

AGENDA/KAUPAPA



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MEMBERSHIP: Bruce Robertson (Independent Chair), Her Worship the Mayor Rehette Stoltz, Colin Alder, Andy Cranston, Tony Robinson, Rob Telfer and Josh Wharehinga

AUDIT & RISK/ĀRAI TŪRARU ME TE TĀTARI KAUTE Committee

DATE: Wednesday 17 May 2023

TIME: 9:00AM

AT: Te Ruma Kaunihera (Council Meeting Room), Awarua, Fitzherbert Street, Gisborne

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Audit & Risk

Reports to:	Council
Chairperson:	Independent Chairperson Bruce Robertson
Membership:	Mayor Rehette Stoltz, Deputy Mayor Josh Wharehinga, Cr Colin Alder, Cr Andy Cranston, Cr Tony Robinson and Cr Rob Telfer
Quorum:	Half of the members when the number is even and a majority when the membership is uneven.
Meeting frequency:	Quarterly (or as required)

Purpose

To assist the Council to exercise due care, diligence and skill in relation to the oversight of:

- the robustness of the internal control framework;
- the integrity and appropriateness of external reporting, and accountability arrangements within the organisation for these functions;
- the robustness of risk management systems, process and practices;
- internal and external audit;
- accounting practice and, where relevant, accounting policy;
- health, safety and wellbeing;¹
- compliance with applicable laws, regulations, standards and best practice guidelines for public entities; and
- the establishment and maintenance of controls to safeguard the Council's financial and non-financial assets.

The Audit & Risk Committee Chair is responsible for submitting an annual report to the Council covering the Committee's operations and activities during the preceding year.

Terms of Reference

Internal Control Framework

- Consider the adequacy and effectiveness of internal controls and the internal control framework including overseeing privacy and cyber security.
- Enquire as to the steps management has taken to embed a culture that is committed to probity and ethical behaviour.
- Review the processes or systems in place to capture and effectively investigate fraud or material litigation, should it be required.

¹ In regard to health and safety, all Councillors are required to discharge their responsibilities of due diligence under the Health and Safety at Work Act 2015. Staff will provide regular reports to Council to enable members to discharge their duties, and these reports will include any recommendations made by the Audit and Risk Committee in relation to council's health, safety and wellbeing processes.

- Seek confirmation annually, and as necessary, from internal and external auditors, attending Councillors, and management, regarding the completeness, quality and appropriateness of financial and operational information that is provided to the Council.

Risk Management

- Review and consider Management's risk management framework in line with Council's risk appetite – which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
- Assist the Council to determine its appetite for risk.
- Review the principal risks that are determined by Council and Management and consider whether appropriate action is being taken by Management to treat Council's significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework. Consider emerging significant risks and report these to Council, where appropriate.

Internal Audit

- Review and recommend the annual internal audit plan; such plan to be based on the Council's risk framework.
- Monitor performance against the plan at each regular quarterly meeting.
- Monitor all internal audit reports and the adequacy of Management's response to internal audit recommendations.
- Monitor compliance with the Delegations Manual.

External Audit

- Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. This includes the adequacy of the nature and scope of the audit, and the timetable and fees.
- Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.

Compliance with Legislation, Standards and Best Practice Guidelines

- Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Best Practice Guidelines.

Powers

The Audit and Risk Committee, within the scope of its role and responsibilities, is authorised to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- make recommendations to Council and/or the Chief Executive.

The Audit and Risk Committee has no executive powers and is directly responsible to Council.

3.1. Confirmation of non-confidential Minutes 15 March 2023

MINUTES

Draft & Unconfirmed



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MINUTES of the **AUDIT & RISK/ĀRAI TŪRARU ME TE TĀTARI KAUTE** Committee

Held in Te Ruma Kaunihera (Council Meeting Room), Awarua, Fitzherbert Street, Gisborne on Wednesday 15 March 2023 at 9:00AM.

PRESENT:

Bruce Robertson (Independent Chair), Her Worship the Mayor Rehette Stoltz, Colin Alder, Andy Cranston, Tony Robinson, Rob Telfer and Josh Wharehinga.

IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Director Lifelines David Wilson, Director Internal Partnerships James Baty, Director Engagement & Maori Responsiveness Anita Reedy-Holthausen, Chief Financial Officer Pauline Foreman, Chief of Strategy & Science Jo Noble, Risk & Performance Manager Steve Breen, Senior Procurement Advisor Andrew Haughey, Health & Safety Manager David Wilkinson, Senior Legal Counsel Jacinta Bowe, Partner Ernst & Young Stuart Mutch, Democracy & Support Services Manager Heather Kohn and Committee Secretary Jill Simpson.

Secretarial Note: Cr Parata attended the meeting via audio visual link.

The meeting commenced with a karakia.

1. **Apologies**

MOVED by Bruce Robertson, seconded by Cr Stoltz

That the apology from Cr Robinson for lateness be sustained.

CARRIED

2. **Declarations of Interest**

There were no interests declared.

3. Confirmation of non-confidential Minutes

3.1 Confirmation of non-confidential Minutes 23 November 2023

MOVED by Bruce Robertson, seconded by Cr Stoltz

That the Minutes of 23 November 2022 be accepted.

CARRIED

4. Leave of Absence

There were no leaves of absence.

5. Acknowledgements and Tributes

There were no acknowledgements or tributes.

6. Public Input and Petitions

There were no public input or petitions.

7. Extraordinary Business

There was no extraordinary business.

8. Notices of Motion

There were no notices of motion.

9. Adjourned Business

There was no adjourned business.

10. Reports of the Chief Executive and Staff for DECISION

10.1 23-51 Ernst Young Audit Proposal

Chief Financial Officer Pauline Foreman introduced Stuart Mutch, Partner at Ernst & Young to the meeting and he explained that he is waiting for the Audit Fee Proposal to come back from the Office of the Auditor General.

In terms of reflection, it took longer to do the audit last year for a few reasons, ie the operational tempo of Council has increased, the scale of central government funding into the district has increased over the last 2 to 3 years, challenges around water quality standards and consolidation and infrastructure indexing matters.

MOVED by Bruce Robertson, seconded by Cr Cranston

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee amend the recommendation as follows:

1. Delegates to the Chair of the Committee and the Chief Executive the task of clearing the Engagement Letter and the Audit Fee Proposal from Ernst Young.

CARRIED

11. Reports of the Chief Executive and Staff for INFORMATION

11.1 23-50 Ernst Young Audit Plan

Stuart Mutch advised that the Audit Plan sets out the intended focus for the year. It was written after Cyclone Gabrielle and before full knowledge of the impact of the cyclone, so a piece has been added around emergency works and funding. The focus is to keep in touch with Council progressively throughout the year and work through issues as they arise and this could be in relation to impairment of assets, insurance claims, central government funding, changes in legislation around timelines etc.

The audit of Gisborne Holdings Ltd (GHL) will be done separately and directly with GHL.

Questions included:

- In terms of different interpretations or challenges to some elements of rates strikes, there are always one or two rates' questions or challenges across the sector.

Secretarial Note: Cr Robinson arrived at 9.15am.

- To adjust the \$120k relating to materiality threshold involves a lot more work by the Auditors as it drives the detail of the testing that the Auditors undertake, so the lower the reporting threshold the more detailed work must be undertaken.
- Expenditure is matched as close as possible to expected reimbursement. Discussions are in place with NEMA and Waka Kotahi for progress payments for easing cashflow. Council has facilities in place for up to \$35m to help manage short term cashflow problems. The first order of responsibility for Council is to monitor and manage cashflow carefully and to ensure that the subsidy that can be claimed is controlled well so that expenditure can be managed correctly.
- Additional resources are in place to oversee claims and to determine where the costs lie.
- Timeliness of the audit will be valuable, and the balance sheets needs to portray the real situation.
- Council maintains Asset Management Plans that details structure and nature of the assets. Expectation is that Council goes through a robust process to keep the plans and Useful Life Assessments up to date. There will be some assets that will not last as long as expected because of the current conditions and this will potentially have an impact on valuation as these are based on an optimised depreciated replacement cost. An important component is to know how far through the useful life of the infrastructure asset is. All of this will flow through to the Long Term Plans, the Infrastructure Strategy and a long term view on how much needs to be spent to maintain service levels within the networks.

MOVED by Bruce Robertson, seconded by Cr Wharehinga

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee amends the recommendation as follows:

1. Approves the Ernst Young Audit Plan.

CARRIED

11.2 23-53 Council Strategic Risk Management Report

Risk & Performance Manager Steve Breen attended and spoke to the report. The People & Capability risk had previously been at 'major' and is now at 'moderate'. Data confirms that we are moving back within our risk appetite in terms of vacancies and turnover of permanent personnel. The report states our current turnover level sits at 16.6% which is just within our threshold of 17%. It has now fallen further to 15.8%.

Questions of clarification included:

- Business Continuity Plans tend to be used more in the Response stage of an emergency.
- In relation to People & Capability and in addition to improvements mentioned in the Public Excluded report, there is a specific specialist that works on recruitment full time. Other processes worked on are Employee Value Proposition, Culture Intervention and in addition to this the market has improved because of the borders opening which has had an impact across the nation.
- By having in-house expertise regarding the tendering process, we have been able to grow our capability internally which gives better control over the process of assessing quotes and proposals.

MOVED by Cr Wharehinga, seconded by Cr Stoltz

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

CARRIED

11.3 23-55 Insurance Renewal Update

Deanna Macdonald from Aon New Zealand Ltd attended by audio visual link and presented.

Questions included:

- In terms of finding an underwriter, Aon is still able to get markets for Council, however they will be looking at loss limits at the top end of the market and they may look at deductibles and putting weather event etc limits on. A programme will be able to be purchased but it may have some limitations as to what is included and what is not.
- Damaged assets have been identified and loss assessors have been on site, so this part has been completed. The next step is to agree amounts. Appropriate resources are in place to activate insurance for the current year and the claims.

- The insurance programme for Council is purchased as part of the BOPLass Group. They consider weather events, asset values, how these assets are protected and what their condition is. This is looked at on as a whole rather than an individual basis because of how it is affecting so many.
- The money you get from insurers when claiming is the value of the asset prior to the event. Increasing value lies with Council.

MOVED by Bruce Robertson, seconded by Cr Wharehinga

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes that:
 - a. An amendment is underway to Council's Infrastructure Insurance maximum probable loss relating to median 1 in 500-year earthquake event, moving from the existing \$250m to \$293m. This will be subject to our insurers finding underwriters.
 - b. Future updates to the Audit & Risk Committee will be reported over options for maximum probable loss for Councils infrastructure – including higher risk certainty (i.e. 90% at 1 in 500-year event) and median range for a 1 in 1,000-year event.

CARRIED

11.4 23-60 Health & Safety

Health & Safety Manager David Wilkinson attended and spoke to the report.

Questions of clarification included:

- Will investigate which contractors need to be included in the Tier 1 Group.
- Ernslaw One and Aratu have engaged Siteworx to complete a beach cleanup. Council have worked collaboratively with all parties to ensure the operation is safe.
- Asbestos Awareness training is carried out within teams at Council. There has been a national campaign relating to asbestos awareness following the Christchurch earthquake.

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

CARRIED

12. Public Excluded Business

Secretarial Note: These Minutes include a public excluded section. They have been separated for receipt in Section 12 Public Excluded Business of Council.

13. REDMITTANCE OF THE PUBLIC

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the Council re-admits the public.

CARRIED

14. Close of Meeting

There being no further business the meeting concluded at 12.48pm

Bruce Robertson
INDEPENDENT CHAIR

10. Reports of the Chief Executive and Staff for INFORMATION



23-70

Title: 23-70 Council's Strategic Risk Management Report
Section: Finance & Affordability - Performance
Prepared by: Daniel Haverty - Risk Advisor
Meeting Date: Wednesday 17 May 2023

Legal: No

Financial: Yes

Significance: **Low**

Report to AUDIT & RISK/ĀRAI TŪRARU ME TE TĀTARI KAUTE Committee for information

PURPOSE - TE TAKE

The purpose of this report is to inform the Audit & Risk (A&R) Committee on the status of Council's strategic risks.

SUMMARY – HE WHAKARĀPOPOTOTANGA

Management continues to review and monitor Council's strategic and organisational risks which the risk appetite framework is applied to manage residual risk levels.

This report provides updates for:

- Civil Defence and Emergency Management (CDEM)
- Health and Safety (H&S)
- People and Capability (P&C)
- Finance (F), and Fraud and Corruption (F&C)
- Procurement (P)
- Legal Compliance (LC)
- Natural Environment (NE)
- Asset Management (AM)
- Business Continuity (BC) strategic risks

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: strategic risk, risk appetite

BACKGROUND - HE WHAKAMĀRAMA

1. This report provides an update on Council's strategic risk activities for the period ending 30 April 2023.
2. Council is progressively applying the risk framework to each of the Council's 13 identified strategic risks. Each strategic risk will be assessed in terms of inherent risk, the control environment to manage that risk, and the resulting residual risk.
3. Work is being undertaken across all the strategic risks and the Strategic Risk Update Summary Table below shows the completed risk assessments to date and where the risk assessments and deep dives for each risk are proposed.

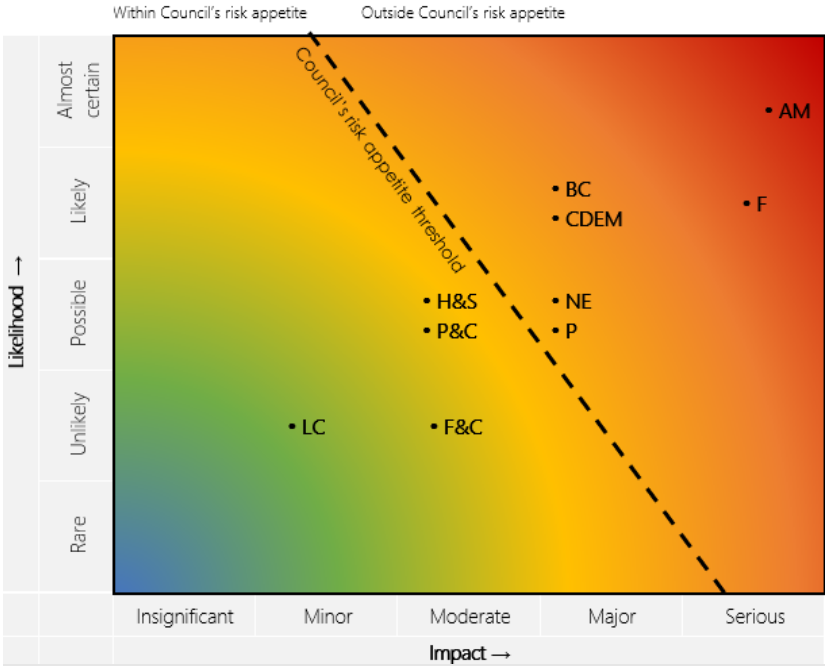
Strategic Risk Update Summary Table

Strategic Risk	Inherent Risk	Residual Risk	Proposed Deep Dive	Risk Assessment completed
Health and Safety	Serious	Moderate	Completed	Completed
Civil Defence	Serious	Major	Completed	Completed
People and Capability (including projects/change management and service delivery)	Serious	Moderate	Completed	Completed
Impact of Externally Driven Change	New risk: level to be determined following deep dive	New risk: level to be determined following deep dive	Completed	tbc
Overall Council Strategy (including strategic relationships)	To be reassessed following deep dive	To be reassessed following deep dive	tbc	tbc
Treaty Commitments	New risk: to be determined following deep dive	New risk: to be determined following deep dive	tbc	tbc
Financial (including fraud and corruption)	Serious (Major)	Serious	Completed	Completed
Capital Projects	Major	Moderate	tbc	Completed
Natural Environment (including ability to monitor and report)	Major	Major	tbc	Completed
Legal Compliance	Minor	Minor	tbc	Completed
Infrastructure Asset Management	Serious	Serious	tbc	Completed
Procurement	Serious	Major	Completed	Completed
Business Continuity (including Information and Technology (IT))	Serious	Major	Completed	Completed

4. The table below shows the change in Residual Risk Levels for the assessed strategic risks from the two previous A&R risk reports (23 November 2022 and 15 March 2023) to this current report (17 May 2023). A further residual risk 'heat map' is also provided below for the risks assessed to date: 'Civil Defence Emergency Management' (CDEM); 'Health and Safety' (H&S); 'People and Capability' (P&C); 'Finance' (F); 'Fraud and Corruption' (F&C); 'Procurement' (P); 'Legal Compliance' (LG); 'Natural Environment' (NE) 'Asset Management' (AM); and Business Continuity (BC). More risks will be added to the heat map as they are assessed.

Strategic Risk	Previous Risk Level (23 Nov 2022)	Previous Risk Level (15 Mar 2023)		Current Risk level (17 May 2023)
Civil Defense & Emergency Management (CDEM)	Major	Major	↔	Major
Health & Safety (H&S)	Moderate	Moderate	↔	Moderate
People & Capability (P&C)	Major	Moderate-	↔	Moderate-
Finance (F)	Major	Major	↗	Serious
Fraud & Corruption (F&C)	Moderate	Moderate	↔	Moderate
Procurement (P)	Major	Major	↔	Major
Legal Compliance (LG)	Minor	Minor	↔	Minor
Natural Environment (NE)	Major	Major	↔	Major
Asset Management (AM)	Serious	Serious	↔	Serious
Business Continuity (BC)	Moderate	Major	↔	Major

Residual risk heat map



DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

General Risk Management

5. Prior to Cyclone Gabrielle, management had been working through the new strategic risks of 'Impact of External Change' and 'Treaty Commitments' to better define the nature of their risk to Council, and how they relate to, or impact on, the existing risks of 'Overall Council Strategy' and 'Strategic Relationships.'
6. The residual impact from the damage caused to the region and Council infrastructure by continuous extreme weather events supports Council taking time to re-assess what our main risks now are and how that impacts on Council's 'Overall Council Strategy' risk. This may change our risk profile and appetites, as well as Council's ability to achieve its strategic objectives.
7. The widespread damage incurred and its impact on our wider community means that immediate considerations regarding the Annual Plan have changed, as have those for the Long-Term Plan, both of which will inform and be informed by the Recovery Plan being put in place to assist the region's 'reset, resilience and re-build' agenda.
8. While the full impact of Cyclone Gabrielle is still being reviewed, key Council roading, water and stop bank infrastructure has been severely compromised, the cost of which is still being assessed.
9. Prior to Cyclone Gabrielle, Council had identified 13 Strategic Risks (with 4 associated sub-risks). Since the Cyclone, Council has undertaken a timely review of the Strategic Risk priorities and appetites via a series of workshops.
10. The first workshop was held on 15 March 2023, in the immediate aftermath of Cyclone Gabrielle which significantly damaged the region. The workshop looked at a wider risk landscape with Cyclone recovery and new emerging risks.
11. The second of these workshops is on 17 May 2023, which will recap the first discussion and will aim to rank the risks in terms of priorities and review the appetite for those risks. Once these are complete, the audit and risk programme can be presented to the A&R Committee for approval. The discussion that follows is an update on the current profile of Strategic Risks.
12. Given the impact on our community, considerations include whether it is still appropriate to enter the scheduled consultation on the next 3 years of the Long-Term Plan or whether it is better to develop an interim 3-year plan with a focus on the event recovery programme that restores this community's ability to participate and contribute to the Long-Term Plan following this period of recovery.
13. These considerations will be canvassed during the workshop which will be facilitated by PwC, who facilitated the previous strategic risk workshop.

Finance (F) Strategic Risk

14. The Finance strategic risk is defined as a 'failure to be financially sustainable.'
15. The current residual risk level for **Finance** is elevated to '**Serious**' from 'Major', which remains outside Council's overall risk appetite.
16. Raising the residual risk to 'Serious' is in line with Council's Risk Appetite Matrix, reflecting potentially serious long term financial impacts associated with the recovery from Cyclone Gabrielle and anticipated recovery costs exceeding \$2m outside of the budget. These potential costs include:
 - a. Initial assessment of a \$1.5m insurance deductible for Council assets impacted by Cyclone Gabrielle (see the Insurance Update under **Report 23-83** for additional details).
 - b. Unknown funding and Funding Assistance Rate (FAR) 30 June 2023, onwards for Waka Kotahi emergency works funding. The first tranche of assistance by Waka Kotahi for \$29m, which expires at the end of June 2023, had a FAR rate at 100%.
 - c. Other non-recoverable expenses resulting from the Civil Defence response.
17. In raising the residual risk level, staff are taking a prudent approach to managing Council's finances. This is necessary given the current uncertainty in the financial environment due to high levels of inflation and higher interest rates, and rising risks from other factors such as the Affordable Water Reform and the impact of the response and recovery effort following Cyclone Gabrielle. Additional financial risks arising from recovery include additional impacts to cash flow, operating costs and levels of service following the Cyclone.

Asset Management (AM) Strategic Risk

18. The Asset Management risk is defined as 'Failure to provide fit for purpose, safe, affordable & sustainable assets that the community expects, over the long-term'.
19. The current residual risk level for Asset Management is assessed as '**Serious**' which is outside Council's overall risk appetite.
20. This assessment was previously based on the impact of recent significant flooding events which have reduced the resilience of Council's roading network, and additional costs for restoring and maintaining an effective local roading network being beyond the Council's current budget provisions. This situation had been further worsened by the damage caused by Cyclone Gabrielle, both to the already damaged roading network and to stop banks and water infrastructure. The situation remains Serious as the Council transitions into recovery, with emerging risks arising from reduced capacity to deliver existing levels of service and reduced resilience to an already fragile network from environmental factors.
21. Reduced capacity to maintain existing levels of service is an emerging risk. Operational costs to maintain existing levels of service are also expected to increase, with the loss of roading access to areas and establishing workarounds exacerbating costs.

22. A comprehensive report on Infrastructure assets was made to Operations Committee on 20 April 2023 'Cyclone Gabrielle update' **23-74**. This report gave updates on the Four Waters, Roding and Solid Waste assets.
23. The status of the infrastructure is fragile and less resilient post-Cyclone Gabrielle, despite the water supply roading network coming back on-line and cut-off areas gradually being reconnected. Although the Waingake water pipeline has been reconnected and repaired at the breakage points, the ground it has been built back on is unstable in places and woody debris jams have been observed upstream of the pipeline, which could become remobilised. As Council moves to recovery, alternative water supply opportunities are being explored.
24. Sediment deposition in road drainage from Cyclone Gabrielle also increases the risks of surface flooding with the onset of winter and wetter conditions; similarly, high water tables increase the risk of surface flooding on the stormwater network. Work is underway to understand the risks of woody debris, sedimentation, reduced channel capacity and how these might impact Council's critical assets. These emerging risks have been discussed further under the Natural Environment Strategic Risk section of this report, below.
25. Regarding the Council's community assets, the residual risk level has increased to '**Major**' from 'Moderate,' which is outside Council's overall risk appetite. Following Cyclone Gabrielle, a few community assets suffered damage as a result of flooding and siltation including spaces that accommodate tourism (i.e., the Botanical Gardens, Doneraille Park, Titirangi, Rere Falls and Rockslide).
26. An application is being prepared to the Ministry of Business, Innovation and Employment's (MBIE) Tourism Infrastructure Fund (TIF) to help repair the above sites. Applications for the TIF fund close on 8 May 2023. Closures to public spaces and boat ramps may also have an impact on Council's reputation, however these closures have been deemed as necessary to mitigate against current health and safety risks. Operational costs will likely need to increase to return to existing levels of service in these spaces. Opportunities are being identified for how to build back more resilient community assets, which will require prioritisation in the recovery plan.

Natural Environment (NE) Strategic Risk

27. The Natural Environment strategic risk is defined as 'failure to sustainably manage our natural environment under Council control.'
28. The current residual risk level for Natural Environment is assessed as '**Major**' which is outside the Council's overall risk appetite of 'Moderate.'
29. The frequency of large weather events has presented an emerging risk of reduced compliance monitoring capacity as well as increased investigatory costs.
30. There are emerging risks regarding sediment aggradation and woody debris jams. Work is underway to understand the extent of these emerging risks and possible treatment options. While exploration into the residual risks from sediment aggradation may raise the overall Natural Environment Strategic Risk to Serious, potential treatment options may trigger Long Term Planning changes, which would also help reduce the residual risk to Serious.

31. Options are also being investigated for a greater degree of predictability for flood early warning systems.
32. The work being undertaken to assess the emerging risks of aggradation and woody debris include programmed cross section analysis for commencement at the end of 2023, investigations at potential source locations, LiDAR mapping and drone surveys. MBIE funding is also being sought for National Institute of Water and Atmospheric Research (NIWA) sponsored Cyclone damage and hazard mapping assessment projects. The data from the research being undertaken will provide updated analysis and mapping following the cyclonic events of 2023 to better inform decision making.
33. Council is establishing a Forestry Debris Taskforce which will coordinate the identification of debris jams and apply interventions to undertake removal, such as applying for Enforcement Orders².

Civil Defence Emergency Management (CDEM) Strategic Risk

34. The Civil Defence Emergency Management (CDEM) strategic risk is defined as the risk that the CDEM Group 'is unable to provide appropriate response and recovery operations.'
35. The current residual risk level for CDEM remains as '**Major**'.
36. This 'Major' level of risk has been arrived at because of the number of declared events increasing in frequency and intensity, coupled with the CDEM function being situated in a building in the Tsunami Inundation Zone.
37. The new building is still expected to be completed in June 2023.

Business Continuity (BC) Strategic Risk

38. The Business Continuity (including Information and Technology) strategic risk is defined as 'The Council is unable to provide critical services within appropriate timeframes.'
39. The current residual risk level for Business Continuity is assessed at '**Major**' which is outside Council's overall risk appetite.
40. This residual risk was increased from 'Moderate' in the previous strategic risk report (**Report 23-53**) from March 2023 and was based on the immediate disruption and damage to Council services and infrastructure and the diverting of Council personnel in response to the CDEM Cyclone Gabrielle emergency. This was also based on the longer-term disruption to the delivery of Council objectives as Council and the region seeks to recover from the impact of the cyclone. This risk level is likely to remain at Major as Council develops a long-term recovery plan for the region, which could result in changes to priorities in some areas outside of the recovery, including in the delivery of some BAU services.

² Applications for Enforcement Orders can be made by the Council under Section 316 of the Resource Management Act of 1991 (RMA). The scope of such Orders is covered under Section 314 of the RMA.

41. While Business Continuity Plans (BCPs) are in place across all Council Hubs and are regularly updated to reflect staff and structural changes, they are only intended to be in place for a short period of time. Council is facing an extended period of disruption while key infrastructure is restored, including a significant period of uncertainty while it is determined what this key infrastructure will look like. BCPs and the framework behind them are therefore presently being reviewed in light of lessons learned from Cyclone Gabrielle to increase resiliency.
42. The Council is meeting its information and technology (IT) commitments and increased resilience is anticipated when the new CDEM structure is in place this year. During Cyclone Gabrielle, Council's IT systems on premises continued to function as expected. The systems and process disruptions that occurred were as a result of reliance on internet connectivity, phone networks, and to the fiber network which had physical breakages. Options to increase Council's and CDEM's resiliency are being explored, through diversifying technologies including Fiber, Microwave, Radio, and Satellite. Regardless of what the Council does to increase its own IT resiliency (including CDEM), the ability to respond is reliant on other entities increasing their intraregional resiliency as well, such as emergency services and utilities.

Procurement (P) Strategic Risk

43. The Procurement strategic risk is defined as 'failure to optimise the supply of cost-effective & quality goods and services over the long term'.
44. The current residual risk level for Procurement remains as '**Major**' which is outside Council's overall risk appetite.
45. This 'Major' level of risk is a continuation of management taking a prudent approach to procurement within Council's financial operating environment, given the on-going pressures in the wider business environment through inflation, supply chain disruption and labour shortages, and the extended impact of repeated weather events on the region. Ongoing business practices are in place to manage this risk, including reviewing 'design and build' procurement strategies on planned projects, a review of supply and contractor resources, and rationalism planning when project resources reach a critical level.

Health and Safety (H&S) Strategic Risk

46. The Health and Safety (H&S) strategic risk is defined as 'the inability to adequately protect Council staff and the community, from hazards or events where reasonably practicable to do so'³.
47. The current residual risk level for Health and Safety is assessed as '**Moderate**' which is within Council's overall risk appetite.

³ Reasonably practicable is defined in terms of Health and Safety Act 2015 Section 22 – and includes what a person ought reasonably to know about the risk or hazard, ways of eliminating or minimising the risk, and the costs of ways to eliminate or minimising the risk (whether the cost is grossly disproportionate to the risk).

48. This assessment is based on the continued delivery of Health and Safety training for new staff, continued monitoring and adjustment of how Council delivers its services that it removes and minimises its operational risk to the community; and additional monitoring and management of risks to staff and contractors arising from the response to Cyclone Gabrielle, including:
- d. Staff and contractors re-entering areas with substantial changes in access and terrain, including access. An increase in risk assessments has been required to ensure we are approaching works safely.
 - e. An increase in public behaviour and level of abuse to staff.
 - f. Contractors working long hours and on elevated risk work and sub-contractor management to ensure proper competencies.
 - g. Staff wellbeing, especially as Council looks to balance its recovery and business-as-usual priorities.

People and Capability (P&C) Strategic Risk

49. The People and Capability (P&C) strategic risk is defined as 'the Council does not have the right people with the right skills and attitudes.'
50. The current residual risk level for People and Capability is assessed as '**Moderate**,' based on our current turnover level of 16.1% which is within Council's overall risk appetite threshold of 15-17%.
51. This follows from the previous strategic risk report (**Report 23-53**) in March 2023 where the residual risk was reduced from 'Major' in light of the turnover rate being reduced to 16.6%. The turnover rate will continue to be monitored to ensure this rate remains within Council's risk appetite.
52. The national shortage of talent is continuing to contribute to the difficulty in attracting talent to fill the roles available. Council will continue introducing additional actions to attract and retain talent, while using contracted personnel and consultants where possible to maintain service delivery.

Fraud and Corruption (F&C) Strategic Risk

53. The Fraud and Corruption strategic risk is defined as 'wrongful or criminal deception for personal gain.'
54. The current residual risk level for Fraud and Corruption remains assessed as '**Moderate**' which is within Council's overall risk appetite.
55. There is no change from the previous strategic risk report (**Report 23-53**) of 15 March 2023.

Legal Compliance (LC) Strategic Risk

56. The Legal Compliance risk is defined as 'legal and policy non-compliance'.
57. The current residual risk level for Legal Compliance is assessed as '**Minor**' which is within the Council's overall risk appetite.
58. Operationally, the Council is meeting its legal compliance commitments, with areas where further improvement can be made to deepen its risk maturity practices identified.
59. There is no change from the previous strategic risk report (**Report 23-53**) of 15 March 2023.

Capital Projects (CP) Strategic Risk

60. The Council has several major projects underway that are reported to the Operations Committee. Two of these major projects involve significant external funds from central government. These two projects are the Wastewater Treatment Plant upgrade (WWTP) \$37.23m and the Kiwa Pools Aquatic Centre project (Kiwa Pools) \$47.5m (including \$40m of central government funding and additional grants of \$1.4m approved this year for solar panels and the hydrotherapy pool).
61. Council's management involvement from an internal audit and risk assurance perspective is to provide assurance to Councillors, our project sponsors and funders that expenditure is being recorded and allocated correctly and that any funding claimed is correct and based on actual expenditure incurred.
62. This work extends to project forecasting and cash flows that help identify any issues or concerns around project timing, tracking against budget and project milestones for project completion and to meet funding requirements.
63. Management does this in several ways:
 - h. Each project has a dedicated financial advisor that works closely with the project team in monitoring spend, forecasting, cash flow and funding management.
 - i. Internal Audit review and sign-off on the financial information before the information is released to our funders.
64. The costs to date for the Kiwa Pools are \$41.72m. The Council has received all the funding for all milestones completed to date.
65. The costs for the WWTP are \$30.56m, with no change to external funding.
66. The risk assessment of these two projects for the purpose of this report has considered their delivery against budget, scheduled completion date and scope of work. At this stage of delivery, both projects are assessed as being within Council's risk appetite as follows:
 - j. The Wastewater Treatment Plant upgrade is being delivered within budget and to the scope of work intended and is mostly within original timeframes, but there have been some slight delays primarily due to COVID-19 restrictions, supply chain delays and delays caused by significant weather events.
 - k. The Kiwa Pools project is being delivered within budget and to the scope of work intended.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Medium Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Medium Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Medium Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Medium Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Medium Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Medium Significance

This Report: Low Significance

67. The decisions or matters in this report are considered to be of Low significance in accordance with Council's Significance and Engagement Policy.

68. This report is part of the Council risk management process and will inform future Council decision-making across Council functions and therefore the level of significance will be informed by the functions this process is applied to.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

69. The level of engagement has primarily been internally facing to date as the areas of risk are identified. This will then inform the level of engagement required and process for engagement to be followed.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

70. The outcomes of determining the Council's strategic risks and risk appetite for each will inform Council's decision-making and the allocation of resources to deliver the Long-Term Plan objectives supported by an appropriate risk management strategy and approach.

71. The level of community engagement will be determined by the areas of risk identified and the degree to which they directly affect the community.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

72. The level of climate change impact and its implications will be determined by the areas of risk identified and the extent to which they affect climate change.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

73. The financial impact will be determined by the resource allocation required to meet Council's risk appetite for the areas of risk identified.

Legal

74. This report is part of Council's obligations to operate in a prudent manner by identifying and reducing relevant risks to the delivery of its services and activities.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

75. This report is consistent with Council's Risk Management Framework.

RISKS - NGĀ TŪRARU

76. This report is part of Council's wider organisational risk management process which seeks to minimise risk across the Council organisation. The process being undertaken as set out in this report will be applied to map the rest of the strategic risks.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
17 May 2023	Workshop – Risk Appetite & Reset or confirm primary Strategic Risk.	Workshop to review Council's Primary Strategic Risks & Risk Appetite.
May onwards	Determine if the Council is currently exposed to any risks beyond its risk appetite.	Complete in conjunction with Internal Audit for the Assurance Programme. Reported within Audit & Risk Committee.
May onwards	Develop Strategic Risk Programme.	Complete in conjunction with the profiling of each strategic risk and subject to further consideration by Audit & Risk Committee.
May onwards	Plan and conduct deep dive risk sessions with the Audit & Risk Committee.	Complete in conjunction with Internal Audit for the assurance programme. Reported within Audit & Risk Committee.

Title: 23-83 Insurance Update
Section: Finance & Affordability - Performance
Prepared by: Andrew Haughey - Senior Procurement Advisor
Meeting Date: Wednesday 17 May 2023

Legal: No

Financial: Yes

Significance: **Low**

Report to AUDIT & RISK/ĀRAI TŪRARU ME TE TĀTARI KAUTE Committee for information

PURPOSE - TE TAKE

The purpose of this report is to provide an update on Cyclone Gabrielle Council assets claim, Potential Earthquake Loss to Four Waters Assets, Marine Wreck Removal cover, Parametric Insurance Policy Exploration and the insurance renewal process as related to delivering Council's Insurance Strategy.

SUMMARY – HE WHAKARĀPOPOTOTANGA Cyclone Gabrielle Claim

At the end April the estimated claim is in the region of \$28m. The final figure will be determined as more damage costs are confirmed.

Under Council's Insurance arrangements, 40% of this claim is being sought under our insurance broker and 60% will be claimed from National Emergency Management Agency (NEMA). Discussions have been held with both NEMA and our insurers with an initial claim and forecast of future costs submitted. Progressive payments to contractors will be made as costs are incurred. In March 2023, Council has paid is \$2.98m in total costs.

Staff are seeking a progress payment in May, from which Council's excess of \$1.5m will be deducted. Staff, in the meantime are progressing the full claim to both agencies and will have most contractor claims lodged or invoiced by the end of the financial year.

The most impacted activities covered by insurance policies are Four Waters assets.

Loss limits for the Four Waters Assets

Council engaged its broker in June 2022 to update its earthquake loss limit for the current infrastructure assets valued at \$586m.

A loss limit is the maximum amount paid out from a natural disaster arising out of a single event.

On advice from its Broker, Council approved to increase the loss limit from the current \$250m to \$293m at the Audit & Risk Committee meeting held on 15 March 2023, **(report 23-55)** subject to our insurers finding underwriters. The Broker has since confirmed that Council is able to extend its loss limit, effective November 2023.

The broker will recommend to BOPLASS that the increase in loss limit be included in our November 2023/2024 insurance renewal.

Marine Wreck Removal Cover

Staff met with Eastland Port who confirmed the proposed second berth is not yet built so forecasted shipping numbers for this year remain unchanged from last year. Therefore, no change is required to Council's \$10m wreck removal cover.

Parametric Insurance Policy Exploration

Considering Cyclone Gabrielle, staff are determining the value of a parametric policy and are exploring how this policy works and where the benefits sit. Staff will advise the Committee once an assessment has been completed.

Parametric policies do not require loss adjusting or a claim settlement process assuming that the predetermined event has been designed adequately, payment within 30 days is typical.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: cyclone gabrielle, council assets claim, potential earthquake loss to four waters assets, marine wreck removal cover, parametric insurance policy, insurance strategy, insurance broker, national emergency management agency, NEMA

BACKGROUND - HE WHAKAMĀRAMA

1. Council adopted the Insurance Strategy (the strategy) at the Audit & Risk Committee meeting on 22 September 2021 (**Report 21-137**). As part of the strategy, five key actions were recommended to manage Council's insurance risks and requirements.
2. Three actions have been completed and work on actions four and five will continue this year.
3. Council's Marine Wreck Removal Liability Policy insurance cover was increased from \$5m to \$10m (**Report 21-137**) at Audit & Risk committee on 22 September 2021 with a meeting with Eastland Port to be carried out every six months.
4. Following on from (**Report 23-55**) a review of Parametric Policy is to be undertaken to determine if the policy provides better cost benefits to Council.
5. Gisborne District Council (Council) is part of the Bay of Plenty Local Authority Shared Services (BOPLASS). The company proves to be a sustainable and cost-effective approach to securing annual insurance coverage.

DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

2022/23 Insurance Update

Cyclone Gabrielle, Insurance Cover and NEMA

6. Under declared emergency events such as Cyclone Gabrielle, the National Emergency Management Agency (NEMA) will cover up to 60% of damage to critical insured infrastructure assets. For the remaining 40% of costs, these will be assessed by our loss assessors under Council's Infrastructure Policy.
7. For payment, Council staff met with NEMA on 29 March and then our insurance broker claim specialists on 4 April to commence the process for claiming costs incurred from Cyclone Gabrielle.
8. The broker confirmed a progress payment can be paid to Council once the underwriters receive and accept the high-level reinstatement costs. Staff collated the information ready for end of April. Council will send this information to our broker for settling the claim and confirming a progress payment in the first instance.
9. The process to commence the claim for NEMA (60% of total claim) is also underway.
10. The main Council assets which have been affected by Cyclone Gabrielle are:
 - Waingake pipeline.
 - Waipaoa Treatment Plant (business interruption).
 - River stopbanks (4 identified).
 - Revetments along Taruheru and Waimata rivers
11. Based on available information, which is still being finalised, an indicative **\$28m** claim has been recorded. At this stage, this number could grow over time as more damaged areas become known to staff. An example being Tomos (sink hole); 32 Tomos reported to date.

12. Claim calculation **Table 1**, explains how NEMA and the underwriter portions of the claim are shared based on the 60/40 split.

Table 1 Claim Calculation 60/40 Split at estimated claim of \$28m

Total Claim	NEMA 60%	Insurance 40%
		\$28m
Less Excess (100%)	\$1.5m	
Total Claimable Loss (100%)	\$26.5m	
Claim settlement 60/40 Split	\$15.9m	\$10.6m

Insurance Loss limits for the Four Waters Infrastructure Assets

13. The most significant damage to our infrastructure assets is by earthquakes. The probable loss study focused on an earthquake as the natural disaster. Council has 4 water infrastructure assets declared at \$586m. The current loss maximum from a natural disaster is set at \$250m. The loss maximum applies to all natural disasters, not only earthquakes. A 'natural catastrophe event' can include earthquakes, landslips, floods, tsunamis, tornados, windstorms, volcanic eruptions, hydrothermal and geothermic activity, and subterranean fire.
14. Council's loss limit of \$250m is expressed in 100% gross amounts. The Infrastructure Policy assumes 40% cover of the total costs, with the remaining 60% covered by NEMA.
15. A loss limit is the maximum amount paid out from a natural disaster arising out of one event.
16. Council approved to change the loss limit from the existing \$250m to \$293m at Audit & Risk Committee meeting on 15 March 2023, (**report 23-55**) subject to our insurers finding underwriters. They have confirmed that Council is able to extend our loss limit from November 2023.
17. It should be noted that the Infrastructure Policy has three limits relating to claim payments. These are:
- Deductible limit of \$1.5m per each event.
 - Upper loss limit for Gisborne District Council claim – currently at \$250m.
 - Upper loss limit for the BOPLASS Group of Councils of \$500m in any one year.
18. One impact of increasing our loss limit, will be that the BOPLASS Group will also need to review the upper loss limit for all the Councils within its group. This limit will also be reviewed before the 2023/24 Insurance renewal process (i.e., November 2023).
19. The estimated cost for increasing the BOPLASS Councils overall loss limit is \$150k to be shared between the members of the BOPLASS group.

Marine Wreck Removal Update

20. With the Eastland Port's new twin berth rebuild and upgrade proposal a meeting was held with Port and Council staff on 5 April to further discuss the \$10m wreck removal insurance cover that Council holds; and to confirm the cover is still fit for purpose.
21. The forecast is for no notable change to shipping numbers and therefore no change is required to Council's \$10m wreck removal cover.

Parametric Insurance Policy Exploration

22. Insurance companies have strict controls and requirements around the claims process and use third party expertise (in the form of loss adjusters and claims preparers) to support the claims process. This process requires data and information to be provided, analysed, and then actioned as part of the process. This can lead to extended delays in pay-out.
23. Gathering all the information takes time to get it to a point the insurer will consider the information is acceptable. Exploring further with council's broker a parametric policy may enable an earlier pay-out within 30 days based on a predetermined event, such as a 1 in 1,000-year earthquake.
24. The time delay can be too long given the financial impact on Council. A parametric policy shortcuts the delay and allows an immediate payment based on a predefined event being met such as 1 in 1,000-year earthquake.
25. Although used globally, (e.g., windstorm cover in the Caribbean), there has been little uptake within New Zealand to date. Discussions are ongoing with the broker to investigate whether such a policy could be used to supplement the current insurance and provide an immediate funding injection when Council needs it most, i.e., immediately after the event and before government and insurance are initiated.
26. Council will advise the committee once we have carried out the assessment.

Insurance Renewal Process

27. Council is responsible for providing services, assets, and support to our local community, and hold multiple types of insurance policies to protect against potential risks and liabilities.
28. Council's current annual premium is \$1.57m.
29. The annual insurance renewal date is 1 November, and collectively all BOPLASS members renew at this date. Staff are working now to ensure we meet this renewal date, and that the policies reflect the changing operating environment.
30. Three key components are required to calculate the renewal of Council's insurance policies each year. These are:
 - Asset schedules (required to the broker by end of July).
 - Insurance valuations (required to the broker by mid-August).
 - Declarations (required to the broker by mid-September).

31. Each component is reviewed and updated before being sent to the broker who then provides this information to their underwriters to price the relevant insurance cover for BOPLASS Councils.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

32. The decisions or matters in this report are considered to be of Low significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

33. No tangata whenua engagement was required to complete this report.

COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

34. No community engagement was required to complete this report.

CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

35. Rising sea levels and extreme weather events are likely to impact future insurance premiums and availability. Over time, material damage insurance premiums are likely to continue to rise, or insurance may be withdrawn for the most at-risk areas.
36. Council will have to consider whether to continue to insure, to self-insure in some form, or to accept higher excess levels or increase limits of liability.
37. The frequency of weather events is also likely to increase, leading to higher exposure to Wreck Removal Cover costs in the future.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

Loss Maximum – Infrastructure

38. Under Council's Infrastructure Insurance Policy, the excess **\$1.5m** is deducted from the claim amount.
39. The additional cost for increasing Council's loss limit for the Infrastructure Policy is still to be determined.

Legal

40. Council's Legal team is involved in all insurance policy renewals, as well as holding records of historical events and any potential claims.

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

41. With the adoption of the Insurance Strategy and the annual renewal process, individual insurance policies are reviewed regularly. This includes limit exposures (through worst-case loss scenarios), continuing reviewing risk profile, and risk retention and valuation methods for underlying assets.

RISKS - NGĀ TŪRARU

42. This report is part of Council's wider Insurance Strategy process to ensure effective policies and cover in place to manage potential risks and liabilities.

NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone
June 2023 onwards	Action Key Insurance strategies as scheduled for 2023 & 2024
July 2023 onwards	Complete steps with 2023/2024 Insurance renewal
Nov 2023	Amend loss limit for Infrastructure Cover for the 2023/2024 insurance renewal
Nov 2023	Scheduled meeting with Eastland Port for updates on shipping movements

Title: 23-96 Health & Safety
Section: Health & Safety
Prepared by: David Wilkinson - Health & Safety Manager
Meeting Date: Wednesday 17 May 2023

Legal: No

Financial: No

Significance: **Low**

Report to AUDIT & RISK/ĀRAI TŪRARU ME TE TĀTARI KAUTE Committee for information

PURPOSE - TE TAKE

The purpose of this report is to update the Audit & Risk Committee with specific information on critical health, safety and wellbeing risks, and controls to mitigate these risks at all Gisborne District Council workplaces.

SUMMARY – HE WHAKARĀPOPOTOTANGA

The Gisborne District Council has duties under the Health & Safety at Work Act 2015 (HSWA) and its associated Regulations. These include:

- Applying due diligence to ensure Council, through its Chief Executive, provides resources and support to meet legal health and safety obligations.
- Ensuring that significant health and safety risks have been identified and that robust controls are implemented to mitigate these risks, and that they are reviewed regularly.
- Assurance that all workers are confident that Council is providing a safe workplace for its workers and other persons.
- Confirming that Council is compliant with health and safety legislation and striving to continuously improve health and safety systems and culture.
- Ensuring all workers are valued and that their health, safety, and wellbeing is essential to the overall success of Gisborne District Council.
- Ensuring senior management and councillors are aware of their duties under s.44 “Due Diligence” and understand Council risks and resources available to mitigate.
- Providing key information relating to these matters at a governance level.
- Monitoring present COVID-19 situation, working collaboratively with the Risk Manager to ensure we have plans, controls, and resources available.

The decisions or matters in this report are of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

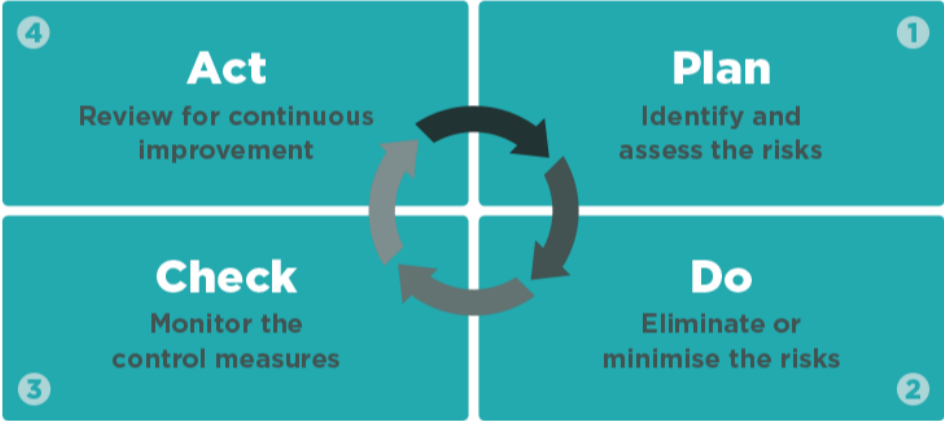
Authorised by:

James Baty - Director Internal Partnerships

Keywords: health & safety, health & safety at work act, critical risks, homeSafe, Te Kawa a Tane, Te Tairāwhiti Asbestos Liaison Protocols

BACKGROUND - HE WHAKAMĀRAMA

- 1. The Health & Safety at Work Act (HSWA) provides regular opportunities to review case law and related precedents together with frequent Regulator media reports.
- 2. Our focus continues to be on critical risks, staff wellbeing, and building a culture where all our workers feel supported, understand the risks associated with their work, and the controls needed to mitigate these. Accordingly, this report provides updates.
- 3. One of the key requirements of health and safety legislation is that it is mandatory to have active worker participation. We formally apply this in two ways:
 - a. By having nominated Health and Safety Representatives, who cover a specific work group across Council. Currently each representative operates in this role for a period of two years. Health and Safety Representatives are consulted on worker health and safety matters, involved in investigations, meet quarterly and are given a variety of training opportunities during their term.
 - b. All workers are encouraged to report accidents, incidents and near misses through the Damstra Safety system (our health and safety management platform). A mobile Damstra app is available, which staff are encouraged to use, and uptake remains encouraging.
- 4. Gisborne District Council recognises that a well-functioning health and safety system relies on participation, leadership and accountability. HSWA sets out the principles, duties and rights in relation to workplace health and safety. A guiding principle of HSWA is that workers and others need to be given the highest level of protection from workplace health and safety risks, as is reasonable.
- 5. A review of Council's strategic risks included Health & Safety, resulting in several options to ensure ongoing continuous improvement.
- 6. Healthy and safe work starts with identifying and understanding what our work-related health and safety risks are. It then involves implementing what is reasonable and practicable to eliminate those risks. Where the risk cannot be eliminated, it must be minimised so far as is reasonably practicable.
- 7. We follow the "Plan-Do-Check-Act" four steps model to help manage our work health and safety risks:



8. We prioritise critical risks first before managing less serious risks. Teams are required to review work activities on an ongoing basis and to identify any new risks that need to be managed. We work with other businesses where we have shared work risks (e.g. share a workplace or in a contracting chain). In addition, we ask workers for input on not only identifying health and safety risks but also when choosing solutions. We believe people are more likely to take responsibility and make good choices if they have been involved in the conversation, remembering that workers are the eyes and ears of our business. They could suggest practical, cost-effective solutions and often do.
9. Teams have identified their operational risks and these, together with controls to manage these risks, and reviewed on an annual basis or post any incident/accident or near miss. We have introduced a business partnership model with teams assigned their health and safety support where the HomeSafe team collaborate and review team risks developing minimum risk guidelines for staff and contractors to follow.
10. Much of Council's medium to high-risk work is undertaken by contractors. Before becoming a Council approved contractor, a health and safety assessment is undertaken with contractors who are required to pass a pre-qualification check of their health and safety systems using our pre-qualification system SHE. 'SHE' helps us make smarter health and safety decisions, all backed by data and supported by rigorous process.
11. Changes to the pre-approval process (cross-accreditation with Totika) have been ratified and staff trained. Council staff who engage medium or high-risk contractors then undertake a check of any qualifications, licensing, safety plans and associated documentation before work commences. Monthly monitoring of contractors undertaking physical work is required by the person responsible for engaging or a suitable project consultant/team. Examples are the floodwater and roading network maintenance projects which have dedicated health and safety roles to verify and assure performance that is overseen by the HomeSafe team

Identified Health and Safety Operational Risks

12. Our top ten identified operational risks are:
 - Conflict, violence, and aggression
 - Falls from heights
 - Driving and vehicle safety
 - Working in the road corridor
 - Contractor management
 - Confined spaces and access
 - Isolated, remote, lone working
 - Hazardous substances, including asbestos
 - Mental health and wellbeing
 - Staff turnover and retention.

13. The HomeSafe, Crisis Response Team (CRT) and Risk teams remain vigilant in relation to the COVID-19 situation across New Zealand and worldwide. At the time of drafting this report national Covid case numbers have increased. Council stocks of RAT test kits were initially exhausted due to demand from the Emergency Co-ordination Centre for the Cyclone Gabrielle event. These were restocked by Te Whata Ora. Internal communications deployed to maintain vigilance and adherence to set protocols.

Cyclone Gabrielle

14. The following elevated risks post cyclone Gabrielle are being managed:
- Driving our fragile roading network.
 - Contractor management, including review of site-specific safety plans (SSSP). Noting the hard mahi contract workers have been engaged in, long hours and managing stress and fatigue are paramount.
 - With an increase in poor behaviours from members of the public and staff abuse across teams, supporting workers, and contractor's wellbeing including mental health is a key focus. Council has a number of interventions programmed.
 - Secondments into response teams has reduced some team resource and capacity which needs to be effectively managed.
 - Contractor management of SILT removal from recreational parks.
 - Gisborne District Council are collaboratively supporting and participating in a WorkSafe initiative Te Kawa a Tāne. A coordinated approach with Iwi, Council, Forestry Industry and Kaimahi, collaborating and consulting on making decisions that are safe for people and have minimal impact on the environment.



Compliance

15. Workplace health and safety is not just about compliance with every letter of the law. It is making sure our basic proposition about workplace health and safety is cemented in our organisation's culture. To this end, several compliance initiatives are under way with health and wellbeing a key focus. Recent influenza vaccinations and Heart foundation healthy heart education assessments have taken place.

16. Gisborne District Council plays a key role in the local Te Tairāwhiti Asbestos Liaison Protocols where Council, Te Whata Ora, Fire & Emergency New Zealand and WorkSafe jointly support the reduction of occupational and public health risks associated with the exposure to asbestos. Sharing information between agencies ensures we maintain a good level of awareness, particularly with regard to flood impacted properties, renovation and repairs post Gabrielle.
17. To ensure all elected members fulfil due diligence in their capacity as an officer, health and safety reports to the Audit & Risk Committee will also be included in the subsequent Council agenda. The updates to the Governance Structure and Terms of Reference (**Report 20-219**) will mean that such information in the future will be accompanied by any recommendations from the Audit & Risk Committee. A recently introduced Health & Safety Charter is under consultation to support.
18. Part of the role of an Officer of a PCBU is to ensure that there is a safe workplace, and that Council has the required resources available. We achieve this in several ways:
 - a) COR (including the Chief Executive) meet weekly and discuss health and safety. Regular reviews of health and safety risks are undertaken – including general data, trends, accident data, critical risks and changes to guidance, standard operating procedures and health and safety Information.
 - b) The Chief Executive and COR ensure sufficient finance is made available as and when required.
 - c) Directors attend Health and Safety Committee meetings.
19. Gisborne's branch of NZISM (New Zealand Institute of Safety Management) continues to promote safety and wellbeing throughout Tairāwhiti.

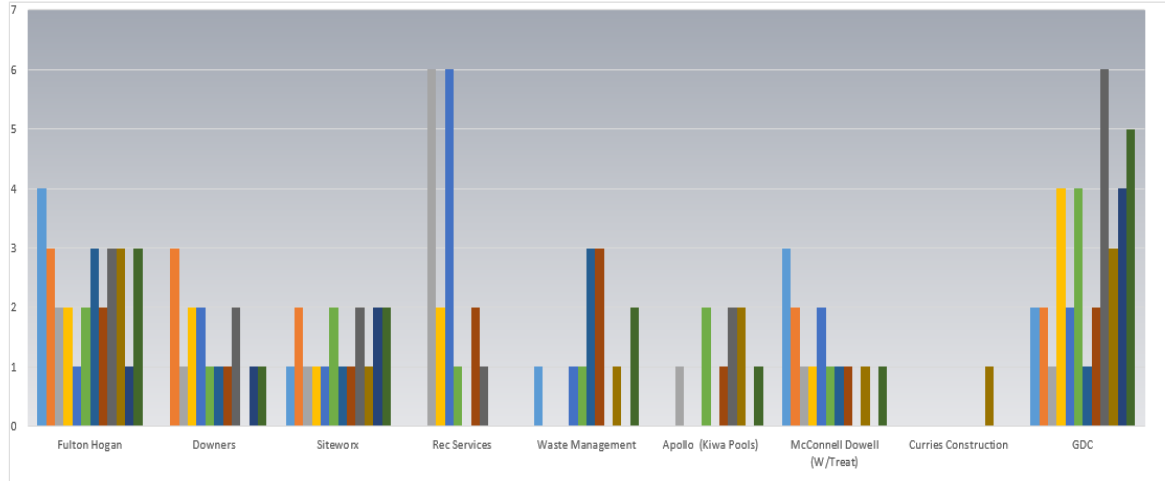
Contractor Management

20. A significant number of contractors are engaged in Council work, many on short duration contracts. This means obtaining accurate and timely data from the contractors is challenging. Incidents, accidents, and near misses are reviewed with any recommendations arising from investigations shared. Serious incidents, including serious near misses are entered into Council's Damstra safety system.
21. Working closely with approved contractors includes regular meetings where health and safety is reviewed, including accident and incident data. Additional contractor near miss reporting is monitored to evaluate trends and comparisons with reported injury rates (Table 1). The benefit of collaboration not only ensures that Council complies with requirements under Section 34 of HSWA (overlapping duties) but also achieves benefits when exchanging learnings. Contractor event investigations provide the opportunity to share learnings within Council teams and other contracting companies. There is an increased emphasis on assurance and verification, regular reviews, site audits and investigation reviews.

- 22. Woody Debris removal from Waikanae Beach had been completed by Forestry PCBU's Ernslaw One and Aratu who engaged Siteworx to complete the work. Under S.34 HSWA overlapping duties, Council have reviewed safety plans and audited works. Further heavy rain over Easter has seen more woody debris washing up and actions are underway to manage.
- 23. Additional internal health & contractor safety resource is providing enhanced assurance and verification of key contractors within our community lifelines hub.

Near Miss reporting - Tier 1 Contractors

	2022									2023			Total
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	
Fulton Hogan	4	3	2	2	1	2	3	2	3	3	1	3	29
Downers	0	3	1	2	2	1	1	1	2	0	1	1	15
Siteworx	1	2	1	1	1	2	1	1	2	1	2	2	17
Rec Services	0	0	6	2	6	1	0	2	1	0	0	0	18
Waste Management	1	0	0	0	1	1	3	3	0	1	0	2	12
Apollo (Kiwa Pools)	0	0	1	0	0	2	0	1	2	2	0	1	9
McConnell Dowell (W/Treat)	3	2	1	1	2	1	1	1	0	1	0	1	14
Curries Construction										1	0	0	1
GDC	2	2	1	4	2	4	1	2	6	3	4	5	36



Keep Up to date with Health and Safety Matters

- 24. Due diligence includes taking reasonable steps to acquire, and keep up to date with, knowledge of work health and safety matters Section 44(4)(a) of HSWA.

Whakaari/White Island update

- 25. WorkSafe laid charges against 13 parties, three of which were under HSWA Section 44: "Officers Duties". The next hearing is set for July 2023; the outcome will likely lead to an increased interest and awareness around Officer Duties under Section 44 of HSWA.

Other

- 26. Thames Coromandel District Council (TCDC) was sentenced at Tauranga District Court on 24 March 2023. Judge Bill Lawson ordered reparations of \$10,000 but no fine. TCDC was charged under sections 34(1) and (2)(b) of the Health and Safety at Work Act 2015.

27. In relation to an event of August 2022, where JTK Trustee Limited operating an inflatable device collapsed endangering children and was fined \$350,000 and ordered to pay reparations of over \$40,000 over the incident.
- Being a PCBU who had a duty in relation to members of the public attending the event at Williamson Park, Whangamata, including the victim, failed to, so far as was reasonably practicable, consult, co-operate with and co-ordinate activities, with all other PCBUs who had a duty in relation to the same matter, namely JTK Trustee Limited.
 - [Inflatable slide collapse gets court sequel | WorkSafe](#)
 - Gisborne District Council vets all event applications robustly. This includes forwarding WorkSafe guidance [Inflatable Devices - Bouncy Castle Guidance](#) where identified in applications. Events may also be visited and PCBU's audited on safe work practices.
28. Gore District Council was sentenced at the Gore District Court on 6 March 2023 for failing to design, install and maintain fencing to prevent children from accessing the Gore Council wastewater pond and to deter other members of the public from doing so. Reparations of \$110,000 and a \$0 fine due to impact on ratepayers. Three-year old Lachlan Jones drowned January 2019. [Pond tragedy spurs call to do better | WorkSafe](#)

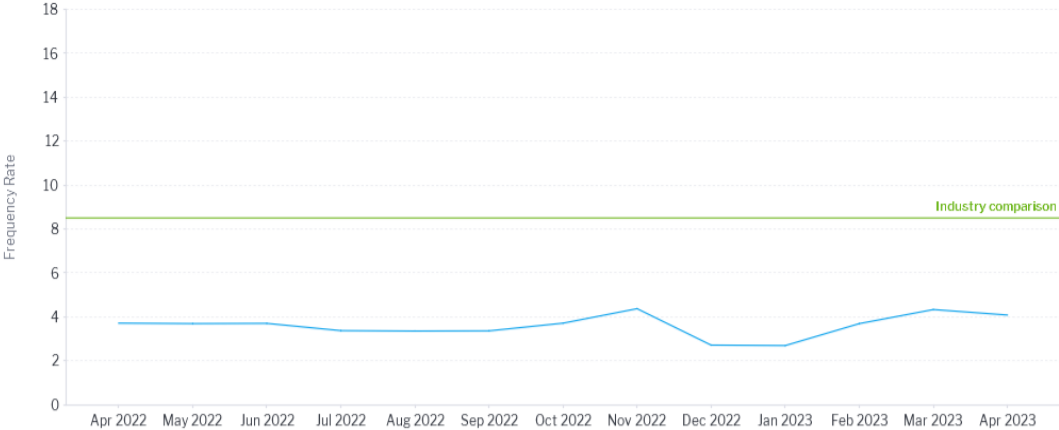
Our Key Processes

- Facilitation of the **Employee Participation or WEPR** (worker engagement, participation, and representation) process in line with HSWA regulations.
- Management of Damstra software which aligns with AS/NZ4801 Occupational Health and Safety Management systems and provides a repository for all health and safety information, hazard registers, risk registers, compliance registers and monitors improvement actions and investigations.
- Leading the Health and Safety Risk Management process which is a core function of the Damstra system. The risk module has a sophisticated structure that fully integrates with all outputs of Damstra where risk assessments and controls are monitored and continually improved.
- Contribute to the BOPLASS Mahi Tahī Local Government Collaboration Portal which provides a shared resource where Council health and safety policy, guidance and related material is freely available, and members meet on a quarterly basis.
- Coordinate the Audit and Review Process from within Damstra software. Scheduling and improvement actions are applied to individuals and monitored until close-out/completion.

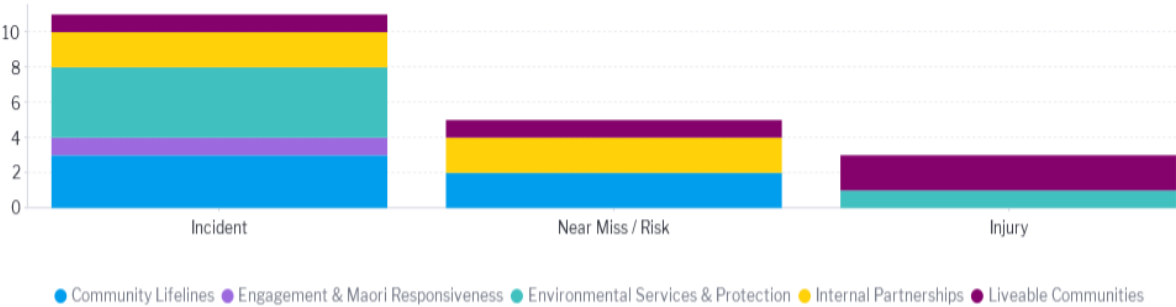
Process Gaps or Improvement Opportunities

29. Improvement opportunities identified include:
- Some aspects of Damstra remain not well understood or utilised. Additional training is ongoing, targeting managers, team leaders and their teams.
 - Encouraging staff and contractors to ensure prompt reporting of events that include near misses.
 - Health and wellbeing initiatives require further development and implementation.
 - Managers/Team Leaders regularly engage with those working from home to support wellbeing and workstation set up.
 - Accountability – annual health and safety KPIs assessment and review requires completion at year-end

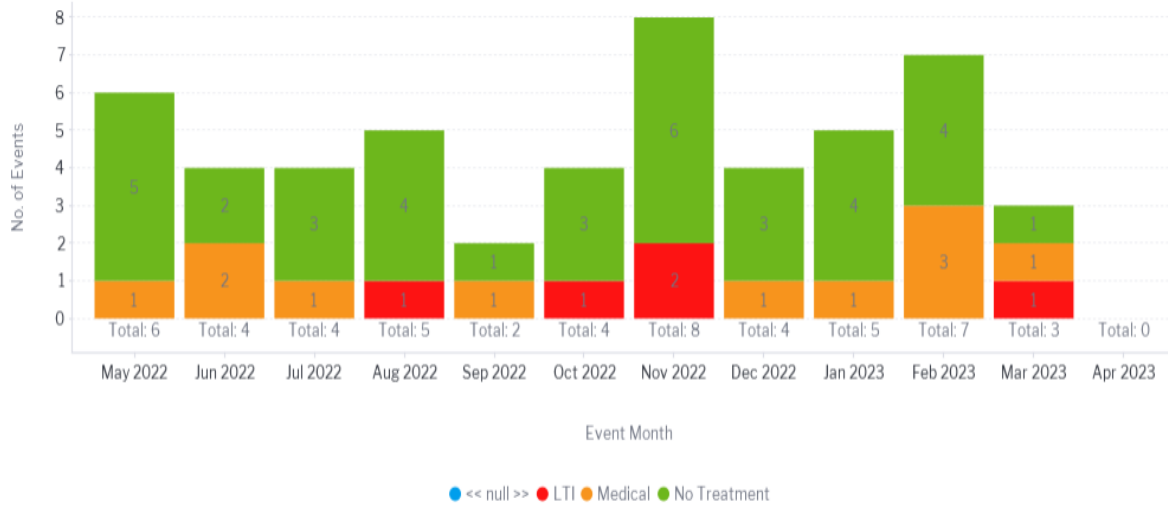
TRIFR - Total Recordable Injury Frequency Rate



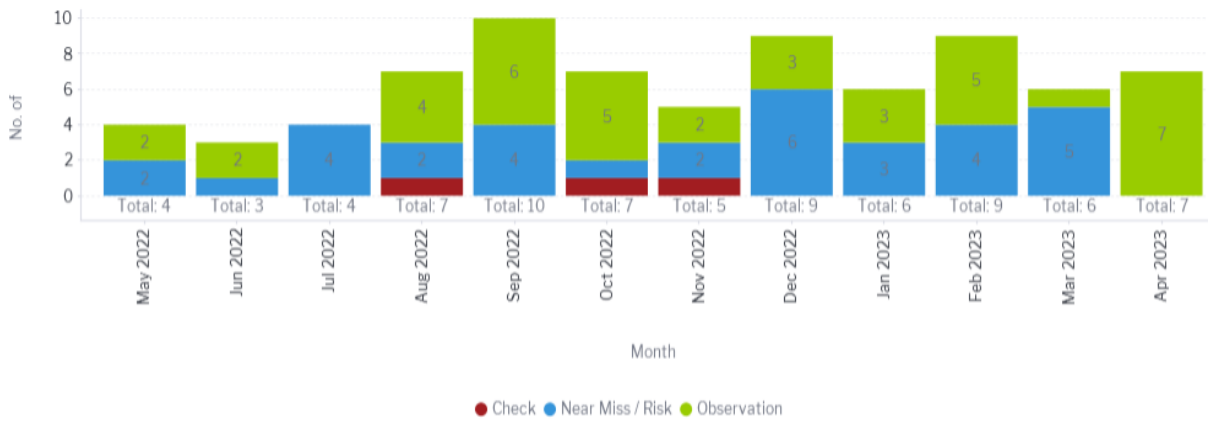
Events by Type - PreviousThis Calander Month



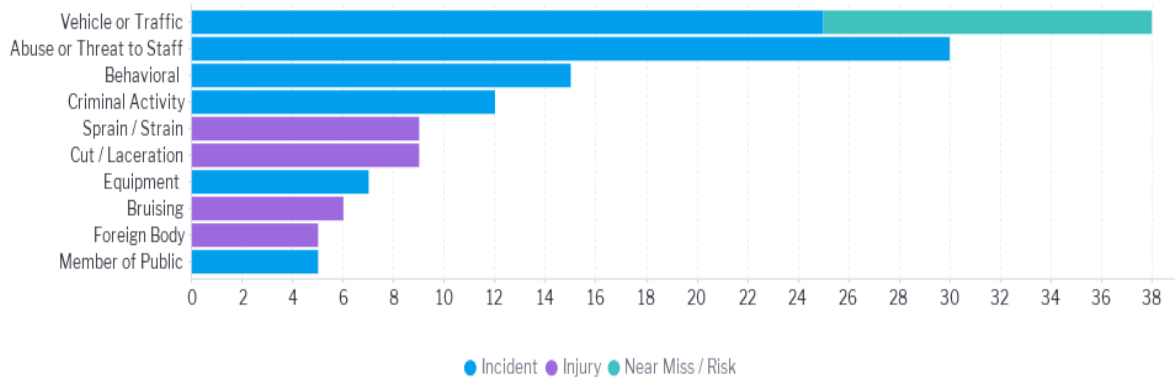
Summary of Incidents



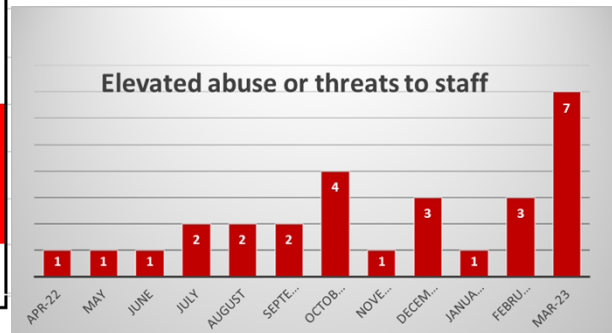
Lead Indicators COR



Events by Trending Category - Business Wide - Rolling 12 months



Incident	Fav	Adverse
Abuse or threat to staff	-	>7
Behavioral	< 3	-
Foreign Body	-	> 4
Member of public/Visitor	< 6	-
Slips, Trips & Falls	-	-
Bruising	-	-
Vehicle or traffic	-	> 3
Criminal Activity	-	> 1
Sprain/Strain	-	> 1
Cut/Laceration	-	-
Variance from last report (March)		



- Increase in staff abuse to staff.
Note: of 30 Incidents 39% relate to the first 3 months of 2023.
- Decrease in behaviour (Incidents within Council facilities requiring staff intervention).

Key/Explanation

- **Total Recordable Injury Frequency Rate (TRIFR):** Shows our indicative performance gauged against similar organisations. It is an industry standard reporting calculation based on $(\text{recorded incidents} \times 200,000) \div \text{total number of hours worked}$.
- Events by trend (last 12 months) highlight top three events as: vehicle and driving, conflict and aggression and behavioural incidents across Council facilities.

Notifiable events

- In the past 12 months no Council staff have been involved in events requiring notification to WorkSafe.
- Four notifiable events, all incurred by contractors, requiring notification to WorkSafe:
 - overhead wires struck by digger, no injuries. July 2022.
 - contractors involved in road traffic accident, Waingake. October 2022.
 - worker fell from truck entangled with machinery leading to surgery. November 2022.
 - worker fell and broke arm. December 2022.

Note: The tragic accident involving an 11-year-old on Waikanae Beach has been referred to the coroner. The accident was not regarded as being on a worksite under HSWA legislation. A second serious incident involving a 10-year-old has again highlighted the dangers of woody debris.

ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: **Low** Significance

This Report: **Low** Significance

Inconsistency with Council's current strategy and policy

Overall Process: **Low** Significance

This Report: **Low** Significance

The effects on all or a large part of the Gisborne district

Overall Process: **Low** Significance

This Report: **Low** Significance

The effects on individuals or specific communities

Overall Process: **Low** Significance

This Report: **Low** Significance

The level or history of public interest in the matter or issue

Overall Process: **Low** Significance

This Report: **Low** Significance

30. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

31. While no tangata whenua engagement was required to complete this report, we are respectful when partnering with our community and organisations and ensure Te Tiriti o Waitangi – The Treaty of Waitangi is recognised in our daily work.
32. The HomeSafe team actively promote the principles of Te Tiriti o Waitangi – The Treaty of Waitangi.

COMMUNITY ENGAGEMENT

33. No community engagement was required to complete this report. All teams – including HomeSafe – are responsible for the safety and wellbeing of our workers and community. Contractor management and requests for service from our community may require input and guidance from the HomeSafe team.

CLIMATE CHANGE – Impacts / Implications

34. There are no impacts or implications on climate change, however we require regular re-evaluation of risks from the impact of increased extreme weather events.

CONSIDERATIONS - HEI WHAKAARO

Financial/Budget

35. Any financial implications relating to this report will be met from within existing budgets.

Legal

36. HSWA and associated regulations were introduced in 2016 and have now embedded. Significant fines have been highlighted in the media for PCBUs who have not taken all reasonably practicable steps to mitigate health and safety risks. Any notifiable events have the potential to be investigated by the Government regulator (WorkSafe)

POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

37. There are no policy and planning implications to consider. Health and safety are inherent in all areas of Council work.

RISKS - NGĀ TŪRARU

38. HSWA and its associated regulations require a PCBU to take all reasonably practicable steps to ensure the safety of its workers and other persons. There remains a risk to workers, Council reputation and regulatory censure due to any unidentified or unknown risks or failure of workers to follow safe work procedures. Risks to Council workers' health and wellbeing have increased, compounded by COVID-19 and more recently significant weather events (Hale and Gabrielle). The majority of known critical risks identified continue to be professionally managed.

11. Public Excluded Business

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, LOCAL GOVERNMENT OFFICIAL INFORMATION and MEETINGS ACT 1987

That:

1. The public be excluded from the following part of the proceedings of this meeting, namely:

Confirmation of Confidential Minutes

Item 4.1 Confirmation of Confidential Minutes 15 March 2023

PUBLIC EXCLUDED BUSINESS

Item 11.1 23-94 Strategic Risk Deep Dive

Item 11.2 23-75 Litigation Risk and Legal Issues

2. This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information & Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole of the relevant part of the proceedings of the meeting in public are as follows:

Items 4.1 & 11.1	7(2)(f)	Maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment.
Items 4.1 & 11.2	7(2)(g)	Maintain legal professional privilege.