



**I give notice that  
a Risk and Assurance Committee Meeting will be held on:**

<b>Date:</b>	<b>Tuesday, 17 September 2024</b>
<b>Time:</b>	<b>10.15am</b>
<b>Location:</b>	<b>Council Chamber 107 te Heuheu Street Taupō</b>

# **AGENDA**

## **MEMBERSHIP**

<b>Chairperson</b>	Mr Bruce Robertson
<b>Deputy Chairperson</b>	Cr Danny Loughlin

<b>Members</b>	Mr Anthony Byett Cr Anna Park Cr Rachel Shepherd Cr Kevin Taylor Mayor David Trewavas Cr John Williamson
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<b>Quorum</b>	4
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**Julie Gardyne  
Chief Executive**

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<b>3</b>	<b>Ngā Whakapānga Tukituki   Conflicts of Interest</b>	
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**4.1 RISK AND ASSURANCE COMMITTEE MEETING - 2 JULY 2024**

**Author:** Shainey James, Governance Quality Manager

**Authorised by:** Nigel McAdie, Legal and Governance Manager

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the minutes of the Risk and Assurance Committee meeting held on Tuesday 2 July 2024 be approved and adopted as a true and correct record.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Risk and Assurance Committee Meeting Minutes - 2 July 2024 [📄](#)

## 5.1 LONG-TERM PLAN 2024-34 UPDATE

**Author:** Kendall Goode, Senior Policy Advisor

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

### TE PŪTAKE | PURPOSE

The purpose of this report is to provide a quarterly update on the development of Taupō District Council's (TDC's) Long-term Plan 2024-34 (LTP) and associated risks. It is provided for information purposes and does not require any decision-making on the part of Committee members.

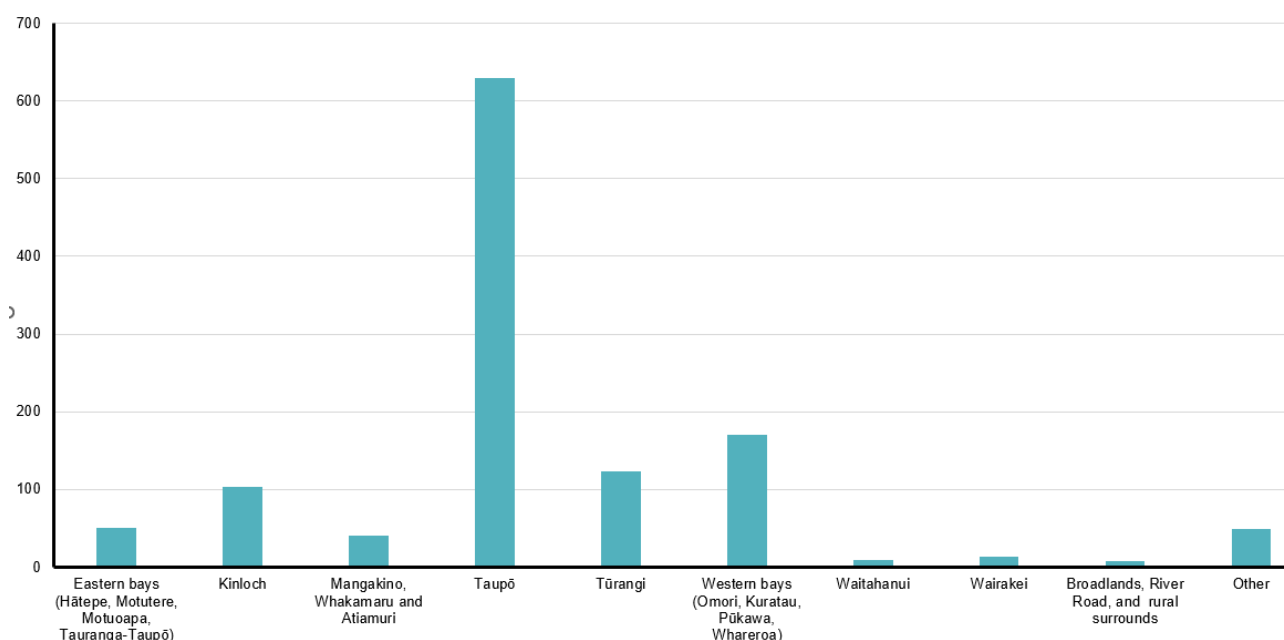
### NGĀ KŌRERORERO | DISCUSSION

The Long-term Plan 2024-34 is in the final stages and by the time the Committee meets on 17 September 2024 Audit NZ should have finished the audit of the Long-term Plan 2024-34, including the 'Hot Review' undertaken by the Office of the Auditor-General New Zealand (OAG). Given this, a summary of recent key milestones is provided in this report and a verbal update on any risks and/or issues associated with the final LTP audit will be provided at the meeting on 17 September.

#### Public Consultation

Public consultation on the Long-term Plan 2024-34 commenced on Monday 4 June 2024 and finished on Monday 8 July 2024. An extension to the original closing date of 5 July 2024 was provided due to technical issues with the online submission system on the original closing day (5 July 2024).

During the five-week public consultation, elected members and staff attended engagement events around the district providing an opportunity for the community to meet and discuss the Long-term Plan. A total of 1418 submissions were received. The graph below illustrates the local community that submitters have indicated as their 'community of interest', and while the majority of submissions were received from those in Taupō, the graph demonstrates engagement from across the district.



#### Hearings

Hearings were organised for those submitters wishing to speak to their submissions. Hearings were held in Taupō on Monday 29 July and Tūrangi on Tuesday 30 July 2024. This included an evening session in Taupō between 4.00pm and 6.00pm on Monday 29 July 2024. Over the two days 76 submitters presented to Council.

## Deliberations

Deliberations were held over two days on 31 July and 1 August. To assist Council with deliberations, officers prepared a suite of reports which covered the matters where decisions were needed to finalise the preparation of the Long-term Plan 2024-34 for Audit. The table below identifies the key issues and resolutions.

Issue	Council Resolution
Kerbside Waste Collection Service – Bags or Bins	Retain Status Quo – ‘Pay as you Throw’ Bags
NZTA Waka Kotahi Funding Shortfall	Do not fund NZTA shortfall, but retain Council’s ‘local share’
Tūrangi wastewater management options	Provide a short to medium term solution and continue to work with the steering group to find a long-term solution.
Taupō wastewater management options	Provide a medium-term wastewater solution (additional capacity over the Waikato River) while continuing to investigate long terms solutions and work with iwi/hapū steering group.
East Urban Lands Development	Partner with building consortium to deliver affordable homes
Rating Differential Changes	Change Electricity Generation and Utility Assets and Networks rating differentials to align with the industrial/commercial differential of 1.8.

Other decisions made included the adoption of the 2024-25 Fees and Charges Schedule, minor changes to the Development Contributions Policy, the Rates Remissions and Postponement Policies and directing officers to make any consequential changes to the Financial and Infrastructure strategies. A small number of changes to the capital expenditure list were adopted, including those recommended by officers and outlined in the hearings and deliberations reports.

A copy of the hearings and deliberations reports is available on councils website - [Agenda of Ordinary Council Meeting - Monday, 29 July 2024 \(infocouncil.biz\)](https://infocouncil.biz).

A ‘Submission Summary Response’ report was also provided with each deliberations report which included comments made in submissions and where applicable officer responses. This report will be updated to reflect final decisions and used to provide responses to submitters after the Long-term Plan is adopted.

## Risk Management

At this stage of the LTP, the key risk (and consequential risks) is not adopting the LTP by 30 September as a result of delays during the final Audit review and ‘Hot Review’ processes. Consequential risks of not adopting the LTP by 30 September include not being able to strike rates, creating funding/budgeting issues for Council. This risk is captured in the ‘Significant Projects – Risk Report’.

There is the potential for issues/matters to be raised during the final LTP audit that require additional time to resolve which have the potential to delay the adoption of the LTP past 30 September 2024. To mitigate this risk, weekly meetings with Audit were set-up to better understand issues and work through misstatement reports to enable these matters to be resolved quickly. Staff involved with the LTP have also made responding to Audit requests a priority.

## Other Matters

Council staff met with Audit NZ on 6 August 2024 to work through any potential issues associated with the final LTP audit. Audit NZ informed Council staff that due to high workloads Wikus Jansen van Rensburg would be replaced by Leon Pieterse as the Audit Director. Leon is familiar with the Taupō District having been involved with previous Taupō District Council long-term plans.

## WHAKAKAPINGA | CONCLUSION

The Long-term Plan is in the final stages. Given this, a verbal update will be provided to the Committee at the 17 September 2024 meeting outlining any potential risks/issues associated with the final LTP audit and/or the adoption of the Long-term Plan by 30 September 2024.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the report on the development of the Long-term Plan and project's key risks.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil

**5.2 ANNUAL REPORT 2024 UPDATE****Author:** Jeanette Paenga, Finance Manager**Authorised by:** Sarah Matthews, General Manager Organisation Performance**TE PŪTAKE | PURPOSE**

To provide an update on the progress of the Annual Report preparation.

**NGĀ KŌRERORERO | DISCUSSION**

Due to the late adoption of Council's 2024-34 long-term plan (LTP), Council will be adopting the 2023/24 Annual Report in early December 2024. This is within the amended statutory deadline of 31 December, for those who are adopting their LTP's late. This date was agreed with Audit NZ considering their resourcing requirements.

Audit New Zealand have changed our appointed Audit Director from Athol Graham to Leon Pieterse. Leon is familiar with Council, as he was previously the appointed Audit Director.

**Progress**

Council staff are progressing through tasks for the Annual Report project but there have been a number of delays during preparation of the report.

The finance and asset information teams have been completing the backlog of capitalisation of assets (along with disposals and other adjustments) in the new fixed asset system, which was implemented at the beginning of July. Council Officers have reduced capital work in progress (WIP) balances from \$220m to approximately \$126m, which is significantly lower than the closing 2022/23 WIP. A full list of outstanding WIP will be provided to Audit NZ on the reasons why the balance has not been capitalised.

Complex accounting issues have also added time to the preparation of financial statements, particularly in relation to treatment of Council's assets that are being developed e.g. East Urban Lands and Crown Road.

Due to these delays, the financial statements section and disclosures are currently behind schedule. The Senior Financial Accountant has tried to mitigate this risk by completing work in the model used for annual report to automate statements, to speed the process up at the tail end. Project Quantum revenue and cash modules go-live preparation has also had an impact on the team with go-live scheduled at the beginning of September.

The initial section of the report covering our vision and outcomes, what we did last year, and most of the non-financial service performance measures have been drafted.

**Timeline Changes**

Due to concerns with progress towards original timelines, Council requested adjustments to the deliverables. Audit has agreed to the following changes:

Description	Original	Adjusted
Interim audit - last bits to be completed	N/a	14 October 2024
Quality reviewed draft financial statements available for audit (including notes to the financial statements) with actual year-end figures <sup>1</sup>	30 September 2024	18 October 2024
Final audit begins	7 October 2024	21 October 2024
Final annual report available, incorporating all the amendments agreed to between us	1 November 2024	7 November 2024
Annual report available, including any Chair and Chief Executive's overview or reports	1 November 2024	7 November 2024
Update for the Risk & Assurance	25 November 2024	25 November 2024

committee		
Verbal audit clearance	9 December 2024	9 December 2024
Audit opinion issued	10 December 2024	10 December 2024
Draft report to the District Council issued	10 December 2024	17 December 2024

Council Officers appreciate the flexibility offered by Council's external auditors, Audit New Zealand in accommodating this request.

### **Risk Management**

At this stage of the Annual Report, the key risk (and consequential risks) is not adopting the Annual Report by 10 December as a result of delays in the preparation of the financial statements ready for audit review or not having a thorough quality review process.

A concerted effort is being made by the Finance team in clearing outstanding items as quickly as possible to get back on track.

There is the potential for issues/matters to be raised during the final Annual Report audit that require additional time to resolve, which have the potential to delay the adoption of the Annual Report past 10 December 2024. To mitigate this risk, staff have obtained independent advice on a number of items which were identified as being a potential cause of delay. Weekly meetings will be established with audit to understand issues and work through misstatement reports to enable these matters to be resolved quickly.

The known breach in statutory deadline for Annual Report adoption in the Local Government Act 2002, is likely to result in an emphasis of matter in our audit opinion.

### **WHAKAKAPINGA | CONCLUSION**

The Annual Report is still in the preparation stages, with Audit New Zealand due to commence their review of the report, at the agreed later start date, in mid-October. A verbal update will be provided to the Committee at the 17 September 2024 meeting outlining any potential risks/issues associated with meeting the adoption date of the Annual Report by 10 December 2024.

### **NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Annual Report 2024 Update from the Finance Manager.

### **NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil



**5.3 TREASURY UPDATE JUNE 2024**

**Author:** Jeanette Paenga, Finance Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

The purpose of this report is to update the Committee on Council's treasury activities, including debt, general funds, and the TEL Fund.

**NGĀ KŌRERORERO | DISCUSSION**

We have had economic and performance updates from Bancorp Treasury Services Limited, our Treasury Advisors and Forsyth Barr, our TEL investment fund managers. The full reports are attached for your information.

**Bancorp update summary**

The June 2024 quarter saw a continuation of the poor economic data that has characterised 2024, with a growing chorus of '*survive until 25*' being heard. New Zealand is undergoing a painful reset, with economic indicators suggesting the economy has weakened further over the last quarter. Further forward-looking indicators for the remainder of 2024 show an economy stuttering at ongoing near or actual recessionary levels. Evidence confirms that the Reserve Bank of New Zealand has largely done its job in suppressing aggregate demand and the labour market is clearly softening. Full report Taupō DC Dashboard June 2024 (A3614057) attached.

**Forsyth Barr update summary**

Equity market performance has been mixed over the last quarter, with international shares gaining somewhat while local markets have been more subdued.

Over the quarter, the MSCI All Country World Index gained 2.6% in US dollar terms, but returns were a more muted 0.7% in NZD terms due to a rally in the New Zealand dollar. Gains have mostly been driven by a small number of large technology firms in the US. European equity markets have been hit by political uncertainty following the French snap election.

The local NZX50 index fell -1.7% over the quarter as domestic firms continue to face tough operating conditions, and we have seen profit warnings from several companies. Australian shares slipped -1.1% over the quarter.

Fixed income markets have clocked up some small gains. The local NZ investment-grade corporate bond index rose 1.2% over the quarter and is 6.4% higher over the past 12 months. NZ Government bond returns have been more muted, up 0.5% for the quarter and 4.7% for the year. Taupō District Council – Asset Allocation & Performance Report June 2024 (A3621480) and ESG Attestation for TDC 30 June 2024 (A3614059) attached.

The value of the TEL Fund has increased from \$67.2m to \$70.6m as at 30 June 2024 which equates to an annualised return of 7.97%.

**WHAKAKAPINGA | CONCLUSION**

That the committee receives the reports from Bancorp Treasury Services Limited and Forsyth Barr.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives Taupō DC Dashboard June 2024 (A3614057), Taupō District Council – Asset Allocation & Performance Report June 2024 (A3621480) and ESG Attestation for TDC 30 June 2024 (A3614059).

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Taupō DC Dashboard June 2024 [⇒](#)
2. Taupō District Council - Asset Allocation & Performance Report June 2024 [⇒](#)
3. ESG Attestation for TDC 30 June 2024 [⇒](#)

**5.4 MICROSOFT AND CROWDSTRIKE INCIDENTS**

**Author:** Tracey May, Digital Solutions Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To provide an update on the impact to Taupō District Council of the recent Microsoft and CrowdStrike technology events affecting information technology systems and any mitigation measures that are in place or required.

**NGĀ KŌRERORERO | DISCUSSION**

The recent CrowdStrike and Microsoft incidents highlight the importance of robust digital risk management strategies, even when dealing with our trusted vendors.

**CrowdStrike Incident Overview**

On 19 July 2024, CrowdStrike, a major cybersecurity provider, released a faulty software update that caused widespread system outages globally. This affected approximately 8.5 million devices worldwide, impacting critical services such as airlines, banks, and healthcare systems.

**Microsoft Incident Overview**

On 1 August 2024, Microsoft experienced a significant outage that affected various Microsoft 365 services, including Exchange Online and Teams, for users across New Zealand. This disruption caused considerable inconvenience, as many organisations rely heavily on these services for communication and collaboration.

**Key Risks:**

As a result of these incidents, several key risks have been highlighted across the sector.

**Business Continuity Risks**

- Critical Service Disruption: These incidents showed how a single software update, or a primary vendor mistake could disrupt essential services, including our own essential day to day operations and those of our partners, emergency services and healthcare.
- Cascading Failures: Interconnected IT systems within the Council can lead to widespread disruptions across multiple internal departments. E.g., IT - OT dependencies.
- Dependency on Third-Party Vendors: Over-reliance on a single vendor for critical systems can create significant vulnerabilities.
- Reputational Damage: Public trust can be severely impacted if essential services are disrupted, affecting the council's credibility and reliability.

**Operational Risks**

- Manual System Reversion: Many organisations had to revert to manual operations, which highlighted the importance of having robust business continuity plans and backup processes.
- IT Resource Strain: These incidents required extensive IT team involvement for remediation, potentially overwhelming internal resources.
- Data Access Issues: Inability to access critical data and systems can severely hamper council operations and service delivery.
- Compliance Challenges: Ensuring regulatory compliance during and after such incidents can be challenging, especially if service level agreements are breached.

### Council Impact and Mitigation

Although Council was not directly impacted by the CrowdStrike incident, as we do not use their services, it provided a valuable learning opportunity. The effects of the Microsoft outage disrupted Council's Microsoft services use such as emails, Teams, and single sign-on for about four hours.

Council currently has the following risk mitigation in place to mitigate these risks:

- **Vendor Diversification:** While it's challenging, our approach should be to avoid depending too heavily on any one vendor or security provider to shield us from incidents like this.
- **Robust Backup Procedures:** We have a comprehensive backup system that allows us to perform quick recovery, ensuring minimal disruption in case of a similar incident like CrowdStrike and there's no immediate fix available.
- **Rerouting traffic:** In the event of another Microsoft incident, implementing a Secure Access Service Edge (SASE) solution could be beneficial (already in progress). It might enable us to redirect our internet traffic through an alternative gateway outside of New Zealand, like Singapore, to maintain access to Microsoft services.
- **Change Control:** Diligently following our Change Control processes to ensure peer review and facilitate controlled, efficient changes or updates to IT systems and enterprise applications.
- **Incident Response Preparedness:** We currently have an Incident Response Plan with Standard Operating Procedures for multiple scenarios. Furthermore, we are enhancing our response capabilities through table-top exercises, ensuring they are well-practiced and ready to be executed when needed. Ensure cybersecurity insurance policies continue to be adequate in the event of an incident.

### Future Preparedness

To enhance our resilience against similar incidents, a proactive approach will help to continue to mitigate risks and maintain operational resilience. Additional mitigants are planned in our future development programme, such as:

1. **Regular Risk Assessments:** Increasing periodic reviews of all critical IT systems, SaaS Applications and their dependencies to identify and mitigate potential risks.
2. **Staged Update Rollouts:** Implementing a phased approach to software updates to limit potential impacts and ensure smoother transitions.
3. **Enhanced Monitoring:** Upgrading our monitoring capabilities to operate 24/7 enables us to quickly detect and respond to system-wide issues, minimising downtime.
4. **Redundancy Planning:** Implementation of redundancy planning which ensures critical systems have adequate failover and redundancy measures in place to maintain continuous operations.
5. **Identity management:** Explore alternative identity management solutions for the enterprise that offer redundancy. For instance, if Microsoft's services are unavailable, we should have a backup provider to ensure continuous identity management.
6. **Staff Training:** Continuous improvement of regular training to our staff on manual processes and emergency procedures to ensure essential services can be maintained during IT outages.
7. **Business Impact Analysis and Disaster Recovery Planning:** Implementing business impact analyses to prioritise critical services and establish a comprehensive Disaster Recovery Plan.

### WHAKAKAPINGA | CONCLUSION

The recent incidents involving CrowdStrike and Microsoft underscore the critical importance of robust risk management and business preparedness strategies. While Council was not directly impacted by the CrowdStrike incident, it reinforced the importance of our digital risk mitigation strategies and proactive improvement. The Microsoft outage highlighted vulnerabilities in our reliance on single vendors and the need for business continuity planning.

Moving forward, it is essential to continue to develop risk mitigations to ensure that we have resilience in our vendor base, continue to enhance our monitoring and incident response capabilities, and ensure continuous staff training and preparedness. By adopting these measures, we can continue to mitigate risks, maintain operational resilience, and uphold public trust in our services.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the report on the CrowdStrike and Microsoft incidents.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil

**5.5 SENSITIVE EXPENDITURE REVIEW - 1 JULY 2023 - 30 JUNE 2024**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To update the Committee on the findings of the assurance review against Council's Sensitive Expenditure Policy 2021 (previous policy) and highlight any areas for improvement.

**NGĀ KŌRERORERO | DISCUSSION**

Sensitive expenditure is regularly reviewed to ensure compliance with Council's Sensitive Expenditure Policy. Sensitive expenditure is also an area that is regularly tested by Council's external auditor (Audit NZ), to test compliance against the [Office of the Auditor General's Good Practice Guide](#).

The information for this review is sourced from the Council's finance system, Council's gift register, and reimbursements processed through payroll. The transactions have been assessed against Council's 2021 Sensitive Expenditure Policy, as the 2024 update to the policy was not approved until 2 July 2024.

This report covers a 12-month period and therefore involves a significant number of transactions that constitute sensitive expenditure. Staff have therefore sampled transactions, focussing on those that are larger or considered higher risk, plus a selection of random transactions.

**Compliance with Section 7 of the Policy - Credit card expenditure**

A selection of credit card transactions was assessed during this review and overall, compliance to the policy has been largely confirmed. There were a couple of improvement items noted, which have been subsequently resolved:

- 1) There were some instances where additional detail needed to be gathered during the review, to demonstrate a clear business purpose. Where detail has been provided subsequently, this has been updated in our financial system. Cardholders have been reminded to add this detail when credit card expenditure is incurred.
- 2) There were also isolated instances on one Council credit card, where private expenditure was accidentally charged to a Council credit card. Reimbursement has occurred.

**Section 8 of the Policy – Travel and accommodation**

A selection of travel and accommodation transactions were assessed during this review and compliance to the policy has been largely confirmed. There were a couple of improvement items noted:

- 1) Taxi expenditure had generally been approved by staff members managers, not a General Manager. In the 2021 Policy, this expenditure was required to be approved by a General Manager, which is inconsistent from all other travel and accommodation expenditure. This has been resolved through the updated Sensitive Expenditure and Gift Policy, adopted on 2 July 2024, with an updated requirement for this type of expenditure to be approved by someone more senior to the person requesting the use of taxis, with delegated authority (not necessarily a general manager), aligning this to other travel and accommodation expenditure.
- 2) There were some instances where staff were reimbursed for the use of private vehicles, when it seemed like Council-owned vehicles were available. While sometimes there are reasons for this, there is also opportunity to improve Council processes to ensure management approval is properly obtained e.g. prior to using private vehicles and only where no Council vehicle is available. This improvement action is outstanding.
- 3) Council has adopted the use of a travel and accommodation booking system – Orbit. The system provides many benefits, including cost and efficiency benefits, and requires approval by a staff member more senior to the person who is travelling and who holds the appropriate delegated authority. However, under the Orbit system when meals are charged back to a hotel room, Orbit do not provide meal receipts to verify what was consumed. Orbit does however provide Council's sensitive expenditure rules to accommodation providers, and they must confirm that the expenditure complies with this to charge-back to the account. However, not providing evidence is challenging for the purposes of our additional verification. This is an issue experienced by other councils, with no known way to ameliorate. We use Orbit's existing control to verify compliance.

- 4) For travel and accommodation bookings made outside of the Orbit system, while purchase orders were clear on the business reason, we had to follow up on some of the names of those travelling. Council is working on ensuring all travel and accommodation is booked through the Orbit system.

### **Section 9 of the Policy – Meals/Food and Refreshments**

A selection of meals/food and refreshment transactions were assessed during this review and compliance to the policy has been largely confirmed. There were a couple of minor improvement items noted:

- 1) Pre-approval of meals was not always obtained. Further training has now been implemented to ensure approvals for this type of expenditure are obtained in advance.
- 2) There was one Council function where 1-2 drinks were consumed per person. Although the 2021 Policy did not have limits, this slightly exceeds the limits set elsewhere in the policy (e.g. travel section). The 2024 Policy has defined limits for more than just travel expenditure, and training has been provided for those with delegated financial authority.

### **Section 10 of the Policy – Entertainment and Hospitality (including catering)**

A selection of entertainment and hospitality transactions were assessed and compliance to the policy has been largely confirmed. There were a couple of minor improvement items noted:

- 1) There were some instances where additional detail needed to be gathered, during this review, to demonstrate a clear business purpose for the entertainment or catering. Improvement in recording this information is required during creation of purchase orders and this should be a requirement for those with delegated financial authority when approving purchase orders. Training is being rolled out for the 2024 sensitive expenditure policy, to reinforce key messages.
- 2) The amounts spent on farewell catering or meals vary, as there are no explicit limits specified in the 2021 Policy. This has been corrected in the 2024 Policy which provides specific dollar limits for catering and meals.

### **Section 11 of the Policy – Goods and Services Expenditure**

Council's gifts register and associated transactions were reviewed, against section 11 of the 2021 Policy, which required that prizes over \$100 be recorded in Council's gift register. There was one minor improvement item noted:

- 1) While the gifts register was completed and maintained, there were instances where gifts were not registered, particularly when receipt of the prizes was already transparent (e.g. publicly celebrated). There are no concerns that staff received these inappropriately.

### **Section 12 of the Policy – Staff Support and Welfare Expenditure**

Council's gifts register and associated transactions were reviewed, against section 12 of the 2021 Policy, which required that staff record gifts given over \$100 in the Council Gift Register to ensure full transparency. There was one minor improvement item noted:

- 1) While gifts received were frequently recorded, gifts given were not always. Training has now been provided to staff to help them understand the Register is to be used to record gifts given, as well as gifts received.

### **Section 13 of the Policy – Donations and Gifts (including Koha)**

A selection of transactions of Council's donations and gifts (including koha) were reviewed, against section 13 of the 2021 Policy. There were a few improvement items noted, however these have subsequently been addressed via staff training and the introduction of a new Koha Approval Form and the updated 2024 Sensitive Expenditure Policy. The improvement items addressed were:

- Council's General Managers were required to approve koha transactions, but these were often approved by a staff member with appropriate delegated financial authority.
- The classification of some koha transactions were incorrect and they should have been classified as gifts or donations, instead of koha. Koha is given in accordance with Māori protocol and culture. Some expenditure items needed reclassification (and recoding in the financial system), as a result of this review.
- Council's General Managers were required to approve gifts, but these were sometimes approved by someone more senior with delegated authority.

**WHAKAKAPINGA | CONCLUSION**

Although opportunities for improvement in the processing and management of sensitive expenditure were identified through this assurance review, compliance with the policy was largely evidenced. There were no incidents of activity identified that could be considered serious or fraudulent.

There are many requirements embedded within the Sensitive Expenditure Policy 2021 which have been addressed through the 2024 Policy improvements. Staff with delegated financial authority are currently being required to undertake training on sensitive expenditure to ensure they understand the new policy.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Sensitive Expenditure Review for the period 1 July 2023 to 30 June 2024.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil

**5.6 RISK MANAGEMENT QUARTERLY UPDATE**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

This paper provides the Risk and Assurance Committee with a quarterly update on risk management activities.

**NGĀ KŌRERORERO | DISCUSSION**

The Risk Advisor position continues to remain vacant, while our preferred candidate waits to receive NZ immigration approval. This position has been vacant since November 2023.

**Strategic Risk Management**

Strategic risks workshops have been conducted for three additional risks:

- Non-Delivery of Projects
- Maintaining IT Systems and Secure Records
- Financial Strategy

These risks are discussed in detail in a separate report on this agenda.

**Sensitive Expenditure**

Minor changes to the Sensitive Expenditure and Gift Policy are proposed to reflect Council's practices with regards to recognising long service. An updated policy is presented in a separate report on this agenda.

A training module has been developed and rolled out to ensure staff that approve purchasing understand the policy and their responsibilities.

**Fraud Policy**

Council's Fraud Policy has undergone its three yearly review. The updated policy is presented in a separate report on this agenda.

**Procurement Policy and Procedures**

A training module is being developed to help communicate key elements of the Procurement Policy, Procedures, and how to use the recently renewed supplier panels.

**Insurance**

Council has submitted its schedule of assets and accompanying business interruption estimates to its insurance broker to inform Council's 2024/25 insurance renewal.

Further discussion of insurance and uninsured risks has been provided in a separate report on this agenda.

**Health and Safety**

Council's new Health and Safety Manager commenced on 29 July 2024.

**Asbestos Management**

As part of its solid waste operations at Broadlands Road Landfill, Council receives concrete debris which gets recycled by crushing and stockpiling the material so that it may be used for applications such as driveways, building platforms, and as a roading base. Preliminary sampling of the crushed concrete stockpiles at the landfill have identified the presence of fibrous asbestos or asbestos fines at low levels. This issue is discussed more fully in a separate report elsewhere on this agenda.

**WHAKAKAPINGA | CONCLUSION**

Staff continue to progress risk management matters as far as practical given the vacant Risk Advisor position and emerging operational priorities.



**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Risk Management Quarterly Update.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil

## 5.7 STRATEGIC RISK UPDATE

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

### TE PŪTAKE | PURPOSE

This report updates the Risk and Assurance Committee on progress made in developing risk profiles for Council's Strategic Risks. It also presents a Strategic Risk Overview that is proposed to be presented at every Risk and Assurance Committee meeting.

### NGĀ KŌRERORERO | DISCUSSION

Council and the Executive Team have identified ten strategic risks (Appendix A). At the July 2024 Risk and Assurance Committee meeting members received a strategic risk profile for the risk **attracting and retaining a competent workforce**. This September paper updates members on the status of this risk, and also provides strategic risk profiles for three more of Council's strategic risks:

1. **Maintaining ICT systems and secure records.** IT systems and Council data are vulnerable to system failures and cyberattacks impacting Council's operations and reputation.
2. **Non-delivery of projects.** If the Council does not deliver the projects it has funded for within the planned timeframes then this has a negative flow on effect for future planning and funding for the organisation and delivery for the community.
3. **Financial Strategy.** If Council does not have sufficient liquidity and/or funding, then delivery of service levels and key projects may be significantly impacted (including debt levels at limit; inadequate planning for growth and timing of infrastructure; not completing planned asset sales; unforeseen funding required due to unforeseen events such as a disaster).

Workshops were held for each of these risks in August and the outputs of these workshops are summarised below and in the attached strategic risk profiles. The risks have been assessed against Council's Risk Appetite (Figure 1).

TDC'S RISK APPETITE STATEMENT:	
TDC IS WILLING TO ACCEPT RISKS THAT, SHOULD THEY OCCUR, RESULT IN: (Any risks with consequences greater than this must occur only Rarely (refer to Likelihood table) or be managed down).	
Performance & Service Delivery	<ul style="list-style-type: none"> <li>Small parts of the community experience loss of service for up to 3 days.</li> <li>Minor health or wellbeing impacts for some parts of the community due to loss of essential services.</li> <li>Delivery of some services need to be deprioritised.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>10-30% difference in budget or impact \$200,000 - \$750,000.</li> </ul>
Health & Safety	<ul style="list-style-type: none"> <li>May require medical attention.</li> <li>Requires support from external services e.g. EAP, to manage mental health concerns. No time off work is required.</li> </ul>
Regulatory & Legal Compliance	<ul style="list-style-type: none"> <li>Small legal, regulatory, or contractual breach with potential for limited litigation.</li> </ul>
People	<ul style="list-style-type: none"> <li>Permanent staff turnover of up to 18%.</li> <li>Moderate specialist skill gaps creating gaps in organisational capacity in key areas.</li> <li>Resourcing with consultants may be required to fill the gaps in critical areas.</li> </ul>
Reputation	<ul style="list-style-type: none"> <li>Negative local or regional media coverage for 3-7 days.</li> <li>Moderate loss of community trust or loss of confidence by internal and external stakeholders.</li> </ul>
Information Management	<ul style="list-style-type: none"> <li>Security flaws compromising the confidentiality and integrity of data or systems.</li> <li>Data breaches are contained internally.</li> </ul>
Environment & Climate	<ul style="list-style-type: none"> <li>Localised damage to the environment with a recovery time of 2-4 months.</li> <li>Climate change event creates disruption to education, employment, and community services for 4-14 days.</li> <li>Moderate impact on businesses, livelihoods, or consumer behaviour for 4-14 days.</li> </ul>

**Figure 1 - TDC's Risk Appetite Statement.**

## MAINTAINING ICT SYSTEMS AND SECURE RECORDS

Following workshop discussions this risk has been redescribed from *If the Council's IT system is not maintained and with up-to-date technology, then it may fail to provide the required level of security and performance resulting in loss of functionality and/or record security*

**to IT systems and council data are vulnerable to system failures and cyberattacks impacting councils' operations and reputation.**



### Risk Assessment

The rating for this risk following the risk workshop is High, based on considering both 'plausible' and 'worst case' scenarios (Figure 2 and Figure 3).

Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> <li>Council operational processes are halted or slowed as Council increasingly relies on its digital backbone.</li> <li>Regulatory and compliance requirements are not met or are delayed.</li> <li>Council reputation is damaged as service levels and customer interactions are reduced or halted due to impacted website / council systems, or a release of private information.</li> <li>Data loss - risk of accidental deletion or corruption.</li> <li>Unauthorised Access – risk of sensitive information being accessed.</li> <li>Isolated phishing and ransomware attacks that result in a minor financial impact.</li> </ul>	<ul style="list-style-type: none"> <li>Sustained Council IT system impacts due to loss of power, connectivity (fibre) or ransomware attack, natural disaster that significantly disrupts Council operations for a prolonged period.</li> <li>Breach of privacy as customer, staff or stakeholder private information is released.</li> <li>Non-compliance with statutory requirements, inability to deliver on contractual obligations result in fines for Council.</li> <li>Sustained loss of confidence from customers, staff, and key stakeholders as consequences from system disruptions or data breach negatively impact on trust.</li> <li>Data breach of Council customer information.</li> </ul>

**Figure 2** –Possible key impacts to TDC should the risk materialise.

Based on the High risk rating, this risk sits outside Council's risk appetite, and responsibility to manage this risk resides with the Group Manager – Organisation Performance (Figure 4), as is appropriate for risks that exceed Council's risk appetite.

Risk Assessment Matrix						<a href="#">Return to Risk Register</a>
LIKELIHOOD	Almost Certain	Medium	High 	Extreme	Extreme	Extreme
	Likely	Medium	High	High	Extreme	Extreme
	Possible	Low	Medium	High	High	Extreme
	Unlikely	Low	Medium	Medium	High	High 
	Rare	Low	Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Severe
CONSEQUENCE						

**Figure 3** – Assessment of TDC's Strategic risk relating to Council's ability to maintaining ICT systems and secure records. Blue line represents TDC risk tolerance / acceptability.

Residual Risk	Responsibility	Risk Management Response	Risk Management Actions
Extreme	CEO & Elected Representatives	Must be given immediate executive management attention. The CEO and/or Council can accept this level of risk.	Detailed treatment plan required to be developed and implemented. Include in Enterprise risk register.
High	Executive Managers	Requires considerable management required to reduce to as low as reasonably practicable. An executive manager can accept this level of risk.	Detailed treatment plan required developed and implemented. Include in Group risk register.
Medium	Enterprise Managers	Risks are required to be actively managed and monitored to keep risk controlled. An enterprise leader can accept this level of risk.	Specific procedures to manage and monitor the risk are in place. Include in Group risk register if appropriate.
Low	Team Leaders / Supervisors and/or Project Managers	Risks are managed and monitored with normal operational procedures and policies. The team lead, project manager can accept this level of risk.	Routine standard operating procedures for managing this risk are in place.

**Figure 4** – Level of responsibility for managing different levels of risk at TDC, based on Residual Risk Rating, as per Council's Risk Management Framework.

### Risk control options

The technology landscape is evolving quickly, necessitating ongoing vigilance and adaptation to remain ahead (examples of recent IT failures discussed in another paper elsewhere on this agenda).

Various measures have been implemented to mitigate and lessen the frequency and impact of any incidents. Council continuously monitors the cybersecurity readiness and controls across our people, processes, and systems. Council also gathers threat intelligence from both within our systems and international and national cybersecurity agencies (NCSC), utilises the Waikato shared services group for incident playbooks and scenario training, and continuously trains and assess staff on cybersecurity awareness.

### ***Future actions to mitigate the risk more effectively***

Ongoing opportunities to improve are continually assessed and programmed. Actions planned to start during the 2024/25 financial year include: i) introduction of 24/7 security monitoring from an external party to fill the gap after hours, ii) 'protecting our information asset' and digital and physical cleanup of our information, iii) identification and retiring of legacy and non-compliant IT systems, and iv) complete network redesign (zero trust network architecture) as part of the move to the new Council building. Some of the other improvements are discussed in another paper as part of this agenda.

The full *maintaining ICT systems and secure records* risk profile is presented in Attachment 1.

## NON-DELIVERY OF PROJECTS

**Risk Description:** *If the Council does not deliver the projects it has funded within the planned timeframes, then this has a negative flow on effect for future planning and funding for the organisation and delivery for the community.*

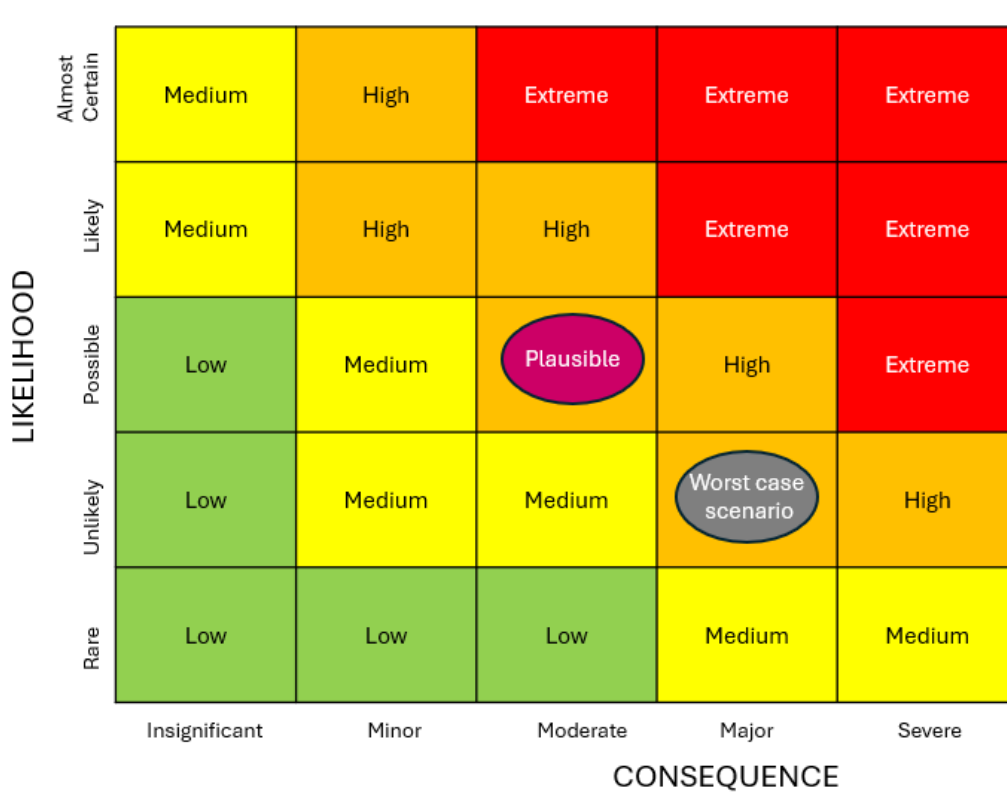
### Risk Assessment

The risk workshop evaluated both the 'plausible' and 'worst case' scenarios (Figure 5). The risk was rated High for the both the 'plausible' scenario and 'worst case' scenarios (Figure 6). A High risk rating sits outside of TDC's Risk Appetite recently determined by Elected Members and the Executive Team – note the blue line in Figure 6.

Based on the High risk rating, responsibility to manage this risk resides with General Manager - Community Infrastructure and Services (Figure 4).

Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> <li>Growth slows due to lack of infrastructure capacity quality, and/or completion of projects within financial year not met causing knock-on delivery issues in subsequent financial years.</li> <li>With lack of clear capital project timeframes, suppliers may leave the local market.</li> <li>Loss of external funding streams to support project delivery.</li> <li>Reputational damage – "TDC projects are always delivered late".</li> </ul>	<ul style="list-style-type: none"> <li>Growth halted as infrastructure capacity impedes ability to service growth.</li> <li>Major infrastructure failure as investment in renewing assets leaves them vulnerable to disruption.</li> <li>Fines and other regulatory sanctions as statutory standards are not met.</li> <li>Breach of Treaty obligations</li> <li>Loss of public and stakeholder trust and confidence as expectations fail to be met.</li> </ul>

**Figure 5** – Possible key impacts to TDC should the *non-delivery of projects* risk materialise.



**Figure 6** – Assessment of TDC's Strategic risk relating to Council's ability deliver projects. Blue line represents TDC risk tolerance / acceptability.

**Risk control options**

Council has a number of strategies they are working on to manage this risk and support project delivery.

Our Project Management Office has now been established for a number of years. They are maturing as a team with a settled management structure, clearer definition of roles and responsibilities and stronger integration with supporting teams across council.

A number of new contracting arrangements for delivering transport and water maintenance infrastructure are now in place. We have significant capital projects included in both these contracts which will assist in delivery capability and timeframes. Both the Transport (HEB) and Water (Downer) maintenance contracts take a collaborative, partnered approach, and allow us to benefit from economies of scale, by reducing marginal operational and administration costs. Risks and incentives are shared to encourage the right behaviours and outcomes.

Across Council, we are taking a programme management level view of the work programme, including investing in forecasting processes and tools that will provide more timely analysis and reporting of our progress against the work programme, as well as planning for the resources required to deliver. This will give us a more accurate picture of the full pipeline of work across the entire organisation and allow us to mitigate bottlenecks, constraints, risks and dependencies. Importantly, we will put in processes to more readily identify where works are going off-track and be able to take corrective action.

Effective July 2024 we have extended the scope and capacity of our Supplier Panels. This will speed up quality and delivery of work by making it easier to get routine jobs actioned. There will be a lower burden on procurement and administrative work to complete jobs such as regular maintenance or design work, as the supplier quality will have been vetted in advance and they are onboarded to Council's ways of working.

Our ability to plan work over multiple years is improving. Most of the large projects in the LTP have small amounts allocated in preceding years to complete design work before the full construction phase begins. Continuing to improve this phased planning, and where possible complete design work earlier to ensure we are ready for execution as planned will be an ongoing priority.

Over the coming twelve months we will be implementing a continuous and iterative approach to capital delivery improvements. The following are some of the opportunities we see to improve delivery:

- Project management involvement earlier in the project lifecycle to reduce the burden on asset managers, raise capability, and establish continuity.
- Resourcing flex as appropriate when additional project management resource will add value.
- Working closely with suppliers to give them clear visibility of our pipeline of planned work.
- Working across the whole organisation to improve planning and visibility.
- Bundling of similar routine work to create logical sequenced work packages with committed resources (e.g. minor concrete works package contracted over 12 month period with allocated Project Manager).

The full *non-delivery of projects* risk profile is presented in Attachment 2.

## FINANCIAL STRATEGY

- Risk description: ***If Council does not have sufficient liquidity and/or funding, then delivery of service levels and ability to fund key projects may be significantly impacted. This could include not having adequate headroom, growth being different to projections and modelling, planned asset sales being delayed, funding required for unforeseen event such as a disaster.***

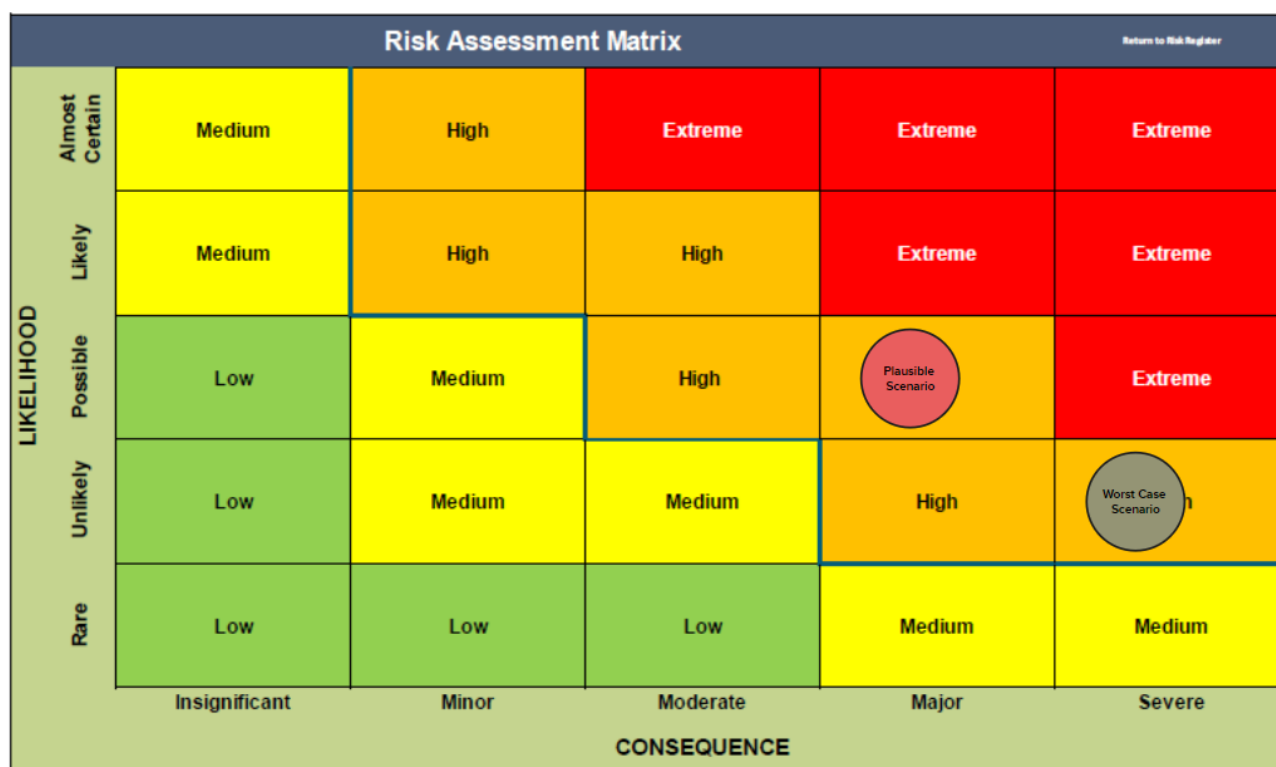
### Risk Assessment

The rating for this risk following the risk workshop is High, based on considering both 'plausible' and 'worst case' scenarios. The key factors influencing this rating are described in Figure 7. A High-risk rating sits outside of Council's Risk Appetite – note the blue line in Figure 8.

Based on the High-risk rating, responsibility to manage this risk resides with the General Manager Organisational Performance (Figure 4).

Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> <li>• Rate increases that outstrip community affordability.</li> <li>• Inability to meet regulatory requirements (such as water standards).</li> <li>• Council struggles to deliver services or meet community expectations. Amalgamation of key Council services.</li> <li>• Impact on Council credit rating. Difficulty in borrowing funds for key projects.</li> <li>• Damage to Council reputation.</li> <li>• Political tension, loss of elected members.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant impacts to Council and community assets with little option to repair/replace.</li> <li>• Inability to borrow funds for infrastructure needs. Council operations significantly affected. Council bankrupt.</li> <li>• Commissioners in place to run Council</li> <li>• Extreme loss of public and stakeholder confidence.</li> <li>• Potential reforms from Central Government</li> </ul>

**Figure 7** – Possible key impacts to TDC should the *financial strategy* risk materialise.



**Figure 8** – Assessment of TDC's Strategic risk relating to Council's Financial Strategy.  
Blue line represents TDC risk tolerance / acceptability.

**Risk control options**

Developing a Financial Strategy that is robust in the long-term has been fundamentally challenging with significant uncertainty faced by the sector e.g. Central Government Local Waters Done Well Plan, increase in severe weather events, changing legislation. However, Taupō District Council's situation is robust when compared with many other councils, as recently reemphasised by Council's strong credit rating confirmation from Standard and Poors and findings from Aon's Risk Tolerance Analysis.

Within this backdrop of uncertainty, Council is still seeking to drive improvements to its financial management. Increased accountability for responsible financial management has been a key focus, as reflected in the 2023/24 Business Plan and Council's recent investment in systems to support financial management and planning (IBIS software).

Other opportunities to further refine Council's Financial Strategy discussed in the workshop include bedding down recent structural changes in the finance team to help drive greater collaboration across the business and improved financial management and reporting.

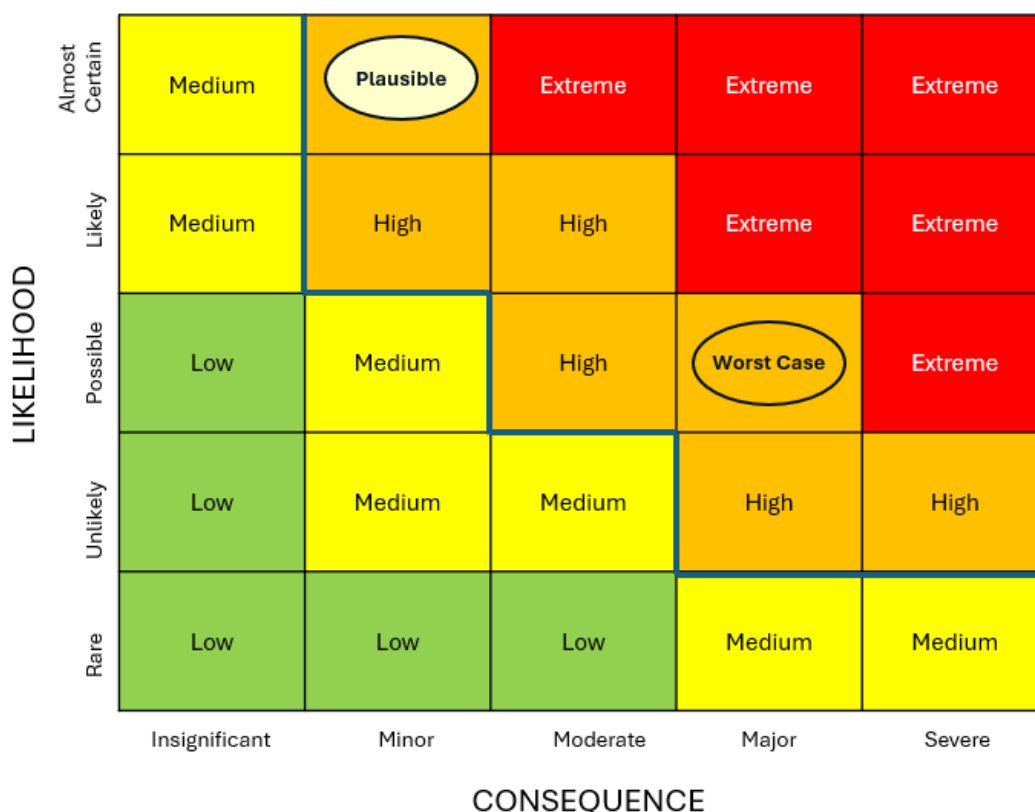
There is also an opportunity to improve asset management processes, particularly regarding capitalisation, as identified in recent Audit reviews. Improvements in this area will provide Council with a more comprehensive understanding of its assets, which is crucial for planning renewal costs and managing insurance.

The full *Financial Strategy* risk profile is presented in Attachment 3.



## ATTRACTING AND RETAINING A COMPETENT WORKFORCE

Staff turnover has reduced to 16% as a 12-month rolling average, down from 19.1% reported previously. This brings the risk down to High (previously Extreme).



**Figure 9** – Assessment of TDC's Strategic risk relating to *attracting and retaining a competent workforce*.  
Blue line represents TDC risk tolerance / acceptability.

## STRATEGIC RISK OVERVIEW

A Strategic Risk Overview is provided in Attachment 4. This will be presented at every Risk and Assurance Committee meeting to provide governance insight into Council's Strategic Risk status, even when detailed risk profiles are not presented.

## WHAKAKAPINGA | CONCLUSION

Council has identified ten strategic risks and is undertaking risk workshops to develop a detailed understanding of each of these, in particular what is driving the risk and what else can be done to mitigate or control it. The outputs of this analysis are captured in Strategic Risk Profiles. Four of Council's Strategic Risks have been analysed and Strategic Risk Profiles are attached to this report.

The ***Maintaining ICT systems and secure records*** risk has been rated High, and such remains outside of Council's risk appetite and is owned by the Group Manager – Organisation Performance.

The ***Non-delivery of projects*** risk has been rated High. This risk sits outside of Council's risk appetite and is owned by the General Manager - Community Infrastructure and Services.

The ***Financial Strategy*** risk has been rated High and as such remains outside of Council's risk appetite and is owned by the Group Manager – Organisation Performance.

The ***attracting and retaining a competent workforce*** risk has moved from an Extreme risk rating to a High rating as there has been a significant reduction in staff turnover, with the 12-month rolling average reducing from 19.1% to 16.0%.

## NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk and Assurance Committee receives the Strategic Risk Update.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Strategic Risk Profile - ICT Systems and Secure Records [⇒](#)
2. Strategic Risk Profile - Non-delivery of Projects [⇒](#)
3. Strategic Risk Profile - Financial Strategy [⇒](#)
4. Overview of Strategic Risks [⇒](#)

## APPENDIX A

•	• <b>Strategic Risk</b>	• <b>GM Risk Sponsor</b>
1.	<ul style="list-style-type: none"> <li>• <b>Attracting and retaining a competent workforce.</b></li> <li>• <i>If the Council is unable to attract and retain competent workers at the required levels, then it would be unable to achieve the required outcomes and objectives.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Julie Gardyne</b></li> </ul>
2.	<ul style="list-style-type: none"> <li>• <b>Ineffective relationships.</b></li> <li>• <i>If effective relationships with partners, stakeholders, and the community are not developed and maintained then this could result in delays in consultation and the delivery of projects and services.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Libby O'Brien</b></li> </ul>
3.	<ul style="list-style-type: none"> <li>• <b>Financial Strategy.</b></li> <li>• <i>If Council does not have sufficient liquidity and/or funding, then delivery of service levels and ability to fund key projects may be significantly impacted. This could include not having adequate headroom, growth being different to projections and modelling, planned asset sales being delayed, funding required for unforeseen event such as a disaster.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sarah Matthews</b></li> </ul>
4.	<ul style="list-style-type: none"> <li>• <b>Critical infrastructure failure.</b></li> <li>• <i>If any infrastructure essential for ensuring the safety and wellbeing of the community fails, then there could be adverse effects on public health and environmental outcomes.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tony Hale</b></li> </ul>
5.	<ul style="list-style-type: none"> <li>• <b>Zero Harm.</b></li> <li>• <i>Significant harm is caused to workers, or others, due to poor or inactive health and safety systems, non-compliance with legislative requirements, or inadequate governance/management of shared health and safety responsibilities with other PCBU's.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sarah Matthews</b></li> </ul>
6.	<ul style="list-style-type: none"> <li>• <b>Non-delivery of projects.</b></li> <li>• <i>If the Council does not deliver the projects, it has funded for within the planned timeframes then this has a negative flow on effect for future planning and funding for the organisation and delivery for the community.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tony Hale</b></li> </ul>
7.	<ul style="list-style-type: none"> <li>• <b>Compliance and legal liabilities.</b></li> <li>• <i>If the Council does not meet its obligations as a territorial authority, then it may be subject to legal action from individuals or enforcement authorities.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sarah Matthews</b></li> </ul>
8.	<ul style="list-style-type: none"> <li>• <b>Maintaining ICT systems and secure records.</b></li> <li>• <i>IT systems and council data are vulnerable to system failures and cyberattacks impacting councils' operations and reputation.</i></li> <li>• <del><i>If the Council's IT system is not maintained and with up-to-date technology, then it may fail to provide the required level of security and performance resulting in loss of functionality and/or record security.</i></del></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sarah Matthews</b></li> </ul>
9.	<ul style="list-style-type: none"> <li>• <b>Effects of Climate Change.</b></li> <li>• <i>If the current and future effects of climate change are not addressed in the Council's planning and delivery of services, then the impacts of climate change may have significant effects on the community and require additional unbudgeted resources to manage.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Warrick Zander</b></li> </ul>
10.	<ul style="list-style-type: none"> <li>• <b>Underperforming Council.</b></li> <li>• <i>If the Council fails to function as a cohesive team, then its ability to provide the governance required can be compromised and creating high levels of uncertainty in its ability to achieve its strategic objectives.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Julie Gardyne</b></li> <li>•</li> </ul>

**5.8 OUTSTANDING AUDIT AND IMPROVEMENT ITEMS**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

For the Risk and Assurance Committee to receive its quarterly report on the status of actions arising from previous external audits, internal audits, and other relevant sources.

**NGĀ KŌRERORERO | DISCUSSION**

Council seeks to deliver the best possible service to its communities, using the most efficient means possible. We continuously seek to improve our service offering and adhere to our legislative responsibilities. Audits and other relevant reviews provide valuable learning opportunities.

This report addresses recommendations arising the audit sources outlined in Table 1 below.

**Table 1** – Audit/review sources considered in the development of this report.

<b>Review/Audit</b>	<b>Review Date</b>	<b>Status</b>
Annual Report	November 2023	Outstanding matters – see attachment.
Building Accreditation	March 2023	No outstanding matters. Next audit due March 2025.
Council Mark review	April 2022	Outstanding matters – see attachment.
Drinking Water Audits (WaiComply)	November 2023	Outstanding matters – see attachment.
Environmental Health Recognised Agency Reassessment (food health) – IANZ	May 2022	Outstanding matters – see attachment. Next audit due May 2025.
Environmental Health Recognised Agency (food health) – surveillance audit.	Feb 2024	Outstanding matters – see attachment. Next audit due August 2025.
Health and Safety Review (KPMG)	August 2023	Outstanding matters – see attachment.
LTP Audit (Audit NZ)	March 2021	Outstanding matters – see attachment.
NZTA Investment Audit Report	March 2022	Outstanding matters – see attachment.
Pool Safe	February 2024	No outstanding matters.
Abridged Property Process and Function Review Summary	June 2024	Outstanding matters – see attachment.

Since the previous report to the Risk and Assurance Committee there has been one new external review:

- Abridged Property Process and Function Review Summary

For those audits/reviews where there are still open recommendations the number of outstanding items and their priority is summarised in Table 2.

Full details of audit recommendations and their current status are provided in Attachment 1. Those actions that are delayed have been highlighted orange in the attachment.

**Table 2** – Current status of outstanding audit and review recommendations.

		<b>Total recommendations by Priority (number staff believe closed, pending approval)</b>				
<b>Audit type</b>	<b>Audit Source</b>	<b>Urgent/ High</b>	<b>Necessary/ Med</b>	<b>Beneficial/ Low/ Recommended</b>	<b>No priority assigned</b>	<b>Total</b>
External	Annual Report – Audit NZ	3 (1)	25 (10)	5 (4)	-	33 (15)
	Drinking Water Audits	- (n/a)	- (n/a)	- (n/a)	8 (4)	8 (4)
	Environmental Health – reassessment audit	- (n/a)	- (n/a)	6 (5)	-	6 (5)
	Environmental Health – surveillance audit	- (n/a)	- (n/a)	3 (1)	-	3 (1)
	LTP Audit	- (n/a)	2 (1)	- (n/a)	-	2 (1)
	NZTA Investment Audit Report	- (n/a)	2 (1)	8 (8)	-	10 (9)
	Abridged Property Process and Function Review Summary	- (n/a)	- (n/a)	- (n/a)	10 (n/a)	10 (n/a)
Internal	Council Mark				19 (10)	19 (10)
	KPMG H&S Review	7 (2)	15 (2)	20 (12)	-	42 (16)
	<b>Completely closed audits</b>	<b>(13)</b>	<b>(1)</b>	<b>(9)</b>	-	<b>(23)</b>
	<b>TOTAL</b>	<b>23 (16)</b>	<b>45 (15)</b>	<b>51 (39)</b>	<b>37 (14)</b>	<b>156 (84)</b>

Council has been steadily progressing implementation of audit and review recommendations and of the 156 recommendations, officers believe that 84 require no further action (up from 79 on the previous report), however a number of these await a follow up audit/review to formally remove them.

Progress will continue to be monitored and reported at the next Risk and Assurance Committee meeting on 9 December 2024.

### WHAKAKAPINGA | CONCLUSION

That the Risk and Assurance Committee receives the report on outstanding audit and business improvement items.

### NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk and Assurance Committee receives the report on the status of audit and review recommendations.

## **NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Open Audit Recommendations ➡
2. Closed Audit Recommendations ➡

**5.9 NON-FINANCIAL PERFORMANCE MEASURES REPORTING**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

For the Risk and Assurance Committee to receive its quarterly report on Council's performance against its Non-Financial Performance Measures.

**NGĀ KŌRERORERO | DISCUSSION**

Through the development of its Long-term Plan, Council establishes Non-Financial Performance Measures. These state measurable levels of performance that Council plans to deliver for each of its key service areas. Non-financial performance measures are considered the commitment we make to our communities in exchange for the rates we take to deliver these services on their behalf. These are one of the key aspects checked by Audit NZ during its review of Council's Annual Report.

Elected members and senior management now receive quarterly reports to provide better visibility of how Council is delivering against these commitments. The final quarterly report for the 2023/24 year is presented in Attachment 1.

Council currently has 66 non-financial performance measures and this report categorises each of these into one of the following:

- **Achieved;**
- **Not Achieved;**
- Has **No Data Available Yet** (where analysis of results are still ongoing).

Staff are still collating data to inform our performance against the *Investment* activity and some of the *Transport* activity, namely:

Investment:

- The value of the TEL Fund is maintained relative to inflation.
- The percentage yield on the TEL fund is greater than 1% above the 90- day bill rate.
- The percentage yield on general and special reserve funds is greater than the minimum target set in the treasury management policy.

Transport:

- 80% of the district's footpaths have a displacement less than or equal to 10mm in urban areas.

The Non-Financial Performance Measure report (Attachment 1) summarises performance against each activity e.g. how many of the eleven 'Water' activity performance measures have been achieved?

For each performance measure that is Not Achieved, further commentary is provided as to why this has occurred and what officers are doing to improve the result in future years. Council's historical performance against target is also presented graphically.

Council's performance for the 2023/24 year has improved when compared to the previous year. Slight improvements have been made in the Community Services, Democracy and Planning, and Solid Waste activities which have all met one more target in 2023/24 when compared to the previous year. This year the Wastewater activity met all its nine targets, whereas only six were attained previously. There has been no change for other activities, although it is currently unclear of the final status of the Investment and Transport activities.

**WHAKAKAPINGA | CONCLUSION**

The report gives insight into the level of service Council is delivering for its community as illustrated by its performance against non-financial performance measures, which are established through the Long-term Plan.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Non-Financial Performance Measures Q4 2023/24 Report.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. NFPM Performance Report - 1 July 2023 to 30 June 2024 [⇒](#)



**5.10 SENSITIVE EXPENDITURE AND GIFT POLICY REFINEMENT**

**Author:** Louise Chick, Business Excellence Manager  
**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To present an updated Sensitive Expenditure and Gift Policy for Risk and Assurance Committee review and adoption.

**NGĀ KŌRERORERO | DISCUSSION**

The 2024-2027 Sensitive Expenditure and Gift Policy was previously adopted by the Risk and Assurance Committee at its July 2024 meeting.

After adoption and subsequent staff training, it was identified that further refinement to this Policy was required to reflect long-established practices that recognise long-service leave and bereavements (clauses 18.15 and 18.17).

It is proposed clause 18.15 be modified to allow Council to offer support or sympathy gift when an employee's immediate family member passes, *including a sibling*, or also following the passing of an individual of significant civic standing or someone who has made a significant contribution the Taupō District.

It is proposed clause 18.17 be modified to enable long-service to be recognised through the giving of greeting or gift cards. It is proposed the following clause 18.17 be modified to:

*TDC acknowledges long-service from staff through the giving of greeting and gift cards. When staff have been employed by TDC for longer than 5 years the following applies:*

<b>Years of Service</b>	<b>Long Service Recognition</b>
5 years and 10 years	Greeting card.
15 years	Greeting card and \$100 gift card.
20 years	Greeting card and \$200 gift card.
25 years	Greeting card and \$250 gift card.
>25 years	At Chief Executive's discretion

**WHAKAKAPINGA | CONCLUSION**

It is proposed the 2024-2027 Sensitive Expenditure and Gift Policy be refined to reflect established practices that recognise long-service leave and bereavements.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives and adopts the proposed *Sensitive Expenditure and Gift Policy*.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Updated Sensitive Expenditure and Gift Policy ➡

**5.11 FRAUD POLICY UPDATE**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To present an updated Fraud Policy for Risk and Assurance Committee review and adoption.

**NGĀ KŌRERORERO | DISCUSSION**

Council's Fraud Policy is due to be renewed every three years and is due for renewal in 2024. Council's Fraud Policy has been reviewed and minor updates made to reflect changes in organisational structure and responsibilities. No further changes were deemed necessary as the 2021 version is still considered fit for purpose.

**WHAKAKAPINGA | CONCLUSION**

Council's Fraud Policy expires in 2024 and has been reviewed (the proposed policy is Attachment 1). There have been only minor changes made to the policy that reflect changes in organisational structure and responsibilities.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives and adopts the proposed Fraud Policy.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Proposed Fraud Policy 2024 [📎](#)

**5.12 CRUSHED CONCRETE CONTAMINATION AT BROADLANDS ROAD LANDFILL**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To brief the Risk and Assurance Committee on asbestos contamination of crushed concrete at the Broadlands Road Landfill.

**WHAKARĀPOPOTOTANGA MATUA | EXECUTIVE SUMMARY**

As part of its solid waste operations, Taupō District Council provides for the dumping of concrete debris at Broadlands Road Landfill and recycles it, selling this recycled material as crushed concrete. After possible asbestos was identified in crushed concrete that had been on-sold, sampling was taken of the concrete stockpiles at the landfill, which found a low-level presence of asbestos in all three stockpiles, with samples from two testing just above safe levels and the other with a sample right on the threshold.

Council is currently following expert advice to guide its response to this situation and is required to undertake more advanced testing, due to the initial positive sample results. Further testing requires the stockpiles to be redistributed into smaller sizes, and procurement is underway to engage a suitably qualified contractor to do this. The full extent of contamination within those stockpiles will remain unknown until this detailed testing has been completed.

Some of the contaminated crushed concrete has been sold to customers. Where crushed concrete sites are known, Council has undertaken testing and all except one has returned results at safe levels. One site has been remediated.

However, it is unclear when the material became contaminated. There may be customers who purchased material prior to the most recent concrete crushing (14 May) that may also be impacted. Tracing these customers is particularly challenging given some sales were on a cash basis. Council has asked other potentially affected customers to contact us in a media statement released in early August. Although widely published through various media outlets, Council has not been contacted by concerned customers.

There are several risks which have been required to be managed during this process and will continue to require close management going forward, until concrete stockpiles are confirmed safe.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the report relating to crushed concrete contamination at Broadlands Road Landfill.

**TE WHAKAMAHUKI | BACKGROUND****Crushed concrete operations at Broadland's Road Landfill**

As part of its solid waste operations at Broadlands Road Landfill (Landfill), Council receives concrete debris which is crushed and stockpiled so that it may be recycled, and used for applications such as driveways, building platforms, and as a roading base.

Approximately 2,800 tonne of recycled crushed concrete was sold last year, reducing the amount to Landfill and providing Landfill customers with a more cost-effective disposal option. Receipt of general waste is charged at \$210/tonne and receipt of concrete debris is charged at \$20/tonne. Processed crushed concrete is sold at \$12 per tonne. In 2023/24 these operations generated income of approximately \$80,000. Although only a modest amount of profit is made from these operations, this has diverted over 100,000 tonnes of material from Council's landfill since the crushed concrete operations began.

One of the risks of this operation is the potential for asbestos containing material to contaminate recycled concrete.

To minimise the chance of asbestos contamination:

1. The Landfill has signage at the entrance stating the Landfill does not accept asbestos.
2. Customers are asked by kiosk staff whether material they are wanting to dispose of contains asbestos.
3. The Enviro NZ Operations Manager undertakes daily inspections of the entire Landfill, including concrete for recycling to identify any issues.
4. Concrete to be crushed is visually inspected prior to commencement of crushing operations.
5. Each bucket load of concrete is visually inspected prior to crushing by the third-party contractor undertaking the crushing.

Although Enviro NZ oversee receipt of recycled concrete from customers, the crushing is undertaken by a third party, and all aspects of crushed concrete management are excluded from Council's contract with Enviro NZ.

### **Asbestos in crushed concrete**

In mid-June Council officers were alerted that crushed concrete sourced from Broadlands Road Landfill, being used on a Council project at the entrance to the Acacia Bay wastewater treatment plant, contained material that looked like asbestos. The contractor involved was instructed to cease work until the crushed concrete could be tested to determine whether it did in fact contain asbestos.

The crushed concrete applied at the entrance to the Acacia Bay wastewater treatment plant tested negative for the presence of asbestos. However, testing was also undertaken on the concrete stockpile at the Landfill from which this material was sourced, which tested positive.

Due to this positive test result, preliminary testing of all three of the large crushed concrete stockpiles at the Landfill was undertaken which returned positive results for asbestos at levels that are either at or exceed safety thresholds.

The three stockpiles have been surveyed and there is 5,070 m<sup>3</sup> (roughly 10,000 tonne) of material in total.

The testing is preliminary because only four samples were taken from each of the stockpiles, with the intent of providing an initial indication as to whether or not asbestos was present.

The asbestos regulations define the sampling density needed to obtain statistical significance regarding the extent of asbestos contamination. The sampling undertaken to date does not meet the sampling density required - it has not been possible to achieve this without redistributing the stockpile material into flatter and smaller piles (stockpiles are currently approximately 5 metres high). Any movement of the stockpiles now requires application of asbestos controls such as setting up air monitoring networks and decontamination of any machinery used.

The main immediate health risk associated with the crushed concrete is the mobilisation of small asbestos fibres into the air which may then be breathed in. Ongoing exposure to asbestos fibres over a sustained period may cause inflammation and scarring of lung tissues (asbestosis).

The crushed concrete stockpiles are located approximately 500m from other operational landfill areas. Keeping stockpiles damp or covered prevents asbestos fibres from mobilising. A watering system has been set up to dampen stockpiles until a longer-term remediation and disposal option can be implemented. This is being monitored by Council staff. There is no known risk to other Landfill customers or operators as long as these controls are maintained. These controls are documented in an Asbestos Management Plan.

Recycled concrete is stockpiled at the Landfill in an unprocessed form until stockpiles start to deplete, after which an independent contractor is engaged to crush the concrete. This happens approximately once every four months. Crushed concrete stockpiles are replenished from the eastern face of the stockpile. Initial testing results indicate:

Stockpile 1 (gap 25) shows contamination on the eastern side of the stockpile.

Stockpile 2 (gap 45) shows contamination on the north and eastern side of the stockpile.

Stockpile 3 (gap 65) shows contamination on the western side of the stockpile.

Given the above results and the way the stockpiles are managed, it is not possible to determine an exact date that asbestos contamination may have occurred.

The Landfill stopped selling crushed concrete as soon as the presence of asbestos was confirmed, mid-July.

The Landfill also stopped accepting concrete for recycling in mid-July, until such time as it determines how it will process crushed concrete without the risk of contamination. Customers are now required to dispose of concrete waste in the general landfill waste and pay a higher rate. This has created some negative feedback.

### **Distribution of crushed concrete to customers**

Concrete was last crushed at the Landfill on 14 May. The Solid Waste team have reviewed sales dockets for each sale that occurred since this date – 212 tonne had been sold to seven customers. All customers bar one have been able to be traced. The customer that has not been contacted purchased 1.3 tonne and has not been reachable.

The material sold since 14 May has been distributed to nine known sites and all of these have been tested. Eight of these tested either negative for asbestos or at levels within safe thresholds. One site tested positive for asbestos containing material and has subsequently been remediated.

There is no way to reasonably determine when contamination first occurred, so it is possible that Council may have sold contaminated crushed concrete prior to the last concrete crushing (14 May).

### **Community communications**

In early August Council wrote to local iwi and hapū advising them of the situation. Council also released a media statement alerting the community to the potential for customers to have purchased crushed concrete that may be contaminated with asbestos. The media statement requested that customers who purchased crushed concrete from the Broadlands Road Landfill contact Council to arrange for appropriate testing to take place.

Council received feedback from two hapū groups, and both were supportive of the approach being taken.

The press release was picked up and reported on by various media outlets (NZ Herald, RNZ, Scoop, PressReader etc). So far reporting has been balanced and supportive of the approach that Council is taking in managing this issue.

Council received very few calls from the community in response to the media release, and none were from customers who purchased crushed concrete.

In addition to the media release, the matter was also covered in Council's Print Connect and Digital Connect.

## **NGĀ KŌRERORERO | DISCUSSION**

### **Immediate next steps**

#### ***Test all crushed concrete at customer sites***

Should in the future customers who have previously purchased crushed concrete contact Council, Council will advise customers accordingly and have their crushed concrete tested for asbestos wherever this is physically possible. If material at a site is unable to be tested, say because it currently resides under a sealed road for example, it may need to be assumed that asbestos is present at unsafe levels. The site may require an asbestos management plan so that any future site disturbance can be managed safely. The site will also have to be recorded on the property's Land Information Memorandum (LIM) and the Waikato Hazardous Activities and Industries List (HAIL) register. Officers will work to do all that is possible to avoid this.

Council does not plan to remediate sites where asbestos is present at safe levels.

#### ***Further testing of crushed concrete stockpiles at the landfill***

To fully understand the extent of asbestos contamination and associated risks the NZ asbestos regulations define how many tests are required for the amount of material that is potentially contaminated. Officers worked alongside asbestos specialists to design a testing methodology for the Landfill stockpiles. This requires the stockpiles to be redistributed into flatter and smaller piles while applying asbestos controls such as air monitoring networks and decontamination of any machinery used.

Council has issued a closed Request For Proposal to redistribute the 10,000 tonnes into 75m<sup>3</sup> piles in a controlled environment. Proposals have been received, and at the time of writing were being evaluated. It is expected that Contractors will commence work on site in September. Further testing can progress once the stockpiles have been redistributed, likely in November.

***Determine disposal options***

Council officers are still working through further testing so it is currently unknown how much material will need to be disposed of, or the best disposal option.

**NGĀ HĪRAUNGA | CONSIDERATIONS****Ngā Aronga Pūtea | Financial Considerations**

An initial budget was approved by Council on 30 July to enable testing to progress. It is possible that the testing, remediation and disposal could be achieved for less than this budget however the financial impact of the asbestos contamination is unknown until further testing and investigation is undertaken.

Long-term Plan/Annual Plan

The above budget has subsequently been incorporated into the draft Long-term Plan.

**Ngā Aronga Ture | Legal Considerations**

Both the Council's Public Liability and Professional Indemnity policies have asbestos exclusions. This has been a standard exclusion on most (if not all) Public Liability and Professional Indemnity policies for a number of years.

The Council's Statutory Liability Policy does not contain an asbestos exclusion, so this Policy should respond in the event of an investigation and/or prosecution of the Council by a statutory body in relation to this matter.

The crushing of concrete is expressly excluded from the Council's contract with Enviro NZ who manage the Landfill for the Council. Enviro NZ's obligations in relation to crushed concrete are limited to maintaining the stockpile(s) in a tidy condition and ensuring the load-out of crushed concrete without delay, and in a manner that does not overload the receiving vehicle. Income from the sale of crushed concrete is excluded from the contract and remains with the Council. While there was an obligation on the third-party concrete crushing contractor to conduct a visual inspection of the material prior to crushing, it is unlikely a simple visual inspection would detect the presence of asbestos containing material in every case (e.g. it may have been buried in the pile to be crushed) and therefore difficult to hold the contractor liable.

**Ngā Hīraunga Kaupapa Here | Policy Implications**

There are no known policy implications.

**Te Kōrero tahi ki te Māori | Māori Engagement**

Maintaining constructive relationships with local iwi and hapū is paramount to Council.

In early August Council wrote to Te Kotahitanga O Ngāti Tūwharetoa, Ngāti Tahu–Ngāti Whaoa, and a representative for the Tauhara Middle Trusts (Tauhara Middle 4A2A Trust and Tauhara Middle 18 Trust and Tauhara Middle 15 Trust) to advise them of this issue.

Although Council's resource consents allow for asbestos contaminated material to be disposed of within the landfill, it is officers' understanding that there was a gentlemen's agreement to not dispose of contaminated material at the Broadlands Road Landfill, made between Taupō District Council and the three Tauhara Middle Trusts, namely Tauhara Middle 4A2A Trust and Tauhara Middle 18 Trust and Tauhara Middle 15 Trust. This agreement was made around the time Council obtained its resource consent to operate the Broadland's Road Landfill (circa 1998). The formal agreement with the respective Trusts does not explicitly state that contaminated material shall be not accepted at the Landfill.

The Broadlands Road Landfill sits at the foot of Tauhara maunga and the Hikuwai hapū collective have previously expressed their unease that the Landfill is situated here.

**Ngā Tūraru | Risks**

Table 1 below identifies known risks arising from dissemination of crushed concrete potentially contaminated by asbestos.

**Table 1** – risks arising from asbestos contamination at the Broadlands Road Landfill

<b>Risk</b>	<b>Response/Comment</b>
Financial implications which are operational in nature and rates funded.	Quantum for financial implications is unknown at this current stage but is possible this could be material, given quantity of crushed concrete in the stockpiles and early estimates of disposal costs. Further investigation into our disposal options is required and testing to determine what quantity may need to be disposed of.
Adverse potential health affects due to material potentially containing asbestos being unmanaged in the community.	Testing of the asbestos identifies that asbestos contamination is at the low end of the scale. Asbestosis is a disease arising over continued exposure for a sustained period and considered unlikely given Council's current understanding of the level and extent of contamination.
Worry and concern by customers who have purchased crushed concrete and who may be concerned about the impacts of receiving potentially contaminated material.	At the time of writing Council had not been contacted by any crushed concrete customers expressing concern about potential contamination.
Reputational harm to Council resulting from this issue, and the potential impact on rates resulting from this.	To date reporting by media has been balanced, including some praise for the responsible approach being taken by Council. Council has received negative feedback from customers. There has been limited general feedback from ratepayers.
Worry and concern by customers who have purchased crushed concrete and who may be concerned about the impacts of receiving potentially contaminated material.	Communications Team preparing FAQs to respond to this.
Property owners may be upset if the presence of contaminated material results in a notification being added to their Land Information Memorandum.	Low likelihood as testing of customer sites has so far returned only one positive result for asbestos containing material (ACM) which has subsequently been remediated
Concern from local iwi regarding Council's management of contaminated material within the Landfill, and potential implications for resource consent renewal.	Solid Waste team currently considering what future controls are required to prevent a similar situation arising in the future. Council may also wish to consider the future viability of concrete recycling in the future.

## WHAKAKAPINGA | CONCLUSION

Two large crushed concrete stockpiles at Broadlands Road Landfill have tested positive for asbestos with a third on the threshold of safe levels. The full extent of contamination within those stockpiles is unknown and more detailed testing is underway to determine this.

Some of the contaminated crushed concrete has been sold to customers. Where crushed concrete sites are known, Council has undertaken testing and all bar one has returned results at safe levels. One site has been remediated.

However, it is unclear when the material became contaminated. There may be customers who purchased material prior to the most recent concrete crushing (14 May) that may also be impacted. Tracing these customers is particularly challenging given some sales were on a cash basis. Council has asked other potentially affected customers to contact us in a media statement released in early August. Although widely published through various media outlets, Council has not been contacted by concerned customers.

The level of contaminated material and associated costs of disposal of contaminated material are largely unknown at this stage as additional investigation and testing is required.

There are several risks which have been required to be managed during this process and will continue to require close management going forward, until concrete stockpiles are confirmed safe.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil



**5.13 IMPROVEMENT ACTIONS FOR ASBESTOS MANAGEMENT AND PROPERTY FUNCTIONS**

**Author:** Sarah Matthews, General Manager Organisation Performance

**Authorised by:** Julie Gardyne, Chief Executive

**TE PŪTAKE | PURPOSE**

To update the Risk and Assurance Committee of recommendations made to Council during the independent review of Council's property process and functions after asbestos findings in topsoil stockpiles at Council's commercial development, 204 Crown Road. The improvement actions for asbestos management and property functions are supported by an abridged version of the independent review which was completed by The Property Group (TPG).

**NGĀ KŌRERORERO | DISCUSSION**

In early 2024, Council contractors working on Council's commercial development at 204 Crown Road, identified what looked to be asbestos containing material (ACM) in one of the topsoil stockpiles that was on site. Early sampling confirmed the presence of ACM above acceptable levels and Council responded quickly to ensure the stockpiles were managed in a safe and appropriate manner and risks were mitigated. The Business Excellence Manager (BEM) led a project team to address this issue, due to the Health & Safety implications.

Safety concerns were managed and addressed immediately by the project team with expert asbestos advisors, and Council was required to undertake thorough testing of the material to inform appropriate decision making and remediation actions. Council also needed to establish the origin and history of the stockpile to ensure appropriate tracing of where this material had come from and if it had been distributed elsewhere and where to (if it had).

It was established by the project team that these stockpiles had been moved by Council from its other commercial development at 30 Māhoe Street and Council had also provided some of the stockpile to a local business to on-sell as part of commercial activities.

Due to the nature of the movement of the stockpiles, Council established that there was possible exposure of people to asbestos through earthworks and movement of fill, including the possibility that some of the fill had been on-sold to the public (by the local business). Due to the possible exposure, there were obligations for Council to ensure the issue was investigated and the extent of contamination at the various locations was known, to manage the issue appropriately. Council then had obligations to address the consequences, including, ensuring compliance with WorkSafe and/or Waikato Regional Council.

Fortunately, the more detailed sampling of the stockpiles themselves, the original site, and the material given to the local business, revealed that the contamination was relatively contained. It was also fortunate that the local business had not on-sold any material which limited any potential exposure of the public and allowed detailed testing of all material to be completed.

After detailed testing was completed, Council remediated the sites in line with expert advice, removing 24m<sup>3</sup> of contaminated material at Crown Road, and 1.6m<sup>3</sup> at Mahoe Street, with no remediation being required of material at the local business (due to testing confirming this material as safe).

Council wanted to ensure there were learnings from this issue to mitigate risks of any possible future asbestos exposure event. Council commissioned an independent review be completed of Council's property process and functions by The Property Group (TPG).

During their review, TPG requested, received, and reviewed TDC provided information including 100+ documents and many emails. They met with eleven Council officers and applied expertise and industry insight to inform the content, conclusions, recommendations and suggested next steps of the report.

This review provided a comprehensive document for Council's Executive to consider but also was not able to be shared wider due to the report including personal information in relation to Council staff and suppliers. Council officers wanted to ensure governance were provided with oversight of recommendations and actions to ensure there was visibility at governance level and accountability for recommended improvements. An abridged report has been provided as an attachment to this report.

The abridged report shows all improvement actions, which will be added to Council's outstanding audit and improvement items, with appropriate indicative timing given. These recommendations are summarised on the table below.

Improvement Area	Recommendations
Asbestos Management	The 2024 Asbestos Management Plan (AMP) review is underway and which when completed is to have content align with industry best practice. Land, as well as buildings, to be addressed within the AMP.
	TDC's engagement of officers with experience and knowledge aligned with the property role and provided with training and on-going risk and H&S management will assist with informing and maintaining competency of those potentially involved in asbestos identification and management thereof.
	Key Performance Indicators (KPIs) to be used to encourage currency and competency, and measure adherence.
Supplier Panel	Complete a review and update of the Supplier Panel. Have the review include the conveyance to suppliers of the requirements and expectations of TDC in all regards. H&S, scope, fees, contract and performance. These to be in accordance with TDC's Procurement Policy 2024.
	Implement KPIs to encourage processes and role responsibilities adherence and measure through internal checks and audit.
	Reinforce desired culture of TDC to TDC officers and suppliers through TDC leading by example and therefore complying with the Procurement Policy, regardless of time and delivery pressures.
Development of new policies	Property Strategy. This will categorise TDC's strategic and non-strategic properties, provide a masterplan for the Property Team to work to and give direction and understanding of wider property expectations and outcomes sought.
	Acquisition and Disposal Policy. To provide guidance to TDC officers when acquiring and disposing of properties, derisking and enabling clear due process steps to be followed.
	Housing for the Elderly Policy. Provide clarity on the basis of the provision of TDC's elder housing and qualifying criteria for tenants.
	Concessional Lease Policy. Provide clarity, consistency and ease of application for use of TDC's non-commercial properties.

The full report recognised shortcomings in Council's previous Procurement Policy (2021), but these were already closed and addressed prior to completion of this independent review through the updated 2024 Procurement Policy and associated documents, which were adopted at the July Risk and Assurance Committee meeting. It also referenced improvements from the KPMG health and safety review recommendations, but this has been excluded from the abridged report as a double up from the KPMG review and recognition that actions are already on Council's outstanding audit and improvement report.

### WHAKAKAPINGA | CONCLUSION

Recommendations will be added to Council's outstanding audit and improvements report actions which has oversight from this committee. Remediation has been completed and there are no further actions proposed in relation to this issue, other than ensuring report recommendations are progressed appropriately.

### NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk and Assurance Committee receives the report titled 'Improvements Actions for Asbestos Management and Property Functions' by Sarah Matthews, and associated abridged report provided by The Property Group.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Abridged Property Process and Function Review Summary, dated August 2024 [⇒](#)

**5.14 INSURANCE UPDATE**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To inform the Risk and Assurance Committee of insurance market conditions and approach to Council's 2024/25 insurance renewal programme.

**TE WHAKAMAHUKI | BACKGROUND**

Council insurances are procured through the Bay of Plenty Local Authority Shared Services (BOPLASS). Aon New Zealand Limited were appointed as the insurance broker following a joint procurement process with other LASS groups and Hawkes Bay councils, designed to deliver additional value, including savings in fees and premiums.

Insurance is a risk management tool to mitigate financial loss associated with unforeseen and significant adverse events.

Council's insurance policies have a common annual renewal date of 1 November. Work required for the 1 November 2024 renewal is well underway.

Council's current insurance policies and associated premium costs are summarised in Table 1 below.

Over 85% of Council's insurance premium costs arise from its *Material Damage and Business Interruption* and *Professional Indemnity* policies.

**Table 1** – Summary of Council insurance 2023/24 policies held and premium cost.

Policy Name	Purpose	Previous Year's Cost 2023/24	Percentage of total cost
Airport Owners Liability Insurance	To pay third party in the event of damage arising from airport operations.	10,300	0.6%
Commercial Motor Vehicle Insurance		89,200	5.4%
Crime		26,400	1.6%
Cyber	From actual or suspected breach of computer systems, extortion threat, restricted access to network.	16,700	1.0%
Employers Liability	Protects against settlements or damage, including defence costs resulting from an employee suffering bodily injury in the course of their employment not covered by ACC.	5,200	0.3%
Fine arts	Physical loss or damage to fine arts.	9,900	0.6%
Forestry/Standing Timber coverage	Loss or damage to standing timber from defined events.	13,500	0.8%
Material Damage & Business Interruption	Damage to property/assets listed in Schedule. Loss from interruption as a consequence of damage to insured property/assets.	1,034,000	62.3%
Professional Indemnity	Covers against claims for breach of professional duty or negligence in the performance of services.	377,000	22.7%
Public Liability	Protection against third party property damage and personal injury.	57,000	3.4%
Statutory Liability	Covers Council for unintentional breaches of statutes which may result in prosecution.	20,000	1.2%
<b>Total</b>		<b>1,659,600</b>	

## NGĀ KŌRERORERO | DISCUSSION

### Insurance Market Commentary

Aon issues a quarterly 'Global Insurance Market Insights' report, which includes commentary specific to the New Zealand insurance markets. Their New Zealand market insights are presented in Appendix A and summarised below.

Overall insurance costs tended to increase 1-10% due to changes in the Property Market (where Material Damage and Business Interruption insurance is placed). Other markets have remained flat, excepting Cyber which has experienced pricing reductions due to the new insurers entering the market. The overall market is stabilising when compared to increases experienced over recent years.

New Zealand's constrained local insurance market capacity has seen an increased trend of seeking support from overseas markets, like London, which is providing more capacity and driving market competitiveness. Aon places the BOPLASS insurance in the London market.

However, insurers with natural catastrophe exposures have experienced constrained capacity, reflecting the huge cost of the 2023 Auckland Anniversary and Cyclone Gabrielle events (estimated at \$11.8 billion).

The upward pressure on deductibles (excess) experienced in previous years has generally paused, although insurers are considering risk-specific exposures and amending deductibles on a case-by-case basis.

### 2024/2025 Renewal Approach

Council currently holds eleven insurance policies and the cost of these for the 2023/24 are detailed in Table 1 below. This table indicates the key sources of risk for Council are its material damage to key assets and associated business interruption, and breaches of professional duty or negligence in the performance of services (professional indemnity).

The 2024/2025 renewal programme has already commenced and we are working to the following timelines with BOPLASS and Aon:

#### ***Property Insurance***

Council obtains 'property insurance' insurance via its Material Damage, Fine Arts and Forestry/Standing Timber insurance policies. Material Damage and Business Interruption Schedules have been provided to Aon, who will submit to underwriters in August, and present in September. Fine Arts and Forestry schedules will be submitted to Aon in September. Insurance terms will be provided and renewal confirmed in October.

#### ***Liability***

Liability renewal declarations to support Council's Employers', Professional, Public and Statutory Liability policies were returned to Aon in late August, who will submit and present to underwriters in September. Insurance terms will be provided and renewal confirmed in October. This year insurers have requested particular attention be given to the section regarding Building Consents/LIMS Issues as part of its professional indemnity liability declarations.

#### ***All Other Lines***

Other renewal declarations have yet to be received from Aon but will be returned to Aon in early September. Aon will submit to underwriters in September. Insurance terms will be provided and renewal confirmed in October.

### Considerations for this year's placement

Council's Material Damage and Business Interruption have been updated to incorporate new assets. As we are part-way through our three yearly insurance valuation cycle, adjustments to insured values on Council's material damage schedule have been made using inflationary rates provided by Aon. BERL report rates were used where rates were not provided by Aon.

Key assumptions that inform Council's approach to insurance include:

- i) Council's **below ground reticulation** assets do not have insurance placed as Council has elected to 'self-insure'. Council will access cash reserves and/or the TEL Fund to replace assets should a major event occur.
- ii) Council has not historically insured its **stormwater drainage** assets and does not propose to do so for this placement.

- iii) Council has not historically insured its **roading** assets and does not propose to do so for this placement. It has however for the first time included 12 strategically important bridges to be insured. This is consistent with the approach taken by most other councils.
- iv) Council has not historically insured its **Solid Waste** assets and does not propose to do so for this placement. These assets are the cells receiving the solid waste which are lined with layers of material like geomembrane and clay and low likelihood of damage.
- v) Council has not historically insured its **Airport roads, runway, stormwater or land** and does not propose to for this placement.
- vi) Council has not historically insured its **land** and does not propose to do so for this placement.
- vii) Council does not obtain any form of **formal valuation** for the following asset classes, and therefore true value is unknown:
  - a. Fine arts are not regularly revalued, rather inflation has been applied to the original cost of the art. On this basis, Council is estimated to have fine arts to the value of \$8.7M and will insure \$8.5M of this.
  - b. Office furniture and fittings have a historic cost of \$35M. i.e. this is their uninflated value. Office and furniture and fittings are partially insured. The materials damage policy allows for plant, equipment contents and stock within buildings to the value of \$19M across 55 buildings.
  - c. Library books value has been estimated at \$4.4M (110,000 books at \$40/book). Library books are partially insured as part of the stock in office furniture but would be largely uninsured.
  - d. Park furniture and structures have a historic cost of \$6M. i.e. this is their uninflated value. Of this \$5M will be insured.
  - e. Plant and equipment have a historic cost of \$4.2M. i.e. this is their uninflated value. Of this \$1.8M will be insured.

### Council's risk position in relation to insurance

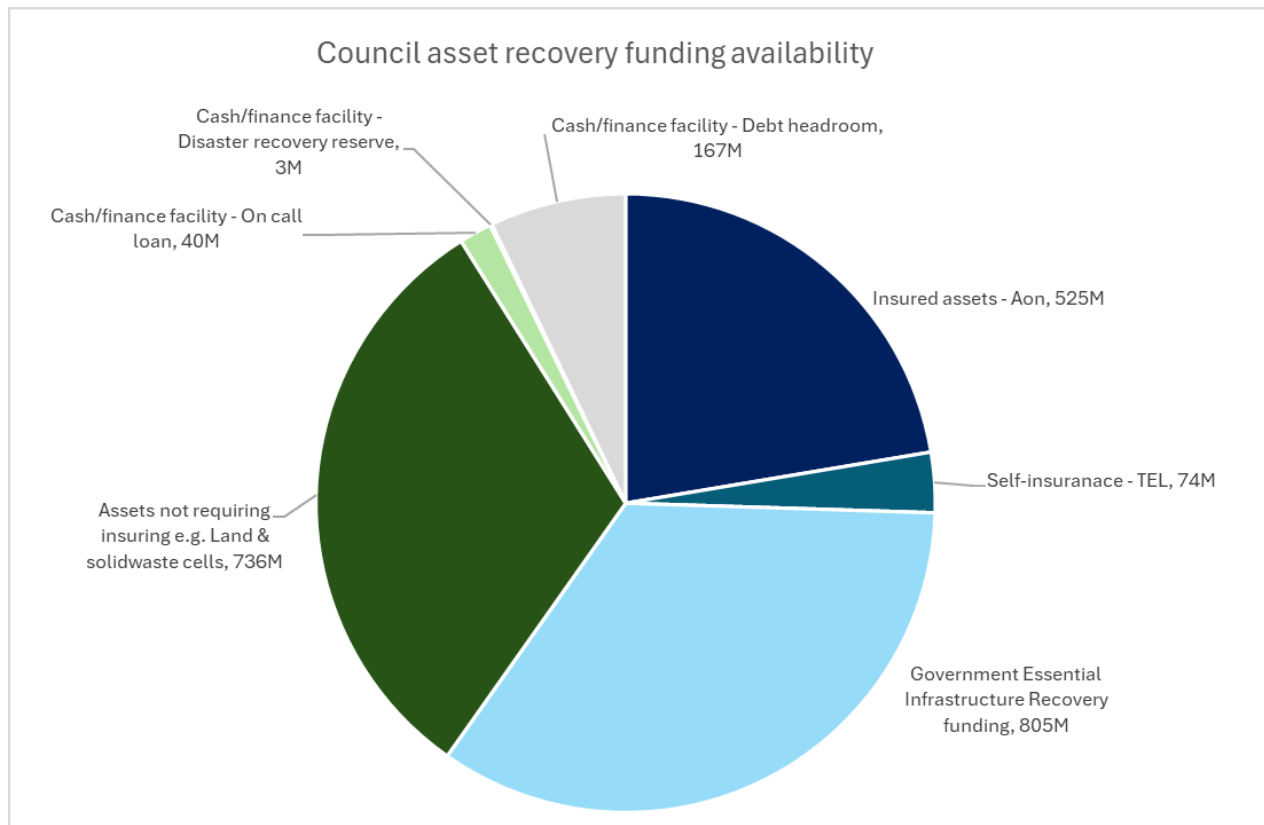
Council owns assets with an estimated value of \$2.6 billion in 2024 (cost plus fair value assessment where available, otherwise uninflated historic cost value). These are distributed against the asset classes summarised in Table 2.

**Table 2** – Summary of the value of Council's assets.

Asset Class	Asset category	Asset value – inflated optimised replacement cost OR uninflated historic cost # (\$M)
Operational Assets	Land	501.8
	Buildings	224.6
	Office furniture and fittings	34.9 <sup>#</sup>
	Library books	4.4 <sup>#</sup>
	Park furniture and structures	6.0 <sup>#</sup>
	Plant and Equipment	4.2 <sup>#</sup>
Restricted Assets	Parks and reserves land	226.7
Infrastructure Assets	Water treatment plants & facilities	71.7
	Water reticulation assets (includes pumpstations)	172.0
	Wastewater treatment plants & facilities	160.5
	Wastewater reticulation assets (includes pumpstations).	206.4
	Stormwater drainage	128.3
	Roads & footpaths & bridges	832.6
	Solid Waste	1.9
	Infrastructural buildings	16.8

Airport Assets	Infrastructure	15.3
	Buildings, vehicles & land	14.1 <sup>#</sup>
Forestry		8.8
Vehicles		5.5
Fine Arts		8.7
	<b>Total Asset Value</b>	<b>2,645</b>

Officers assessed Council's uninsured risk exposure by comparing the value of Council's entire asset portfolio against proposed insurance cover, likely funding available from the government to support rebuilding of critical infrastructure assets following a declared emergency, and other cash or financing sources available to Council. The outputs of this are provided in Figure 1.



**Figure 1** – Taupō District Council asset recovery funding availability

Of Council's \$2.6 billion asset portfolio approximately 20% will be insured via our brokers (Aon) with a further 3% covered by self-insurance through Council's TEL fund (current fund value \$74M). For uninsured assets, it is expected that approximately 30% will qualify to receive central government funding via its essential infrastructure recovery programme, where the government will fund up to 60% of the costs to reinstate essential infrastructure above a threshold<sup>1</sup>. Taupō's airport has been assumed not to be essential infrastructure given it is not listed in Schedule 1 of the Civil Defence Emergency Management Act, 2002. A further 28% do not require insuring, e.g. are land assets. This leaves approximately \$505M of assets that Council may have to find additional funding to reinstate, *in the event that all Council assets were to be simultaneously fully lost in a single event (extremely unlikely)*, and assuming that all assets would be restated at once, not over a number of years (more likely).

Council has a number of funding sources available to mitigate risk, in case of an event which was not covered by existing cover:

- Cash/finance facility - On call loan - \$40M (this level is under review and may reduce to \$15M)

<sup>1</sup> The [Local Authority Threshold](#) for reimbursement for a District Council is 0.0075% of the net capital value, where net capital value is equal to the capital value of all properties in the District at the time of the emergency (\$34,138,000,000 as at 30 June 2024). This threshold is based upon the combined expenditure for both 'other response' and 'recovery' costs.

- Cash/finance facility - Disaster recovery reserve – \$2.5M
- Cash/finance facility - Debt headroom (based on not exceeding LGFA covenant of 280% debt not equity ratio) - \$167M at current revenue rates

Council also has depreciation reserves for the various asset classes which would also be taken into account when determining how to fund an asset replacement.

Accounting for the above funding sources, Council is left with a residual gap of \$296M, should all assets be damaged simultaneously, approximately 11% of the known value of its assets. This is based on current revenue being maintained and all assets being replaced.

Overall officers consider Council is in a strong position to respond to a catastrophic loss, as demonstrated by Figure 1.

This is reinforced by the recently completed Insurance Strategy which included Risk Tolerance Analysis. Two different methodologies were used to assess Council's risk tolerance (Risk Bearing Capacity Analysis and Quantitative Risk Tolerance Analysis). These methods use different inputs and emphasis.

In this context Risk Tolerance is defined as:

*The level of unbudgeted financial loss the organisation is capable of sustaining based on its financial position and strategic objectives.*

The analysis found that Council could sustain financial losses of:

- \$145M using Risk Bearing Capacity (more focussed on assets, liability and debt measures).
- \$20M-\$40M using Risk Tolerance Analysis (more focussed on revenue measures).

### **Opportunity to refine insurance placement in future years**

**Maximum Credible Loss Modelling:** Going forward, Council may wish to consider undertaking Maximum Credible Loss Modelling, an exercise undertaken by external risk consultants, and recommended in Aon's Insurance Strategy tabled at Council's July 2024 meeting. Loss modelling is used to determine the potential financial impact of a catastrophic event and would allow Council to validate the upper limits for insurance that should be purchased. Insuring up to the maximum credible loss enables Council to confidentially insure for a likely worst-case scenario, as opposed to insuring the full replacement value of all assets or 'best guessing' the level of insurance required.

**Asset verification and valuation:** The asset schedules used for insurance have been developed by taking the previous years' schedule and adding new assets. This means that should an asset be missed in any given year, it will be missed from that day forward unless a staff member notices it is missing. Finance will be developing a schedule of asset stocktakes to verify physical above ground assets. Stocktakes to be undertaken as resources allow over the next few years.

Prior to next year's placement, Council should also give consideration as to whether it wishes to have an insurance valuation undertaken for those asset classes that do not have accounting valuations undertaken. This needs to be assessed against materiality thresholds and the value that Council would get from the additional cost and workload.

**Insurance placement decision matrix:** Aon have also recommended the development of an insurance placement decision making matrix. There was insufficient time and resources to develop this for the 2024/25 insurance placement however this will be developed and used to inform assets to be insured for the following years' placement.

**Possible Sector level changes:** We are aware that other Councils are assessing alternatives to traditional insurance models due to challenges getting cover and affordability of traditional models. This has led to work being discussed at sector level to help Councils understand their options. Council will be watching this work closely to see if there is any value in participating in this work, assessing the options, or implementing alternatives, noting that we are in a relatively good insurance coverage position, comparatively.

At a sector level, there have also been discussions on increasing levels of retreat by insurers of Local Government e.g. large excesses or events insurers are not covering specific items or events. The implications of this are that Councils will be exposed to increasing levels of liability, particularly in the building / regulatory space.

Insurance issues are also being looked at by Central Government with 'exploring a collective approach to reduce insurance costs' being on the 12-point Local Government Forward Work Programme. This was released by Central Government in August 2024.



**WHAKAKAPINGA | CONCLUSION**

Council procures its insurance through the Bay of Plenty Local Authority Shared Services (BOPLASS).

Last year 85% of the cost of insurance was associated with Council's Material Damage and Business Interruption and Professional Indemnity Insurance policies. Work is underway to renew Council's insurance portfolio for the 2024/25 year and asset schedules for material damage and business interruption and liability declarations for liability policies have already been submitted. This year, insurers have requested Council's pay particular attention to potential Building Consents issues when making their professional indemnity disclosures.

Aon's most recent insurance market commentary indicates that overall insurance costs are expected to increase 1-10% due to changes in the Property Market. This has been adequately allowed for in Council's Long-term Plan budget.

Council owns assets with an estimated value of \$2.65 billion in 2024. Officers assessed Council's uninsured risk exposure by comparing the value of Council's entire asset portfolio against proposed insurance cover, likely funding available from the government to support rebuilding of critical infrastructure assets following a declared emergency, and other cash or financing sources available to Council. Council is left with a worst-case residual gap of \$296M (11% of the known value of its assets), *should all assets be damaged simultaneously which is extremely unlikely*. Overall officers consider Council is in a strong position to respond to a catastrophic loss, and this aligns with conclusions drawn from Risk Tolerance Analysis undertaken by Aon.

However, a number of assets are not revalued and it is therefore difficult to determine the exact replacement cost for Council's entire asset portfolio. Council may wish to undertake further valuations in future years. Other potential improvements that Council may wish to consider prior to placing its insurance in future years include: undertaking Maximum Credible Loss Modelling, verifying its insurance asset schedule against physical assets & asset management data bases, and developing a decision matrix to inform which assets should be insured.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Insurance Update report.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil

## APPENDIX A – GLOBAL INSURANCE MARKET INSIGHTS

The following is extracted from Aon's [Q2 2024 Global Insurance Market Insights report](#) released at the end of July 2024.

### Executive Summary

#### Executive Summary

- Underwriting and pricing measures taken at past renewals have led to a more positive market environment for Liability, D&O and Cyber.
- Property insurance remained readily available with the key exception of risks with natural catastrophe exposures or higher hazard risks, which experienced constrained capacity. Pricing increases continued, but further moderated, driven by a benign weather environment and a moderation of reinsurance pricing increases (albeit accompanied by increases in insurer retentions).
- Insurance affordability remained a key factor as historic premium increases, coupled with a challenging post-COVID economic environment, continue to impact insurance buyers' ability to absorb further cost increases.

### Q2 New Zealand Market Dynamics

Overall	Moderate	+1-10%	Ample	Prudent
Automobile	Moderate	Flat	Abundant	Flexible
Casualty / Liability	Moderate	Flat	Abundant	Flexible
Cyber	Soft	-1-10%	Ample	Prudent
Directors and Officers	Moderate	Flat	Ample	Prudent
Property	Moderate	+1-10%	Ample	Rigorous
	Overall	Pricing	Capacity	Underwriting

Overall	Flat	Flat	Stable
Automobile	Flat	Flat	Stable
Casualty / Liability	Flat	Flat	Stable
Cyber	Flat	Flat	Stable
Directors and Officers	Flat	Flat	Stable
Property	Flat	Flat	Stable

Limits

Deductibles

Coverages

**Pricing**

While some products experienced flat-to-modest increases, overall insurance costs tended to increase due to changes in the Property market which dominated the New Zealand insurance market. The trend of introducing London market capacity on larger programmes has increased competitive tension in pricing negotiations.

**Capacity**

Sufficient capacity was generally available across the market with the key exceptions of natural catastrophe and higher-hazard Property risks where sourcing capacity at an affordable price remained challenging and often required overseas markets to support.

**Underwriting**

Underwriting was disciplined with a strong focus on quality of risk, scrutiny of insured values, and risk location.

**Limits**

Expiring limits were available for most placements. In some cases, clients considered limit options to manage programme pricing.

**Deductibles**

The upward pressure on deductibles experienced in previous years has generally paused; however, risk-specific exposures continued to be underwritten and deductibles amended on a case-by-case basis. Some clients continued to explore deductible options to reduce premium costs.

**Coverages**

Coverage restrictions applied over the past 2 years have largely stabilised; no portfolio-wide mandates were required in Q2.

**Q2 New Zealand Product Trends****Automobile**

Market conditions remained moderate. Supply chain challenges, inflationary pressures and the growing use of advanced technology in vehicles continued to drive increased repair and claims costs, albeit at lower levels than those experienced in 2023. This has led to a flattening of premium increases.

**Casualty / Liability**

The market remained competitive and stable, with insurers offering satisfactory limits to most businesses in most industry sectors.

**Cyber**

New capacity has led to the emergence of a more competitive market; however, this has come with some caveats, including insurer expectations and requirements for insureds to meet minimum cyber security standards.

**Directors and Officers**

In general, New Zealand insureds saw less immediate benefit from the softening in the global D&O market; however, some larger clients were able to purchase higher limits and/or utilize to their advantage the pricing competition available from excess layer capacity in the London market.

**Property**

Property insurance capacity was generally sufficient but remained constrained in natural catastrophe exposed locations. Significant weather events in 2023 also impacted insurer risk appetite in key areas.

**5.15 HEALTH, SAFETY AND WELLBEING UPDATE**

**Author:** Tasha Lastinger, Health and Safety Manager

**Authorised by:** Louise Chick, Business Excellence Manager

**TE PŪTAKE | PURPOSE**

To update the Risk and Assurance Committee on the progress in implementing improvements to Taupō District Council's Health, Safety and Wellbeing system and update the Committee on health and safety incidents incurred during July 2024 and August 2024.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Health, Safety and Wellbeing Report for July 2024 to August 2024.

**WHAKARĀPOPOTOTANGA MATUA | EXECUTIVE SUMMARY**

- The new Health and Safety Manager (Tasha Lastinger) commenced in late July.
- Work has progressed on the Health, Safety & Wellbeing Strategy.
- Progress has been made on the KPMG health and safety improvement report recommendations.
- Safety observations over the reporting period have been high compared to previous months. This can indicate a positive reporting culture within areas of the business, as safety observations proactively identify potential problems, as opposed to recording incidents after they occur.
- This period's health and safety data indicates there is an opportunity to improve the timeliness of management review of some incidents to ensure all risks being mitigated promptly. Training for managers on their responsibilities is currently being developed.
- Few corrective actions had been generated, which may reflect underreporting of incidents or the need for higher priority to be given to the development of corrective actions. Management specific health and safety training is being developed which will help to address this matter.
- Reporting from Council's health and safety incident management system (Damstra) could be improved to develop further insight into Council's health and safety incident management performance and a deeper understanding of key sources of risk. Work has been identified in the Health, Safety & Wellbeing Strategy for improvements to the system and for staff to be able to give the Risk and Assurance Committee and senior leaders a better picture of how Council is managing health and safety risks.

**NGĀ KŌRERORERO | DISCUSSION****Strategy Implementation**

Table 1 below provides an update on progress against delivering on Council's Health, Safety & Wellbeing (HSW) Strategy 2024-27.

**Table 1** – Summary of commitments made in Council's Health, Safety and Wellbeing Strategy and progress against their implementation.

	Commitment	Status %	Next Milestone	Comment
Leadership	Develop schedule of Leadership Safety Walks.	95%	Safety walks audit to be changed to focus on Council critical risks and place focus on the governance role that our leadership team has.  Support information and Safety Walks Brief to be done.	Schedule has been created.  Further work to support Safety Walks to be undertaken to ensure it meets the section 44 requirement of senior leadership to undertake their due diligence.
	Development of roles, accountability, and responsibilities framework (RACI) and implement training to ensure staff understand their responsibilities.	50%	Implement management training of the RACI in conjunction with the development of an internal Stakeholder Engagement Plan.	RACI developed.  Next step to implement organisational wide training starting with the Tier 3 managers (ELT).
	Management training will include specific content aimed at helping design mentally healthy work as a means of minimising stress in the workplace and improving staff wellbeing.	10%	Develop training materials for people leaders.	Council has wellness processes in place for managing stress (EAP, flexible working arrangements), however identifying the workplace risk and hazards leading to declining mental health is a priority.
Engagement	Develop an internal H&S Engagement Plan highlighting that HSW affects everyone, not just construction.	10%	Create H&S Communication/ Engagement Plan.	Progression to be furthered by Health and Safety Manager once established in role.
	People leaders hold their staff to account for HSW matters.	0%	Staff KPI's for H&S to be developed until they are endorsed by senior mgmt.  Roll-out training on Council's HSW Policy and health and safety responsibilities as outlined in the RACI.	H&S Manager
	Develop internal staff surveys to assess Council culture.	0%	Develop survey questions.	H&S Manager to undertake.
Safe Systems	Refresh our HSW management system – roles, tools, policies & processes – to ensure enterprise coverage & easy to use.	10%	Policy Statement, Strategy, RACI and Improvement Plan to structure a review of our processes.	H&S Manager to undertake.
	Integrate HSW outcomes within Council's procurement processes & supply chain management.	80%	A procedure – H&S in Procurement Procedure is in draft for final.	H&S Manager to review
	Develop a contractor Health & Safety Management Framework.	50%	Review to be undertaken of draft handbook	Contractor handbook to be reviewed by new H&S Manager. Plan to implement now and part of a bigger review of our contractor management system and documents to occur.
	Develop a new Intranet portal that becomes the source of all HSW 'truth'.	100%	Intranet portal established with health initiatives and information, along with Council policies.	Will continue to be developed and information added as it becomes available.

	Commitment	Status %	Next Milestone	Comment
	Response to incidents are proactively managed.	20%	Implement cross organisational training on Council's incident management system (DAMSTRA) and roles and responsibilities.	Response to incidents and corrective actions has been a focus and follow ups have been actioned on several corrective actions that were outstanding. Still some training to be completed around the use of Damstra.
Improvement	Identify what is important to Council in the HSW space, develop measures & benchmarked targets & report on these.	10%	Reconfigure Damstra to ensure all relevant information being captured and can be fed into dashboard report.	Draft dashboard report template developed.
	Develop & rollout Safety Leadership Training for all managers & team leaders.	20%	Complete development of leadership specific training.	H&S Manager to undertake.
	Develop a HSW Assurance Programme	25%	Develop formal assurance programme as part of the Council H&S Management System.  Formalise expectations for Council managers to undertake regular assurance activities to current H&S assurance practices.	Council now has processes for assurance through Site inspections in Vault to capture adherence to risk registers. There is no formal expectation for managers to undertake these assurance measures.  Overarching Assurance programme to be created to encompass all key aspects of the Council H&S management system with focus on critical risk assurance.

### Update on implementation of KPMG Health and Safety Review Report recommendations.

In 2023 Council commissioned KPMG to conduct a review of its health and safety system. The report summarising the findings of this review was presented at the December 2023 Risk and Assurance Committee meeting. A key health and safety focus is to implement the recommendations made by KPMG.

Reduced health and safety staffing has meant there has been slower progress to date but is expected to pick up now that permanent resourcing is in place. Recommendations that have been actioned or achieved will need time to embed for staff. For example, where critical risk registers have been completed the business units will need to ensure staff have been inducted into the critical controls. Where new documents, procedures etc are developed, staff will need to have awareness, and these will need to be well socialised within Council.

The KPMG Report summarised KPMG's findings into 15 categories with 7 of the findings considered high and medium.

	High	Medium	Low	Total
Total internal audit findings	2	5	8	15

There were 42 recommendations to support the 15 audit findings.

	High	Medium	Low	Total
Number of recommendations	7	15	20	42
Closed recommendations	2	2	13	17
Open recommendations	5	13	7	25

For each audit finding rated High or Medium, progress updates are provided below.

The Outstanding Audit Recommendations report elsewhere on this agenda specifies forecast completion dates for all recommendations (High, Medium, and Low).

**1. Critical Risks not established (High) – now complete.**

Critical risks have been established.

**2. Risk Registers not in place and controls not evaluated to establish if working as intended (High)**

Risk registers continue to be developed for critical risks and high-risk business units (14 under development currently). The Wastewater Treatment Plant, Parks & Reserves and fleet management have been provided a draft copy and they are currently reviewing the control measures and reviewing the risk ratings to ensure they are relatable and that the controls specified accurately reflect risk management in practice.

We can monitor critical risks in the form of an audit or inspection in Damstra Check which is App based. There is an opportunity to increase the number of inspections carried out by setting KPIs around site audits and inspections.

**A. Critical Risk – Driving**

Driving is one of Council's critical risks. Overspeed's are currently reported to the relevant manager for action. There is an opportunity to reduce risk to Council staff by formalising an escalation process for overspeed's, to ensure these are being proactively addressed by managers. Reporting in Damstra would allow for Council to have oversight if its critical controls are effective for the risk of driving.

The fleet manager is leading the review of the critical controls related to driving risks and overseeing the implementation of these controls.

Inductions for staff to drive Council vehicles should be undertaken. There is currently no formal induction into driving a Council vehicle.

Ongoing training by *Fleetcoach* training is being trialled by the Fleet Manager and two members of the Parks and Recreation team. Feedback to date is positive.

**B. Critical Risk - Asbestos**

An asbestos policy has been rewritten in line with WorkSafe's draft asbestos guidance (September 2023). The updated document is more user friendly and relates more to how Council manages asbestos and in varying scenarios. As Council does not specifically work with asbestos, the document gives an overview of how Council as a PCBU manages contractors engaged to manage asbestos in varying forms. Currently the policy is being peer reviewed and will be finalised by the next Risk and Assurance Committee meeting.

Advice for staff regarding what asbestos is and steps to take if identified within Council facilities or land is currently being developed.

The Facilities Manager has engaged an external party to undertake asbestos survey and update asbestos management plans for a number of Council-owned facilities. By law, facilities containing asbestos need to be inspected annually to ensure asbestos remains intact and Asbestos Management Plans need to be reviewed every 5 years. Council's list of facilities containing asbestos is kept up to date within the Building Asset Database. Further risk mitigation is proposed with the installation of signage for sites on the asbestos register.

**3. Inconsistent Risk Matrix and Ranking (Medium) – now complete.**

**4. Limited formal assurance practices in place (Medium) – 50% underway.**

Critical risk controls and processes continue to be mapped and captured in a health and safety library.

**5. Understanding health and safety risk and auditing of contractor safety systems (Medium) – 80% underway.**

The final draft of the 'Contracting to Council' handbook has been prepared and is being reviewed by the new Health and Safety Manager. The handbook places increased emphasis on ensuring new contractors are aware of their health and safety responsibilities and the requirement to obtain a health and safety prequalification prior to being engaged by Council.



To help ensure Council is engaging contractors with solid health and safety systems, staff are preparing a *H&S in Procurement Procedure* which will give our internal contract and project managers guidance on the H&S expectations from our contractors through the procurement cycle.

**6. Emergency drills do not include all scenarios (Medium) – 30% underway.**

No change since previous report.

**7. Limited security practices expose workers (Medium) – 60% on security risk assessments across venues.**

No change since previous report.

### Incident Management

Health and safety data for the current two-month period recorded 22 events as detailed in Table 2 below. This is a reduction of almost half of the previous reported incidents of 42. This reduction could be because of lower reporting by staff or because there have been fewer incidents.

**Table 2:** For the period: 14<sup>th</sup> May to 15th August 2024 *Injury incidents.*

Type of incident	Number of incidents	Number still pending reports	Required Medical Treatment	Required First Aid	No treatment	No information of treatment noted in category
Slip, strips, falls	11	4	4	3	3	2
Muscular skeletal	5	4	0	0	1	4
Manual Handling	1	0	0	1		
Hazardous Substance Exposure	1	0	0	1		
Penetration of a body part	4	2	2	1		1
<b>Total</b>	<b>22</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>7</b>

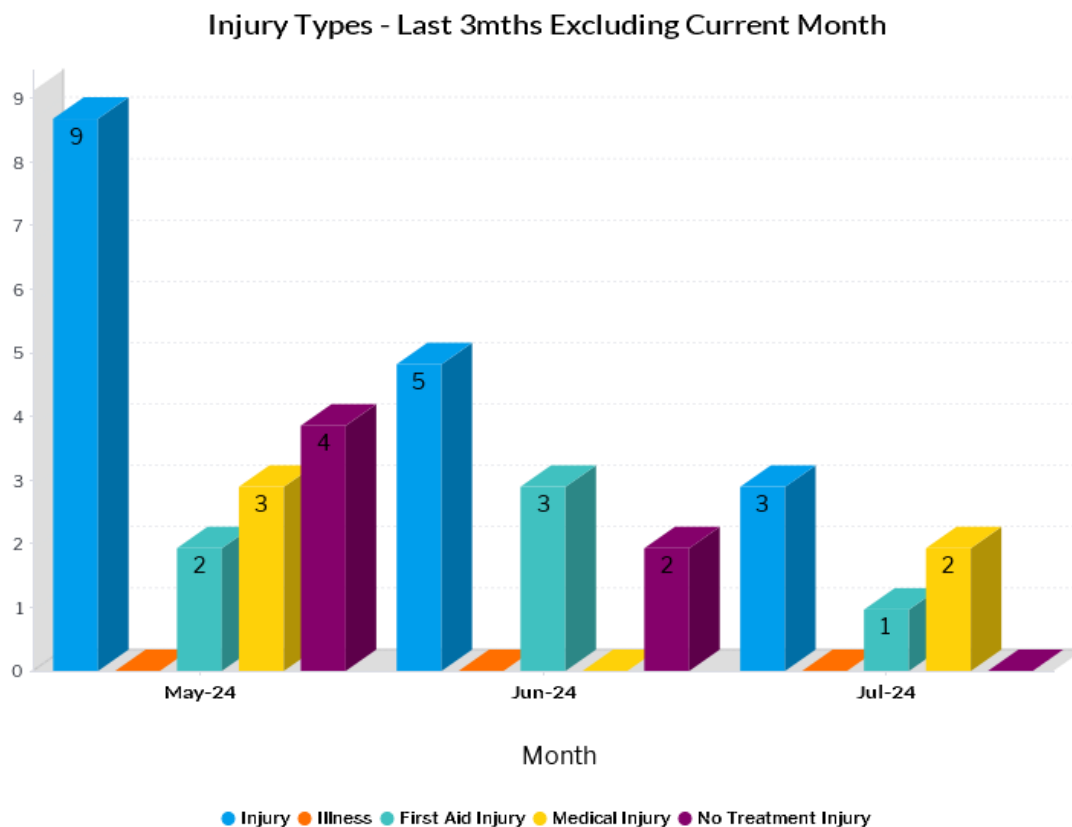
Out of the incidents reported two thirds involved a third party:

9 involved a 3<sup>rd</sup> party.

1 involved a contractor.

13 involved TDC staff members

The types of incident (injury, illness, first aid etc) are presented in Figure 1.



**Figure 1:** For the period: 14<sup>th</sup> May to 15<sup>th</sup> August 2024 types of injury or illness.

#### ***Incident Management System***

Incidents are logged on Council's Incident Management System using the following process:

1. Incident logged by any staff member. Incident held in the system as 'pending' until such time as manager reviews incident;
2. Manager of person logging the incident receives email notification to say an incident has been recorded on the system.
3. Manager logs into system, verifies incident and allocates responsibility for conducting an investigation to identify corrective actions; incident is reclassified as 'pending' to 'active'.
4. Investigation is conducted, corrective actions logged, and when completed are marked as closed on the system.
5. Once all actions have been completed, the incident can be closed.

#### ***Management authorisation of newly recorded incidents***

The data indicates existing incidents from this and previous reporting periods are awaiting management review and authorisation (step 3 of above process), leaving many incidents as 'pending'. This can mean risks to the business are not having controls actively identified or implemented. Training for managers on their responsibilities and how to authorise incidents in the system has been identified as a business need and is under development.

#### ***Incident investigation and corrective actions***

Data in this reporting period indicates corrective actions for active incidents are being implemented and closed out in the system (step 4 of the above process). This reflects that managers have been actively encouraged by the health and safety team to follow up on open actions. Currently corrective actions are now at an all-time reported low, likely reflecting closure of 'old' corrective actions and lack of creation of 'new' actions for more recent incidents.

#### ***Incident Management System utilisation***

Council usage of its incident management system by staff may be intermittent and may not be capturing all incidents. This could be due to lack of training, user guides or awareness. There is an opportunity to improve data capture to provide Governance, management and the Health and Safety Manager with better insight into the adequacy of the control of health and safety risks.

The system is not intuitive to put in data or extrapolate data for reliable interpretation and to provide meaningful oversight particularly over Council critical risks. To ensure critical risk controls are effective data attributed to any incidents caused by a critical risk is important to capture.

Work to improve reporting in all Council units, data quality and improve the existing incident system is being scoped.

### **Risk Management and Safety Observation Data**

It is encouraging to see over 59 Safety Observations being documented in Damstra this reporting period from the previous 29 listed. It is unclear why safety observations have increased, yet incident reporting has decreased.

#### ***Incident Management System Configuration***

Further work is required to configure the system to allow more detail and clearer classification of observations to support hazard identification. This reconfiguration will help Council manage risk effectively and will be done for all event types, i.e. Safety Observations, Incidents, Injuries etc.

Work to improve the system, training for staff on the system and socialising the health and safety expectations of our staff has been identified as priorities for the future.

#### **Figure 2: Safety Observations for the period 14 May to 15 August 2024**

Observations reported = 59

22 x Unsafe observations

16 x Safe observations

19 x Hazards reports

2 x Environmental observations

#### **Notifiable Events to WorkSafe NZ (3 months)**

Nil.

#### **Aggression Incidents**

Nil.

### **WHAKAKAPINGA | CONCLUSION**

Council continues to proactively implement the opportunities for improvement to its health and safety system recommended in the KPMG Health and Safety Review Report and officers continue to identify new opportunities for improvement.

### **NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil

**5.16 SIGNIFICANT PROJECTS RISK REGISTER**

**Author:** Pernille Fletcher, Project Management Office Manager

**Authorised by:** Tony Hale, General Manager Community Infrastructure and Services

**TE PŪTAKE | PURPOSE**

To receive an update on Taupō District Council's significant projects, with a focus on risks relating to those projects.

**NGĀ KŌRERORERO | DISCUSSION**

A significant projects risk register has been created and is **attached** for Risk and Assurance Committee consideration and receipt.

**WHAKAKAPINGA | CONCLUSION**

It is recommended that the Committee receives the information.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the Significant Projects Risk Register, dated 21 August 2024.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Significant Projects Risk Register, dated 2 September 2024 [⇒](#)

**5.17 RISK AND ASSURANCE COMMITTEE WORKPLAN UPDATE**

**Author:** Louise Chick, Business Excellence Manager

**Authorised by:** Sarah Matthews, General Manager Organisation Performance

**TE PŪTAKE | PURPOSE**

To present the Risk and Assurance Committee with an updated Workplan for the 2024 calendar year.

**NGĀ KŌRERORERO | DISCUSSION**

The Risk and Assurance Committee's *Risk and Assurance Workplan 2024 (September 2024 version)* is attached and includes a few proposed changes. The reasons for these proposed changes are discussed below.

Changes to the workplan are denoted on the attachment by red dots (meeting that the report was originally scheduled for) and green dots (new proposed reporting time).

**Taupō East Urban Lands (EUL) Development Risks Update**

An update was provided on 2 July 2024. It is recommended that the Committee receives six-monthly updates, with the next one to be provided in December 2024.

**Confirmation of Internal Audit Programme**

As was reported in July, development of the internal audit programme has been delayed due to the Risk Advisor vacancy. The Risk Advisor has been further delayed (outside of Council or the Risk Advisors control) and is now expected to join Council around November 2024. The new Risk Advisor has a depth of audit experience which will be beneficial in developing this programme. Accordingly, it is proposed the Risk and Assurance Committee receives the internal audit programme at its December 2024 meeting.

**Business Continuity Policy and Framework**

As above, the Risk Advisor role has been vacant since November 2023, and there has been insufficient resource to progress this work. The new Risk Advisor will report to the Committee once they have started and progress on the Business Continuity Policy & Framework has been made. In the meantime, a report on the impact of the Microsoft and CrowdStrike incidents and their impact on business continuity has been provided elsewhere on this agenda.

**Annual Report and Audit Opinion**

As reported at the last meeting, due to changing Government three waters policy, subsequent extensions to Long-term Plan delivery timescales and the impact of this on Audit NZ availability, the Committee will not receive the Audit NZ opinion on the Annual Report 2023-24 or the Annual Report document until its 9 December meeting, which will be after the statutory deadline of 31 October.

**WHAKAKAPINGA | CONCLUSION**

There have been some changes to the Risk and Assurance Committee Workplan for 2024. An updated workplan is attached.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receive the updated Workplan for 2024.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Risk and Assurance Committee 2024 Workplan [↗](#)

**5.18 CHIEF EXECUTIVE UPDATE TO RISK AND ASSURANCE COMMITTEE - CURRENT RISKS**

**Author:** Julie Gardyne, Chief Executive Officer

**Authorised by:**

**TE PŪTAKE | PURPOSE**

To enable the Chief Executive to update members of Taupō District Council's Risk and Assurance Committee on any matters she considers appropriate to bring to members' attention.

**NGĀ KŌRERORERO | DISCUSSION**

This item provides an opportunity for the Chief Executive to brief Risk and Assurance Committee members on any matters posing risks to Taupō District Council as at the date of the meeting, and for members to ask any questions in relation to current risks.

If the Committee wishes to make resolutions beyond the resolution to receive the information, then it would need to follow the procedures set out in the Local Government Official Information and Meetings Act 1987 (LGOIMA) and Standing Orders, to add particular items to the agenda by resolution to be dealt with at the meeting, because they cannot be delayed to a subsequent meeting. The relevant extract from Standing Orders (clause 9.1) is **attached**.

If a matter raised as part of this agenda item is proposed to be discussed with the public excluded, then the requirements of s 48 of LGOIMA must be met. In particular, the Committee must, at a time when the meeting is open to the public, by resolution specify the general subject of each matter to be considered while the public is excluded; explain the reason for the passing of that resolution in relation to that matter (including the particular interest(s) protected by ss 6 and / or 7 of LGOIMA); and the grounds on which the resolution is based. The relevant extracts from Standing Orders (clauses 18.1 and 18.3) are **attached**.

**WHAKAKAPINGA | CONCLUSION**

It is recommended that the Committee receives the information presented by the Chief Executive.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That the Risk and Assurance Committee receives the update provided by the Chief Executive in relation to current risks.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Extract from Taupō District Council Standing Orders 2022-2025 - Clause 9.1 Items of business not on the agenda which cannot be delayed ➡
2. Extracts from Taupō District Council Standing Orders 2022-2025 - Clause 18 Exclusion of public ➡

## 6 NGĀ KŌRERO TŪMATAITI | CONFIDENTIAL BUSINESS

### RESOLUTION TO EXCLUDE THE PUBLIC

I move that the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(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(1) for the passing of this resolution	Plain English reason for passing this resolution in relation to each matter
<b>Agenda Item No: 6.1</b> Confirmation of Confidential Portion of Risk and Assurance Committee Minutes - 2 July 2024	Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	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 7	There is a need to retain this portion of the minutes in confidence to maintain legal professional privilege where members have received advice from Council's Legal and Governance Manager relating to potential legal challenges against Council.
<b>Agenda Item No: 6.2</b> Litigation Update	Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	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 7	To enable members to receive advice from Council's Legal and Governance Manager relating to potential legal challenges against Council.

I also move that *[name of person or persons]* be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of *[specify]*. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because *[specify]*.