply
	\$000	%	\$000	%	\$000	%	
NZ Registerd Bank 1	40,000	22.60%	40,000	22.60%	40,000	23.26%	✓
NZ Registerd Bank 2	85,000	48.02%	85,000	48.02%	80,000	46.51%	✓
NZ Registerd Bank 3	52,000	29.38%	52,000	29.38%	52,000	30.23%	✓
	177,000	100%	177,000	100%	172,000	100%	

*Policy Limit: 50% of total instruments or \$80 million; whichever is greater

Specific Borrowing Limits

- 29 In managing debt, the Council is required to adhere to the specific borrowing limits.
- 30 The Council fully complied with these limits for the three months ended 31 March 2024 and the results are shown below:

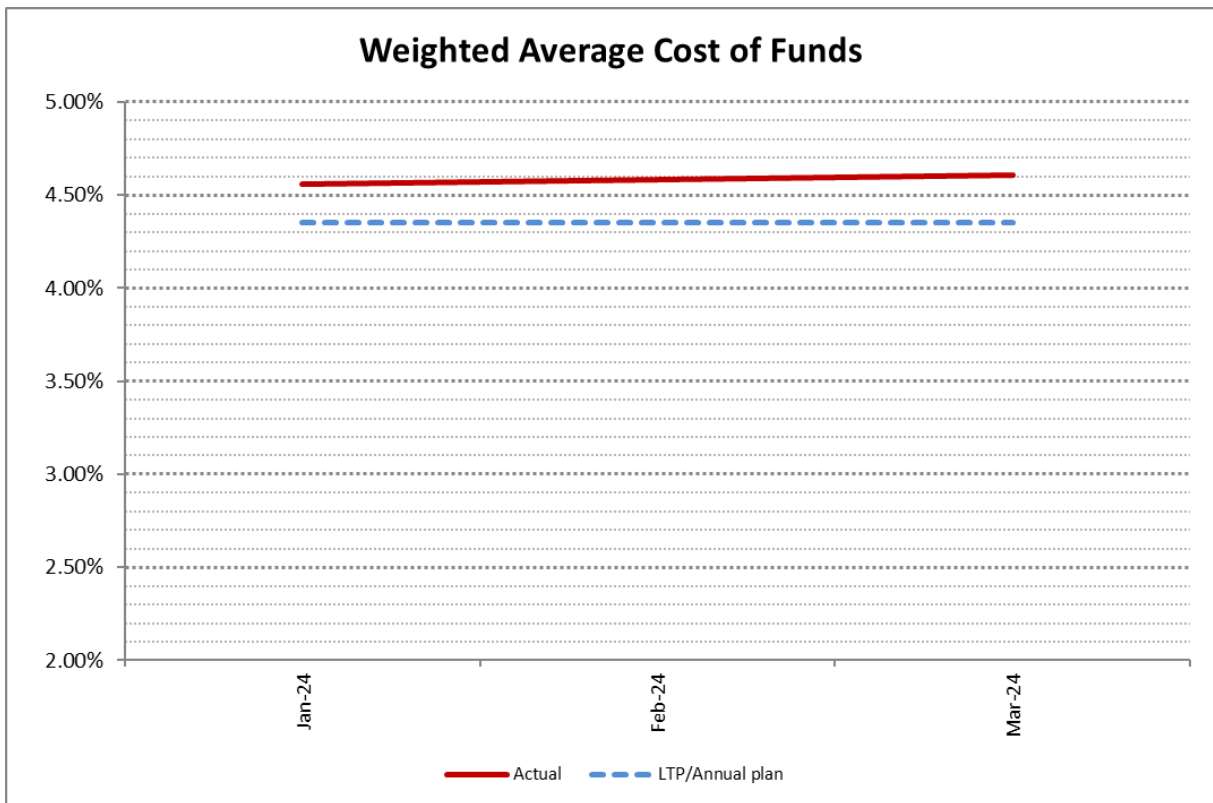
Borrowing limit	Policy limit	2023/24	Comply
Net interest expense/Total Operating Income	< 20%	8.0%	✓
Liquidity ((total debt +total committed facilities +cash on hand)/total debt))	> 110%	131.9%	✓
Net External Debt/Total Operating Income	< 280%	198.0%	✓

Risk Management Performance

31 The following table shows the Council’s interest income and expense for the three months ended 31 March 2024 together with the weighted average cost of borrowing (WACB), compared to year-to-date budget and full year forecast.

	March YTD Actual \$000	YTD Budget \$000	Variance (Fav/UnFav) \$000	Full year Forecast \$000
Interest Expense	10,462	9,467	(994)	14,246
less: Interest Income	(3,669)	(2,808)	860	(4,966)
Net Interest Cost	6,793	6,659	(134)	9,279
Weighted Average Cost of Borrowings	4.61%	4.35%	-0.26%	4.64%

32 The following graph shows the year-to-date average cost of borrowings, for each month of the quarter.



He take | Issues

33 This report has a low level of significance under the Council’s Significance and Engagement Policy).

Ngā kōwhiringa | Options

34 There are no options to be considered.

Tangata whenua

35 There are no tāngata whenua considerations arising directly from this report.

Panonitanga āhuarangi | Climate change and Environment

36 There are no climate change considerations within this report.

Ahumoni me ngā rawa | Financial and resourcing

37 There are no financial and resourcing considerations in addition to those already noted in this report.

Ture me ngā Tūraru | Legal and risk

38 There are no legal and risk considerations arising from this report.

Ngā pānga ki ngā kaupapa here | Policy impact

39 There are no policy considerations in addition to those already noted in this report.

Te whakawhiti kōrero me te tūhono | Communications & engagement**Te mahere tūhono | Engagement planning**

40 An engagement plan is not required for this report.

Whakatairanga | Publicity

41 There are no publicity considerations arising from this report.

Ngā āpitihanga | Attachments

Nil

9.8 2024 COUNCIL INSURANCE UPDATE

Kaituhi | Author: **Jing Zhou, Chief Financial Officer**

Kaiwhakamana | Authoriser: **Mark de Haast, Group Manager Corporate Services**

Te pūtake | Purpose

- 1 This report provides the Risk and Assurance Committee (Committee) with a summary of the Council's 2024 insurance renewals as well as a progress update on alternate risk transfer options currently being investigated.

He whakarāpopoto | Executive summary

- 2 Not required for this report.

Te tuku haepapa | Delegation

- 3 The Committee has the delegation to consider this matter under the section of Part C.3 of the Governance Structure and Delegations 2022-2025 Triennium which states: "*This committee is responsible for monitoring the Council's financial management, financial reporting mechanisms and framework, and risk and assurance function, ensuring the existence of sound internal systems.*"

Taunakitanga | Recommendations

- A. That the Risk and Assurance Committee notes the Council's 2024 insurance renewals and the progress update regarding alternative risk financing options.

Tūāpapa | Background

- 4 The Council, together with Porirua City, Hutt City and Upper Hutt City councils (collectively known as the Outer Wellington Shared Services Insurance Group (OWSS)) has been purchasing insurance for their respective assets on a combined basis since 2009. This syndicate was established to provide the OWSS with the scale necessary to access wider domestic and off-shore insurers. In July 2016 Greater Wellington Regional Council joined the OWSS to insure their above ground assets only. This wider collective for above ground assets is known as the Wellington Combined Insurance Group (WCIG).
- 5 Over recent years, insurance markets have continued to tighten. New Zealand, and particularly Wellington, is seen as increasingly challenging for underwriters due to the seismic and flooding risk.

2024 Insurance Renewal Update

- 6 Through Aon, the Council's property and underground infrastructure insurance, which accounts for the majority of Council's total insurance cover, renewed on 1 May 2024. Aon provides the Council with independent expert insurance advisory and brokerage services.

7 Significant asset insurances, as renewed for the year commencing 1 May 2024, are summarised in the following table:

Asset	Type of insurance	Value of assets insured	Limit of cover	Deductible
Infrastructure assets	Material damage and business interruption in the event of natural catastrophe	~\$705 million	\$600 million OWSS combined material damage and business interruption limit for an event involving more than one council for any loss or series of losses arising out of any one event. Limited to a \$130 million sub-limit for the Council.	The deductible is \$1 million per event.
Property, plant and equipment	Material damage and business interruption (MDBI)	~\$469 million	\$600 million WCIG combined limit for any one loss or series of losses arising out of any one event and applying to material damage and business interruption combined.	The natural disaster deductible is 5% of sum insured, with a minimum deductible of \$100,000. For other events the deductible is \$50,000 (except for landslip or subsidence which is \$250,000).
Residential property	Earthquake Commission (EQC)	~\$31 million	EQC: First \$300,000 for each loss event per property to be recovered from the EQC.	The EQC deductible is 1% of sum insured with a minimum deductible of \$200. If claim is for land, the deductible is 10% of sum insured with minimum deductible of \$500.
	All other losses	(Included in \$469 million MDBI)	As per MDBI policy above	All other deductibles: as per the MDBI policy above

- 8 Current government policy allows for central government to reimburse local government up to 60% of the maximum probable loss (MPL) to underground infrastructure from natural catastrophe damage, (known as the 60:40 cost sharing arrangement). This policy has been in place for over 26 years. The Council's 2024 insurance cover has been based on the assumption that government will continue to provide a full contribution of up to 60% of the Council's MPL to underground infrastructure damage from natural catastrophe, and therefore, insurance has been placed which covers approximately 40% of the Council's MPL to underground infrastructure assets from natural catastrophe.
- 9 The Council's underground infrastructure assets have a total replacement value of \$705 million. The Council's MPL estimate is \$130 million for natural catastrophe damage to underground infrastructure assets, within a combined \$600 million loss limit for OWSS. Of this \$130 million loss limit, 40% is insured with offshore insurers with central government responsible for the remaining 60% of the costs. There is a \$1 million deductible per claim per event.
- 10 The Council has a total sum insured value of \$469 million, including residential property, for material damage and business interruption (MDBI) insurance to above ground assets, with a deductible of \$50,000 per claim per event. Losses suffered to above ground assets by natural catastrophe/s trigger a deductible of 5% of the site sum insured with a minimum \$100,000 deductible per claim per event. The total limit of cover available to the WCIG is \$600 million. The overall limit will be shared among the five councils following an event.
- 11 Residential assets have a sum insured of \$31 million and are included in the MDBI policy. EQC covers up to \$300,000 per dwelling, with the balance of any loss covered within the MDBI policy. The EQC deductible is 1% of the sum insured value of the residential assets that have sustained losses, with a minimum deductible of \$200. If the claim is for land, the deductible is 10% of sum insured value of the residential assets that have sustained losses, with minimum deductible of \$500. Losses sustained to residential assets exceeding the EQC insurance cover are covered by Council's above ground asset MDBI cover and the same deductibles then apply as noted above.
- 12 In addition to the above key policies, the Council also carries motor vehicle, general liability, professional indemnity, statutory and employer's liability, crime, cyber risk, personal accident and business travel insurances which renewed on 1 November 2023.

He kōrerorero | Discussion

PREMIUM AND BUDGET IMPACTS OF RENEWAL

- 13 Renewal premiums are summarised in the following table:

	2024 premium \$000s	2023 premium \$000s	Change \$000s	Change %
Underground Infrastructure	707	895	-188	-21.01%
Above ground asset (MDBI)	2,186	1,409	777	55.15%
FENZ (Material Damage)	115	76	39	51.32%
EQC (Material Damage)	43	43	0	0.00%
Other policies	360	314	46	14.65%
Total	3,411	2,737	674	24.63%

- 14 Sum insured values are summarised in the following table:

	2024 Sum Insured Value \$000s	2023 Sum Insured Value \$000s	Change \$000s	Change %
--	-------------------------------------	-------------------------------------	------------------	-------------

Underground Infrastructure	705,282	883,444	-178,162	(20.16)
Above ground assets MDBI	468,535	275,209	193,326	70.24
Total	1,173,817	1,158,653	15,164	1.31%

- 15 The Council's sum insured values over the last 12 months have increased by \$15.2 million or 1.31%. However, the total annual cost of the November 2023 and May 2024 renewals is \$3.41 million, an increase of \$674,000 or 24.63% over the previous year's insurance premium.
- 16 This premium increase is mainly due to a net premium increase of \$725,000 directly related to transferring the Council's wastewater and water treatment plants, (with a combined sum insured value of \$166 million), from underground infrastructure to above ground assets MDBI.

2024 Sum Insured Value of Treatment Plants	2024 Above Ground Assets MDBI premium increase for Treatment Plants	2024 Underground Infrastructure Premium saving from removing Treatment Plants	Net Premium Increase of transferring Treatment Plants to Above Ground Assets MDBI
\$000's	\$000's	\$000's	\$000's
166,000	915	190	725

- 17 Treatment plants house extensive electrical componentry. Losses to the Council's treatment plants could be sustained from fire damage caused by electric fault(s). Underground infrastructure cover only covers losses from natural catastrophe and excludes fire related damages. Given the current full re-instatement cost of \$166 million, these assets are now covered by above ground MDBI to protect the Council from losses caused by natural catastrophe and non-natural catastrophe damages. The premium increase largely reflects the higher risk and loss of 60% central government underwriting from underground infrastructure insurance cover.
- 18 The total insurance budget for 2024/25 is \$3.12 million, which includes a 20% cost increase from the 2023/24 budget of \$2.6 million. There is an insurance budget shortfall of \$291,000 for 2024/25. Given the draft 2024/25 Long Term Plan includes an annual increase of 20% for insurance for years one to ten, there is no intention to further increase the 2024/25 insurance budget before Council adopts the 2024-34 Long Term Plan on 27 June 2024. Hopefully, anticipated market flattening in the coming years will align actual insurance premiums within Council's insurance budget from 2025/26 onwards.

Alternate Risk Transfer Options Update

- 19 Insurance rates are flattening (especially globally), but inflation and new asset additions are increasing sum insured values so premium increases are still assumed. Uncertainty remains around inflation as there are global issues that could affect this.
- 20 A reduction in insurance availability is still a strategic risk to New Zealand, especially in those areas more exposed to natural disasters, such as the Greater Wellington region.
- 21 Options to increase self-retention levels, thereby reducing the dependency on traditional insurance and enhancements to physical loss mitigation should all be included in an organisations long-term risk transfer strategy.

- 22 A captive or protected cell company (PCC) remain as alternatives to a self-managed fund, but the cost benefit of these options remains marginal. A self-managed fund (that is ringfenced) remains a viable long-term option for Council, assuming there are no losses that erode the fund during its development. A retention vehicle arrangement also provides some mitigation to the risk of insurance market contraction and alleviates some of the cyclical pricing issues associated with traditional insurance.
- 23 WCIG contracted AGRC to update its loss modelling to help inform prudent risk financing decisions. The preferred methodology was RiskScape, using the National Seismic Hazard Model 2022. However, the agreement with GNS to use RiskScape was not quite finalised. AGRC's contract therefore has two phases. Phase one completed loss modelling using the global vendor model Touchstone. This is an industry standard model but does not have the level of granularity that RiskScape does. Phase one showed a group MPL of \$478 million, compared to the current WCIG limit of \$600 million.
- 24 Phase two includes an update to the loss modelling, using RiskScape. It is anticipated that the MPL indications (for both Council and Group level) will increase because of this work. Phase two will be completed in time to inform decisions for 2025 insurance renewals.

He take | Issues

- 25 This matter has a low level of significance under the Council's Significance and Engagement Policy.

Ngā kōwhiringa | Options

- 26 There are no options in addition to those already noted in this report.

Tangata whenua

- 27 There are no tāngata whenua considerations required with this report.

Panonitanga āhuarangi | Climate change and Environment

- 28 There are no climate change considerations required with this report.

Ahumoni me ngā rawa | Financial and resourcing

- 29 There are no financial and resourcing considerations in addition to those already discussed in this report.

Ture me ngā Tūraru | Legal and risk

- 30 There are no legal issues arising from this report. There are no risk considerations in addition to those already discussed in this report.

Ngā pānga ki ngā kaupapa here | Policy impact

- 31 This report has no impact on the Council policies.

Te whakawhiti kōrero me te tūhono | Communications & engagement

Te mahere tūhono | Engagement planning

- 32 There are no engagement plans required for this report.

Whakatairanga | Publicity

- 33 No publicity is planned in relation to this report.

Ngā āpitihanga | Attachments

Nil

10 TE WHAKAŪ I NGĀ ĀMIKI | CONFIRMATION OF MINUTES**10.1 CONFIRMATION OF MINUTES**

Author: Maria Cameron, Advisor Democracy Services

Authoriser: Mark de Haast, Group Manager Corporate Services

Taunakitanga | Recommendations

That the minutes of the Risk and Assurance Committee meeting of 15 February 2024 be accepted as a true and correct record.

NGĀ ĀPITI HANGA | ATTACHMENTS

1. Risk and Assurance Committee Minutes 15 February 2024 [↓](#)

11 TE WHAKAŪNGA O NGĀ ĀMIKI KĀORE E WĀTEA KI TE MAREA | CONFIRMATION OF PUBLIC EXCLUDED MINUTES

12 PURONGO KĀORE E WĀTEA KI TE MAREA | PUBLIC EXCLUDED REPORTS

RESOLUTION TO EXCLUDE THE PUBLIC

PUBLIC EXCLUDED RESOLUTION

That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting for the reasons given below, while the following matters are considered.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
<p>11.1 - Confirmation of Public Excluded Minutes</p>	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(c)(i) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	<p>Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
<p>12.1 - Litigation and External Investigations Report</p>	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(c)(i) - the withholding of the information</p>	<p>Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for</p>

	<p>is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	<p>withholding would exist under section 6 or section 7</p>
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13 KARAKIA WHAKAMUTUNGA | CLOSING KARAKIA

Kia tau ngā manaakitanga ki runga i a tātou katoa,	<i>May blessings be upon us all,</i>
Kia hua ai te mākihikihi, e kī ana	<i>And our business be successful.</i>
Kia toi te kupu	<i>So that our words endure,</i>
Kia toi te reo	<i>And our language endures,</i>
Kia toi te wairua	<i>May the spirit be strong,</i>
Kia tau te mauri	<i>May mauri be settled and in balance,</i>
Ki roto i a mātou mahi katoa i tēnei rā	<i>Among the activities we will do today</i>
Haumi e! Hui e! Taiki e!	<i>Join, gather, and unite! Forward together!</i>