



AGENDA AND SUPPORTING PAPERS

FOR COUNCIL'S RISK AND ASSURANCE COMMITTEE MEETING

TO BE HELD

Via Zoom, and will be live streamed via Council's

Facebook page: <https://www.facebook.com/WestCoastRegionalCouncil>.

MONDAY, 1 November 2021

COMMENCING AT 10.30 a.m:

Committee Members

Cr Debra Magner (Chair)
Cr Stuart Challenger
Cr Brett Cummings
Cr Laura Coll McLaughlin
Cr John Hill
Cr Allan Birchfield
Cr Peter Ewen

Heather Mabin (Acting CEO)
Kim Hibbs (People & Capability Manager)
Neil Selman (Acting CSM)
Nichola Costley (Strategy & Coms Manager)



RISK & ASSURANCE COMMITTEE

AGENDA (*Rarangī Take*)

10.30 a.m

Monday, 1 November 2021

1. Welcome (*Haere mai*)
2. Apologies (*Nga pa pouri*)
3. Declarations of Interest
4. Confirmation of Minutes (Whakau korero) – 30 August 2021
5. Matters Arising
6. Notification of Extraordinary and Urgent Business (He Panui Autaia hei Totoia Pakihi)
7. Questions (*Patai*)
8. Chairman's Report – Verbal Update (*Nga Purongo-a-Tumuaki me nga Kaunihera*)
9. Risk
 - a. Item 1 – Draft Risk Policy
10. Acting Corporate Services Manager
 - a. Item 1 – Quarterly Financial Report
 - b. Item 2 – Quarterly Service Performance Report
 - c. Item 3 - Quarterly Treasury Report
11. General Business

N. Selman
Acting Corporate Services Manager

THE WEST COAST REGIONAL COUNCIL

MINUTES OF THE MEETING OF THE RISK & ASSURANCE COMMITTEE, HELD ON 30 AUGUST 2021, AT THE OFFICES OF THE WEST COAST REGIONAL COUNCIL, 388 MAIN SOUTH ROAD, GREYMOOUTH, COMMENCING 10.30 AM

PRESENT:

D. Magner (Chairperson), S. Challenger, B. Cummings, L. Coll-McLaughlin, J. Hill.
(all attended via Zoom)

IN ATTENDANCE:

H. Mabin (Acting Chief Executive Officer), N. Selman (Acting Corporate Services Manager), C. Brown (Civil Defence Regional Director), N. Costley (Strategy & Communications Manager), R. Beal (Operations Director), K. Hibbs (People and Capability Manager), T. Jellyman (Executive Assistant), M. Schumacher (Information Technology). All attended via Zoom.

APOLOGIES:

Moved (Cummings / Birchfield) *That the apology from Cr Ewen is received.*

Carried

DECLARATIONS OF INTEREST: There were no declarations of interest.

CONFIRMATION OF MINUTES OF MEETING HELD 21 JUNE 2021

Moved (Challenger / Cummings) *That the minutes of the meeting held 21 June 2021 be confirmed as correct.*

Carried

MATTERS ARISING

There were no matters arising.

Cr Magner asked if there is any extraordinary or urgent business. There was none.

CHAIR AND COUNCILLORS' REPORTS:

Cr Magner provided a verbal report on the meetings she has attended since the last meeting. These included several meetings with H. Mabin and Cr Birchfield relating to operational and employment matters. Cr Magner also took part in a telephone meeting with Audit NZ.

Moved (Coll McLaughlin / Cummings) *That the report is received.*

Carried

RISK REGISTER – VERBAL UPDATE

H. Mabin advised that the policy will be developed presented for adoption at the Risk & Assurance Committee meeting on 1 November. The Risk register would then be developed with management input and rolled out across Council.

AF8 PRESENTATION

C. Brown introduced Caroline Orchiston to the meeting. C. Orchiston spoke to a PowerPoint presentation and advised this is the same presentation which was recently presented to the Joint Committee CDEM. C. Orchiston spoke of the new science which was released earlier this year and advised that there is now a 75% probability of a rupture on the central section of the Alpine Fault over the next 50 years. She stated that the next alpine earthquake has an 82% likelihood of being a M8+ event (magnitude 8). This new science has more than doubled the likelihood of the next major earthquake on the fault occurring in the next 50 years.

C. Orchiston provided information on what happened during the Kaikoura earthquake. She spoke extensively and advised of the importance of being prepared for this type of event, in particular to focus on vehicle preparedness.

Cr Cummings stated that fuel storage is very important to the West Coast. Cr Coll McLaughlin asked about resilience for fuel storage. C. Brown provided information on this. C. Orchiston spoke of the importance of community resilience. C. Orchiston and C. Brown answered questions from those present. Cr Magner thanked C. Orchiston for her presentation.

HEALTH & SAFETY TELARC AUDIT REPORT

K. Hibbs spoke to this report and advised that ISO 45001 Occupational Health and Safety Management System certification has been achieved. She offered to answer questions. The report was noted.

Cr Coll McLaughlin congratulated staff on achieving the certification.

LONG-TERM PLAN CONSULTATION PROCESS - VERBAL UPDATE

N. Costley provided an update on the LTP consultation process. She stated that lockdown occurred while printing of the Consultation Document was taking place and for this reason delivery is now behind.

N. Costley advised that both the Westport and Hari Hari drop in seasons have had to be cancelled due to lockdown.

Cr Magner queried as to whether the submission period might be extended. Cr Birchfield noted that there is only eight days for the submission period. N. Costley stated that the Consultation Document has been on the Council website since mid August, with four weeks notification required, and publicly advertised. She confirmed that Council is meeting the statutory timeframe.

R. Beal advised that the Consultation Document has been emailed to as many members of rating districts as possible and members were then invited to attend rating district meetings to discuss the key changes proposed in the Consultation Document prior to it arriving via mail.

ITEM 1 - ACTING CORPORATE SERVICES MANAGER'S, QUARTERLY FINANCIAL REPORT TO 30 JUNE 2021

N. Selman spoke to this report and advised that, if the \$1.9M capital grant had not been received and the investment portfolio matched its budgeted performance then Council's result would be close to break even. He advised that the investment portfolio has outperformed budget expectation by \$477,000. He reported that VCS is performing ahead of budget. He stated that there are numerous year end accounting practices yet to be completed.

Cr Coll McLaughlin asked further information on the surplus / deficit table. He agreed to provide this information via email to Cr Coll McLaughlin. N. Selman answered various questions.

N. Selman confirmed that statutory deadline of 31 October 2021 for producing the Annual Report 2021 will be met, but Audit NZ has an extension to 31 December 2021 for completion of their audit this Annual Report.

Moved (Coll McLaughlin / Cummings)

That the committee:

Receive the draft Statement of Financial Performance for the year ended 30 June 2021.

Carried

ITEM 2 – REGIONAL SOFTWARE HOLDINGS LIMITED - STATEMENT OF INTENT

N. Selman spoke to this report and provided an overview of the history of RSHL. He stated that this is a true shared service and is a good news story. He advised that WCRC has a 4% share in this company. N. Selman advised that IRIS is the main form of software provided and is now due for an update.

N. Selman advised that RSHL only made a minor change to the draft SOI presented to Council in April. The change provided RSHL with flexibility to fund the redevelopment of IRIS.

Moved (Birchfield / Cummings)

That the committee:

Receive the Regional Software Holdings Limited's Statement of Intent 2022 – 2024 and to publish the document on its website.

Carried

GENERAL BUSINESS

AUDIT BY WAKA KOTAHI NZ TRANSPORT AGENCY

N. Costley spoke to this report and took it as read. She offered to answer questions. Cr Coll McLaughlin asked if there has been headway in the reviewing of the assessment criteria. N. Costley advised that in the past this has not been progressed due to this being a small Council. She stated that she is hopeful to get this over the line in the future without having to change our processes and procedures.

Moved (Challenger / Coll McLaughlin)

That the committee:

Receive the Procedural Audit of the West Coast Regional Council.

Carried

The meeting closed at 11.32 a.m.

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Chairman

.....
Date

Report to: Risk and Assurance Committee	Meeting Date: 1 November 2021
Title of Item: Draft Risk Policy	
Report by: Neil Selman – Acting Corporate Services Manager	
Reviewed by:	
Public excluded? No	

Report Purpose

The purpose of this report is to table a draft Risk Policy to the Committee in order to obtain feedback to assist in the development of the final version of the policy.

Report Summary

The draft Risk Policy has been prepared following a series of workshops with staff and elected members. Feedback is sought to assist the development of the final version of the policy.

Draft Recommendations

It is recommended that Council resolve to:

Note the attached draft Risk Policy and provide feedback and recommendations as deemed appropriate to assist in the development of the final version of the policy.

Issues and Discussion

Current situation

The attached draft Risk Policy has been prepared following a series of workshops with staff and elected members. It is being presented to the Committee for their consideration, amendments and recommendations pending development of the final version to be prepared for Council, for adoption.

Note. The Policy includes some highlights as key areas for discussion.

Attachments

Draft Risk Policy with the following attachments:
 Table 1: Probability/ Likelihood Levels
 Table 2: Consequence or Impact Levels
 Table 3: Combined Qualitative Risk Levels

DRAFT Corporate Risk management policy

1.0 Executive summary and purpose

Risk management is recognised as an integral part of good management practice and as an important aspect of corporate governance.

WCRC has a strong commitment towards the principles of risk management. The intent of this document is to formalise Council's corporate risk policy (CRP) on the conduct of risk identification, assessment and minimisation practices across the organisation. The CRP also defines the broad accountabilities and structures the Council will maintain in order to manage risk. The CRP is the governing framework with respect to WCRC risk management.

The principles and risk management practices supporting this policy and CRP are based on the *AS/NZS ISO31000:2018 Risk Management Guidelines*

2.0 Context

Risk management is defined by AS/NZ ISO 31000 as the effect of uncertainty on objectives, and in the context of West Coast Regional Council (WCRC) this is further identified as realising opportunities for gains, whilst minimising losses. Council cannot anticipate every circumstance or risk event. Thus, the first line of defence against a preventable risk event is to provide guidelines clarifying Council's values and goals.

The Council establishes strategic and operational plans including the CRP consistent with the mission statement.

And so, the broadest context of Council's risks is that of not achieving the region's vision and Community and Council Outcomes. Council sets its risk exposure such that all high or extreme risks are managed.

West Coast Regional Council's overall risk appetite and tolerance towards **risk exposure is medium to low**.

3.0 Policy Statement

The West Coast Regional Council is actively committed to the effective and efficient management of risk that realises opportunities for gains, whilst minimising losses. Council identifies all key risks that could impact on the viability of its responsibilities and operations and has contingencies in place to avoid, minimise, mitigate and/or accept risks within its sphere of control or influence.

By this commitment to risk management, WCRC aims to achieve the following objectives:

- a) define risk in the context of Council;
- b) articulate Council's commitment to risk management;

- c) introduce the fundamental principles and measures of risk;
- d) promote and support risk management and hazard identification practices and priorities throughout the organisation;
- e) provide broad guidance to elected members, Council’s managers, employees, contractors and other stake-holders which will be relevant to their risk management responsibilities with the following sub-outcomes
 - A more confident and rigorous basis for decision-making and planning
 - Stronger identification of opportunities and negative consequences
 - Obtaining value from uncertainty and variability
 - Environmental protection
 - Effective allocation and use of resources
 - Improved incident management, reducing loss and risk costs
 - Improved stakeholder confidence and trust
 - Improved compliance with legislative requirements
 - Better corporate governance
 - Contingency planning for foreseeable emergency situations;
- f) recognise that successful risk management relies on input from all employees;
- g) recognise that successful risk management involves the community, ratepayers, and other external stakeholders of the West Coast Region
- h) protect Council’s corporate image

4.0 Risk Strategy

Council identifies all key risks that could impact on the viability of its responsibilities and operations and has contingencies in place to avoid, minimise, mitigate and/or accept risks within its sphere of control or influence.

4.1 Outcome 1:

All significant risks faced by the organisation and the region are identified, understood and proactively managed, within the limits of Council’s risk appetite, including appropriate monitoring and review.

Strategy a) Develop and Maintain a Corporate Risk Management policy

This will define risk in the context of Council, articulate Council’s commitment to risk management, introduce and provide a platform for the fundamental principles of the risk management; Communication and consultation, establishing the context, laying the foundation for risk assessment including risk identification, risk analysis, risk evaluation, risk treatment, and finally monitoring and review.

Strategy b) Corporate Risk Register Development

Develop and maintain a comprehensive Corporate Risk Register which captures all risks pertinent to the organisation and to the Region and enabling effective decision-making in the allocation of competing resources. On a high level this involves:

- Capturing risk data

- the identification of risk
- the probability
- the consequence
- risk factor
- Inherent or raw or inherent raw (risk with no controls)
- Consideration of risk appetite
- Controls currently in place
- Current residual risk
- Target residual risk
- Notes including changes and when controls were last reviewed

Strategy c) Agree Councils accepted risk appetite

Version 1 of this document has set the corporate risk appetite based on an initial assessment. To support good governance and subsequent monitoring and control of risks, agreement is required from Council to confirm acceptable risk to West Coast region and the organisation.

Strategy d) Pro-actively manage risk in an efficient and effective way

Actively managing risk involves the development of other strategies and plans to manage risk exposure from all sources. This is so Council can develop a cost-effective and efficient corporate approach to risk management. Evaluation of the suitability of options involves the costing of risk reduction treatment and the savings from risk reduction.

- Reduce the risk by ensuring all Council core assets have asset management plans and through capital or maintenance expenditure reduce the probability of failure
- Reduce the impact of a failure by preparing emergency response plans
- Reduce risk through health and safety management including hazard management
- Reduce risk through business and continuity planning
- Accept some risk and carry the consequential costs
- Insure against the consequential costs
- Ensure actions required from risk assessments are embedded in the Ten Year and Annual Plans
- Monitor
- A combination of the above

Strategy e) Involvement by the Audit and Risk Committee

The Council's ability to conduct effective risk management is dependent on good governance of risk and internal controls. The monitoring of the Corporate Risk Management Policy of WCRC will be a key responsibility of the Audit and Risk Committee.

Strategy f) Validate and Monitor 'Significant' and 'High' risks and the adequacy of existing controls

Senior management and the Audit and Risk Committee validate those risks considered to be significant or high and regularly monitor the adequacy of existing controls for these risks.

4.2 Outcome 2: Risk is managed in a consistent way throughout the organisation, with Departments working together to share their experience and knowledge to provide an integrated response.

Strategy a) Ensure comprehensive coverage of all risk categories

Keep the scope of, and departmental responsibility for, risk categories closely aligned to Councils Outcomes, and ensure the risks identified within each category are sufficient in scope to address the category properly.

Strategy b) Ensure all 'Significant' and 'High' profile risks with insufficient controls are actively managed and reported in accordance with the policy.

Where control adequacy ratings are less than an agreed scale, develop an appropriate risk management strategy and ensure corporate planning system projects are in place by the responsible department to improve the level of control for each such risk.

4.3 Outcome 3: A risk conscious culture is fostered, ensuring all staff and elected representatives are aware of their responsibilities in the minimising of losses and maximizing of opportunities.

Strategy b) Mitigate 'Low' and 'Moderate' profile risks through business planning

Where control adequacy ratings are less than an agreed scale for 'Low' and 'Moderate' profile risks, review the value of adopting enhancements in Standard Operating Procedures and policies as a way of improving levels of control and mitigating the impact of these risks.

Strategy c) Regularly communicate to staff the organisations overall performance in Risk Management

Integrate risk reporting and communications to the culture and internal reporting of the organisation.

Strategy d) Communicate success in taking opportunities that have a managed risk

Showcase examples of risks that are taken where significant benefits to the organisation and Region accrue. This could involve wither internal and/or external communications.

5.0 Definitions

Definitions sourced from AS/NZS ISO31000

Risk – effect of uncertainty on objectives

Risk Management – coordinated activities to direct and control an organisation with regards to risk

Risk management process – systematic application of management policies, procedures and practices to activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risks (see figure 1.1)

- Communicate and consult – with internal and external stakeholders at all stages of the risk consideration and decision-making processes
- Establish the context – determine the criteria against which the risk is to be evaluated and managed, considering both internal and external stakeholders

- Identify the Risk – consider the range of potential likelihood and consequence of the occurrence of risk events
- Analyse the Risk – consider the range of potential likelihood and consequence of the occurrence of risk events
- Evaluate the Risk – by comparison of pre-established criteria, and consideration of the balance between benefits and adverse outcomes
- Treat the Risk – develop cost-effective strategies, options, and action plans for the treatment of risks that show both positive and negative outcomes
- Monitor and Review the Risk – monitor the effectiveness of all steps, and measures taken in order to achieve improvements, to react to changes in circumstances, and to ensure priorities are still relevant
- Record the Process – all relevant data pertaining to decision-making should be recorded, to satisfy legal and business needs, and to serve as a data-base for re-use. The scale and maintenance of such records should be cost-effective

Other definitions

Consequence - the impact on an organisation should an event occur. Details contained in Table 2

Contractor – An independent entity that agrees to furnish certain number or quantity of goods, materials, equipment, personnel, and/or services that meet or exceed stated requirements or specifications, at a mutually agreed price and within a specified timeframe.

Co-ordinators – all third line managers

Employee – Includes all permanent and temporary employees of Council within the meaning of the *Employment Relations Act 2000*

Senior management Team –Compromises the Chief Executive and Direct Report Managers

Environmental Sustainability Risk – Risks include

- Climate change
- Energy Management
- Environmental Quality
- Flood hazards from rivers

Senior Manager – All second level Managers

Hazard Risk – Is a source of potential harm or a situation with a potential to cause injury, damage or loss. The main types of hazards identified for West Coast region include:

- Natural Hazards – Earthquake, land subsidence associated with earthquakes
- Flood Hazard from rivers and, Electrical Storms
- Other risks – power supply failure, equipment failure, sea level rise

Likelihood – The probability of an event occurring. Details contained in Table 1

Managerial and Corporate Risk – this category includes (but not limited to) risks associated with

- Compliance (legal) risk – risks to meet statutory or regulatory obligations
- Commercial– risk such as failed contract or business relationship
- Human resources
- Health and Safety
- Insurance liability
- Governance
- Information technology
- Financial and Systems Risk – Risk such as financial controls and systems such as fraud
- Records management
- Financial management
- Reputational exposure
- Management reporting
- Security
- Professional advice

Managers – all direct reports to the Senior Managers

Monitor -To check, supervise, observe critically, or record progress of an activity, action, or system on a regular basis in order to identify change

Operational and maintenance risk – Risk which occurs in, hampers, or effects an individual division or area of an organisation. This includes risks associated with service delivery and maintenance.

Risk Analysis – A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences

Risk Appetite – Is the level of risk that Council is prepared to accept, before action is deemed necessary to reduce it. Acceptable risk levels represent a balance between the potential benefits of calculated risk and the threats that it inevitably brings.

Risk Assessment – The overall process of risk analysis and risk evaluation

Risk control – That part of risk management which involves the implementation of policies, standards, procedures and physical changes to a thing, work process or system of work to eliminate or minimise both adverse and moderate risks

Risk Coordinator – a nominated person or persons who has the primary responsibility of administering risk management for the organisation

Risk evaluation – The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or criteria

Risk identification – The process of determining what can happen, how and why

Risk Management Programme – The implementation of risk management including the creation of governance structures, well defined roles and responsibilities, the risk register, and other risk identification tools

Risk Minimisation – A selective application of appropriate control measures, techniques and management principles to reduce either the likelihood of an occurrence or its consequences or both

Risk Treatment Options – Options to reduce or remove the causes, lessen the probability and reduce or mitigate impacts of an events occurrence

Risk Rating – The level of severity applied to a risk based on its impact to Council, the Community and other stakeholders. Details contained in Table 3

Strategic Risk -Risk which will affect or hamper across the organisation its ability to operate or deliver its policy, strategy or services.

Technical Risk – Risk such as failed equipment or managing physical assets

6.0 Application

Risk Management applies equally to all employees and contractors

Employees and contractors all have joint responsibility for ensuring risk management is a key part of their approach to the delivery of the Council's functions, operations and services.

6.1 Council

Council will:

- ensure an appropriate risk governance structure is in place;
- support Corporate Risk Management policy including Risk Management as an element of the Council Ten Year and Annual Plans as well as other strategies as plans and documents;
- be responsible for setting risk appetite;

6.2 Audit and Risk Committee

The Audit and Risk Committee will:

- Deliver on its mandate as outlined in its constitution including acting in a risk monitoring advisory and improver role for Council and the Chief Executive. The Audit and Risk Committee should support the overall risk management process.
 - Ensure Council has appropriate risk management and internal controls in place
 - Approve and review risk management programmes and review risk treatment options for extreme risks
 - Responsible for making recommendations to Council for setting risk appetite
 - provide guidance and governance to support significant and/or high profile elements of the risk management spectrum

6.3 Chief Executive

The Chief Executive is responsible for:

- Nominating a risk management sponsor;
- Reporting extreme and high risks to the Audit and Risk Committee and/or Council with treatment options;
- oversight of the risk management process;

- promotion of a risk aware culture within Council through the risk management programme
- providing direction and advice on the management of risks within Council and ensuring that appropriate treatment measures are in place to mitigate Council exposure;
- promoting a culture of risk management and ensuring strategic, comprehensive and systematic risk management programmes operate throughout Council;
- ensuring that the Council's organisation vision and values (relevant to risk) are aligned and synchronised with the strategic direction (including Community outcomes and budgetary considerations) and culture;
- ensuring that risk management is considered in everything Council undertakes and is incorporated in the messages given to the organisation;
- supporting the Audit and Risk Committee in delivering its duties; and
- supporting the internal audit process.

6.4 Senior management

Senior managers are responsible within their departments for:

- maintaining the overall responsibility for the effective and efficient management of all types of risks related to Council activities and delivery of the Risk Management Framework and objectives;
- promotion of a risk management culture;
- communicate and raise awareness of risk management to Council managers and staff
- identify, manage and monitor risks in their departments
- assistance in setting the Council's risk attitude;
- ensuring that Council's assets and operations, together with liability risks and hazards to the public, are adequately protected through appropriate risk planning and budgeting, internal audit processes, and appropriate internal systems and controls;
- ensure that risk management is in place and reviewed as required and at least annually for all risks for timely updating and continuous improvement;
- ensuring legislative and governance requirements and obligations are met; and
- integration of risk management with Councils' policies, process and practices.

6.5 Managers

All Managers will:

- be responsible for the registration and maintenance of risks in the risk register pertaining to their departments and at a Council wide level as required and appropriate;
- manage activity / project / asset risks;
- the on-going identification and assessment of risk including appropriate responses;
- the management of the relevant risks as delegated within the agreed acceptable risk tolerance levels;
- provide support and assistance to the Risk Coordinator in the delivery of all duties and responsibilities;
- ensuring the effectiveness of risk controls;

- be responsible for ensuring risk management and process are imbedded in strategies, policies, business plans, contracts, and standard operating procedures; and
- be proactive in implementing best practice in all facets of business including asset management planning, emergency management planning, and disaster and recovery plans.

6.6 Risk coordinator(s)

The risk coordinator(s) will:

- coordinate the risk management process;
- assist with the development and maintenance of the risk register;
- reports extreme and high risks to the Executive Management Team with treatment plans;
- planning and executing reviews and audits of the risk register;
- measures and reports the effectiveness and adequacy of risk management and internal control processes and systems, and report to the Executive Management Team;
- assisting with the education of staff on risk management;
- providing technical assistance on risk management; and
- facilitate the management of cross-organisational risks.

6.7 All staff

All staff will:

- have awareness of the risk management framework; and
- identify, monitor and report issues and potential risks as they occur

6.8 Contractors

All contractors are responsible for:

- ensuring Council's assets and operations, together with liability risks and hazards to the public, are adequately protected through adherence to Council's policies and procedures;
- responding immediately to the investigation of any report of a hazard or incident received from a resident, Council officer, employee or visitor;
- adhering to legislative, regulatory and corporate legislation and standards
- maintaining appropriate and adequate insurances are required under their contract; and
- ensuring that they conduct their daily duties in a manner that will not expose Council to loss or risk, and that these duties are done in accordance with the relevant procedures, policies, and legislative requirements

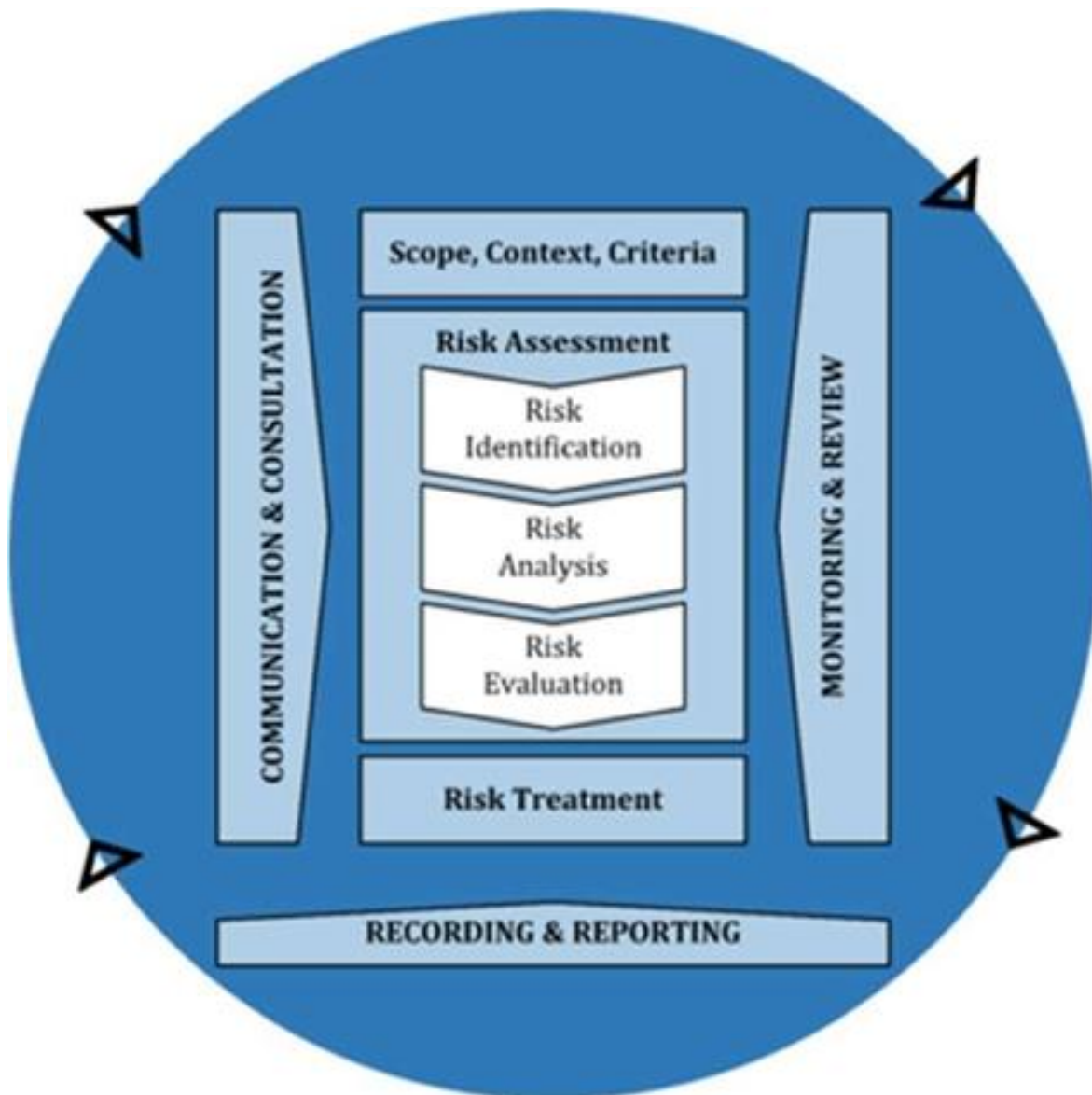
7.0 The Risk Management Process

7.1 Assessment and Review

For the Risk Management process to be efficient and effective within Council, it must be:

- an integral part of management;
- embedded in the culture and practices; and
- tailored to the business planning and processes of the organisation

The process comprises a number of steps as recommended by ISO AS/NZS 3100 The steps are detailed in the flowchart below:



Step 1: Communication and Consultation

Communication and consultation with internal and external stakeholder should take place during all stages of the risk management process.

Eternal stakeholder communication informing and consulting on:

- the Councils approach to risk management;
- effectiveness of the council's risk management approach;
- and gathering feed-back as appropriate on risk management including risk appetites and fiscal choice.

Internal stakeholder communication including:

- communicating the risk management processes

- gathering feed-back in relation to risk management and processes
- ensuring accountability of roles and responsibilities are clearly understood in relation to the risk management process

7.2 Step 2: Establishing the Context

The establishment of the context is an integral element within the process of risk management as it establishes and defines the various environments in which risk is to be considered, assessed and managed.

The level of contextual relevance should be considered on;

- an external context - which is the extent to which the Council's external environment will impact on its ability to achieve its corporate objectives
- an internal context – which is about understanding the internal operating environment
- the context of the risk management process – establishment of the objectives, strategies, scope
- defining the risk criteria – the organisation should define criteria to be used to evaluate the significance of risk

7.4 Step 3: Identify Risks

Risk identification is a key step to ensure the risk exposures to which Council may be subjected a recorded. This sets the foundation for the establishment of effective and efficient risk mitigation, control and review.

Council categorises risks in the following way:

- Health & Safety
- Reputation / Image
- Strategic Outcomes
- Legal and Regulatory
- Governance
- Relationships
- Service Delivery
- Environmental
- Statutory Obligations
- Financial Loss

All risks must be linked to Council outcomes, strategies and plans and form part of Councils overall vision for the region, sphere of responsibility and/ or influence.

The key elements of Councils risk identification processes are:

- the cyclical risk assessments undertaken by Councils internal and external auditors;
- risk assessments undertaken within individual divisions and departments including asset management planning, activity planning, contract management, legislative compliance, occupational health and safety, human resources, professional advice; security, financial

management, reputational exposure, management reporting, records management, information technology, and systems;

- the liability risk assessments undertaken by Councils public liability insurer;
- legislative, regulatory and /or industry information obtained from various sources
- feed-back received from the communication and consultation process both from external and internal stakeholders;
- employees and members of the public are also encouraged to report potential risk exposures

Each risk identified will be entered and maintained in the risk register by the risk coordinator or delegate as required.

7.3 Step 4: Risk Assessment

Risk analysis aims at understanding the level of significance of a risk and ways to control and/or mitigate it.

A full accurate and objective assessment of any identified risk must be undertaken to:

- determine existing controls
- determine the risk likelihood (Table 1)
- determine the consequence of the risk (Table 1);
- establish the risk rating;

An assessment of risk should be carried out three times during the life of the risk

Stage 1: Inherent risk - the risk exposure prior to management controls being put in place;

Stage 2: Managed risk – the risk exposure with the current level of management controls;

Stage 3 – Residual risk – when no further controls are required and the level of risk is tolerable

7.4 Step 5: Risk evaluation

After the likelihood and consequence factors have been determined, the level of risk is calculated by multiplying the Probability/Likelihood of the risk occurring (Table 1) with the Consequence or Impact Levels (Table 2). The final outcome is the risk rating (Table 3).

The results of the risk evaluation will determine in the first instance the risk management strategies required tailored to the risk profile. (Refer to Table 4). Once the risk has been assessed according to the relative risk level it poses, it is then possible to target the treatment of the risk exposure.

7.5 Step 6: Risk Treatment

The treatment of risk is dependent on a number of factors including Council's risk appetite and selection of risk control options.

Risk control options include:

- **Risk avoidance** – avoid the identified risk by deciding not to proceed with the activity likely to generate risk (where this is practicable);

- **Risk transfer** – reducing exposure by transferring the risk to another party e.g. contracting out
- **Reduce the Likelihood** of occurrence through measures such as audit compliance, programmes, contract conditions, preventative maintenance, engineering controls, inspections, process policies and procedures; and
- **Reduce the consequence** through measures such as contingency planning, disaster recovery plans, contractual arrangements, financial management controls and risk minimisation plans

Residual risk

Residual risk is the risk left after the risk treatment process has been performed and controls applied. The acceptance of residual risk is dependent on Council's agreed risk appetite and cost-benefit analyse of options.

Risk appetite

The risk management strategies developed and acceptable residual risk are required to take into account Council's agreed risk appetite.

West Coast Regional Council determines its risk appetite across seven outcomes namely:

1. Value our people
2. Strong governance & representation
3. Good relationship & partnerships
4. Resilience & sustainability
5. Financial sustainability
6. Deliver effective and efficiency
7. Fulfilling statutory obligations

Cultural, Outcome, Expectation, and Liability. Steps taken and risk treatment is a driver in the selection of risk treatment tools and actions and priorities.

- **Cultural**
Our cultural appetite defines our behaviour and the principles to be applied across Council but is not necessarily measurable or actionable. The cultural risk appetite is classified as low including:
 - a) reputational risk exposure
 - b) ratepayer/customer complaints
 - c) engagement in any activity that will put Council's long-term vision and values at risk
 - d) comprises to Council being an equal opportunity employer
- **Expectation and Responsibility**
Council's expectation and responsibility risk appetite defines its tolerance for strategic and operational actions. These risks, specific to activities or known risks are measurable and supported by risk control options: The Expectation and Responsibility risk appetite is:

- a) Council has zero risk appetite for Strategic risks. These risks are to be mitigated and controlled as far as practicable down to a low or medium risk rating
- b) Council has zero risk appetite for harm or injury to its employees, contractors, or visitors and these potential harms will be mitigated and controlled as low as practicably possible
- c) Council has a low tolerance of operational and maintenance risk. These risks will be mitigated and controlled to where the cost of control is equal to the marginal cost of the risk.
- d) Council has a low tolerance towards technical risk failure. These risks will be mitigated and controlled to where the cost of control is equal to the marginal cost of the risk. Council has low to zero risk appetite where the risk of asset failures are critical to the health, safety and well-being of the community
- e) Council has a low risk appetite towards other corporate and managerial risks. Council has a zero tolerance towards internal/ external fraud or deception.
- f)
- **Liability**
Council's liability risk appetite defines the level of liability for which it is prepared to accept using internal mitigations or management before it seeks external support or remedies to resolve matters. Council has a range of risk appetites associated with different classes of assets and events outlined in Councils Risk Management and Contingency Plan.
 - a) Buildings, Contents, Plant & Machinery; covered by Council's Material Damage Policy. In general Council is liable for the first \$XXXXX of each claim and in the case of earthquake damage 5% of the site sum insured. Council's risk appetite for this category of assets is low.
 - b) Public liability and Professional Indemnity; cover of \$YYYm for each and every claim. Council's risk appetite for this risk category is low
 - c) Other infrastructure; Council takes a calculated risk for this category of assets and assesses that no more than 25% of the infrastructure would be damaged in a major disaster, and that the Crown would subsidise 60% of restoration costs. It is estimated that in the event of a major claim Council would be liable for no more than eight million dollars. Council's risk appetite for his category is low/medium.
 - d) Other insurance cover; cover exists for Motor vehicles, mobile plant, business interruption, travel, fidelity guarantee, statutory liability, employer's liability, Council's risk appetite for this category is low.
 - e) Uninsured risks; are assets not covered by Council's insurance. Support is anticipated from the Crown in the event of a natural disaster.

7.6 Step 7: Monitoring and review

Risks are constantly changing so risk needs to be systematically and periodically monitored and reviewed.

- **Implementation**

- a) All risks and internal controls will be monitored and reviewed by the Chief Executive and Audit and Risk Committee on an annual basis
 - b) Significant risks will be monitored and reviewed by the Chief Executive and Audit and Risk Committee on a quarterly basis
 - c) Any significant risk issues will be brought to the attention of the Chief Executive and the relevant General Managers on a prioritised basis
 - d) Risk reviews formally undertaken by internal and external auditors will be reported to the Audit and Risk Committee
 - e) The Chief Executive will ensure that all corporate risks will be maintained and monitored on an on-going basis, including regular risk assessments of assets and activities
 - f) The Chief Executive will ensure all risks are reviewed annually
 - g) The Chief Executive will ensure all staff, contractors and other stakeholders have induction training on risk management, and that risk training opportunities are made available
 - h) The Chief Executive will promote risk management and ensure that responsibilities are clearly understood by both internal and external stakeholders
- **Performance measuring**
Performance measures to track progress in implementing the risk management objectives and plans should be established and reviewed by the Chief Executive, General Managers, and/or Managers annually.

The tracking process should include:

- a) The inherent risks (with different reporting requirements for significant risks)
- b) The control measures
- c) Actions to be undertaken
- d) Due date of the actions
- e) Outcomes to be achieved
- f) Responsible person
- g) Acceptance of the residual risk
- h) Supporting plans or strategies

A risk profile for each division or activity structure should be established and established to provide a clear picture of the actual risk position and of the possible or likely future risks

8.0 References and Sources

1. International standard – ISO AS/NZS31000 Risk Managements
2. Council’s Risk Management and Contingency Planning

9.0 Records

- Councils risk register
- Councils insurance portfolio

10.0 Review

This document is to be reviewed every year, as delegated, from date of adoption by Council, with each review to be approved by the Chief Executive.

10. Attachments

The attachments are;

- Table 1: Probability/ Likelihood Levels –
- Table 2: Consequence or Impact Levels
- Table 3: Combined Qualitative Risk Levels

Table 1: Probability/ Likelihood Levels

Level	Descriptor	Description
A	Almost certain	The event is expected to occur (>90%)
B	Likely	The event will probably occur (50%-89%)
C	Moderate	The event may well occur (20%-49%)
D	Unlikely	The event will probably not occur (10%-19%)
E	Rare	The event is not expected to occur but we can't be certain (<10%)
Note Time period is 10 Years		

Table 2: Consequence or Impact Levels - to be confirmed

	In-significant	Minor	Moderate	Major	Catastrophic
Health & Safety	No injury or potential injury	Minor injury – First aid only	Hospitalisation	Severe injuries or potential injuries	Long-term disability or death
Reputation / Image	Customer complaint	Negative community coverage	Negative community and some regional coverage	Negative regional and some national media coverage	Sustained negative national media coverage
Strategic Outcomes Legal and regulatory	Internal query	Special Audit by outside agency or enquiry by Ombudsman	Litigation	District or Environmental Court (excluding normal operations)	High Court or Criminal Action
Relationships	Disagreement	Dispute or major disagreement	Temporary loss of contact	Mediation or external party required to restore relationship	Reversible breakdown
Service Delivery <i>Unplanned or unapproved delay of a major project</i>	Delay up to one month	Delay greater than one month but less than three months	Delay in major project of over three months and less than six months	Delay in major project of over six months and less than one year	Delay in major project of over a year
Environmental impact	Managed in-house	Managed with committed external resources	Managed by additional external resources	Short-term assistance required from outside the region	Ongoing assistance required outside of region
Governance & Statutory obligations	Request for information from government Department	External review	Government Departmental enquiry	Government intervention	Ministerial enquiry or Appointment of commissioners
Financial Loss	<\$5,000; Council <\$50,000 Community	<\$10,000; Council <\$100,000 Community	<\$50,000 Council; <\$500,000 Community	<\$150,000 Council; <\$500,000 Community	>\$150,000 Council; >\$500,000 Community

Table 3 Combined Qualitative Risk Levels

	Consequences				
Probability/ likelihood	In-significant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A Almost certain	Medium	Significant	High	High	High
B Likely	Medium	Significant	Significant	High	High
C Moderate	Low	Medium	Significant	High	High
D Unlikely	Low	Low	Medium	Significant	High
E Rare	Low	Low	Medium	Significant	High

Report to: Risk and Assurance Committee	Meeting Date: 1 November 2021
Title of Item: Quarterly Financial Report	
Report by: Neil Selman, Acting Corporate Services Manager	
Reviewed by:	
Public excluded? No	

Report Purpose

The report presents Council's quarterly financial statements to 30 September 2021

Report Summary

The attached Statement of Financial Performance sets out the financial result for the quarter to 30 September 2021.

Draft Recommendations

It is recommended that Council resolve to:

Receive the quarterly financial statements to 30 September 2021

Issues and Discussion

Current situation

This report represents the first quarter of the new Long-term Plan.

Attachments

- Statement of Financial Performance for the period ended 30 September 2021

The West Coast Regional Council
Net Cost of Services
For the 3 Months ended 30 September 2021

	ACTUAL Year to Date	BUDGET	BUDGET Annual	% ACTUAL vs BUDGET
REVENUES				
Emergency Management	180,709	295,000	1,180,000	15%
General Rates and Penalties	1,352,132	1,234,159	4,936,634	27%
Hydrology & Floodwarning Services	-	-	-	-
Investment Income	23,950	186,972	747,888	3%
Regional Land Transport	11,985	25,275	101,100	12%
Resource Management	422,679	937,561	3,750,243	11%
River, Drainage, Coastal Protection	1,760,644	3,425,266	13,701,063	13%
VCS Business Unit	1,072,464	1,083,000	4,332,000	25%
Warm West Coast	12,600	918	3,672	343%
	4,837,163	7,188,151	28,752,600	17%
EXPENDITURE				
Emergency Management	473,766	358,165	1,432,660	33%
Governance	329,248	168,647	674,589	49%
Hydrology & Floodwarning Services	253,201	263,710	1,054,840	24%
Other	12,356	6,303	25,214	49%
Regional Land Transport	28,017	45,045	180,179	16%
Resource Management	1,053,816	1,992,452	7,969,808	13%
River, Drainage, Coastal Protection	1,335,188	713,860	2,855,440	47%
VCS Business Unit	967,258	995,500	3,982,000	24%
Warm West Coast	497	475	1,900	26%
	4,453,347	4,544,157	18,176,630	25%
OPERATING SURPLUS/(DEFICIT)	383,816	2,643,994	10,575,970	4%

BREAKDOWN OF SURPLUS / (DEFICIT)	Net Variance ACTUAL vs BUDGET YTD	ACTUAL	BUDGET Year to Date	ANNUAL BUDGET
Rating Districts	(2,669,019)	265,456	2,934,475	11,737,901
Quarries	(175,791)	(114,372)	61,419	245,676
Investment Income	(163,022)	23,950	186,972	747,888
VCS Business Unit	17,706	105,206	87,500	350,000
General Rates Funded Activities	724,341	103,829	(620,512)	(2,482,053)
Warm West Coast	11,660	12,103	443	1,772
Other	(6,053)	(12,356)	(6,303)	(25,214)
TOTAL	(2,260,178)	383,816	2,643,994	10,575,970

Variances to Suplus / Deficit per above

Net Contributors to General Rates Funded Surplus /(Deficit)	Net Variance ACTUAL vs BUDGET YTD	ACTUAL	BUDGET Year to Date	ANNUAL BUDGET
Emergency Management	(229,892)	(293,057)	(63,165)	(252,660)
Hydrology & Floodwarning	10,509	(253,201)	(263,710)	(1,054,840)
Rates	117,973	1,352,132	1,234,159	4,936,634
Representation	(160,601)	(329,248)	(168,647)	(674,589)
Resource Management	423,754	(631,137)	(1,054,891)	(4,219,565)
River, Drainage, Coastal Protection	558,860	274,372	(284,488)	(1,137,954)
Transport Activity	3,738	(16,032)	(19,770)	(79,079)
TOTAL	724,341	103,829	(620,512)	(2,482,053)

Report to: Risk and Assurance Committee	Meeting Date: 1 November 2021
Title of Item: Service Performance Measures Report	
Report by: Neil Selman – Acting Corporate Services Manager	
Reviewed by:	
Public excluded? No	

Report Purpose

The purpose of this report is to table Council’s Service Performance Measures Report for the quarter to 30 September 2021.

Report Summary

The Service Performance Measures Report sets out how Council is tracking with regards to the achievement of set Service Performance targets.

Draft Recommendations

It is recommended that Council resolve to:

Note the attached Service Performance Measures Report for the quarter to 30 September 2021.

Issues and Discussion

Current situation

As part of the Long-term Plan process Council sets out the services that it intends to provide to the community.

The service performance measures details the metric that Council will use to measure the performance of the services, along with the target that Council seeks to achieve.

Service performance is a key aspect of the function of Council and the measures and attainment of targets are a focus of the Annual Report audit. The auditors apply a strict pass or fail criteria on the achievement of the targets.

Management intends to apply a similarly strict pass or fail criteria during the quarterly reporting process so that Council is aware of how performance is tracking and whether more needs to be done in areas that are not on track.

Attachments

Council’s Service Performance Measures Report.

SERVICE PERFORMANCE MEASURES

Key

- Achieved = we have already achieved the annual target (Nb this is obviously unlikely at Q1)
- On track = we have achieved what we expected to date, and we believe that we will complete the annual target
- Not on track = we are behind our expectation for this target
- Not applicable = target not applicable for this year

Regional Leadership

Governance Performance measures for LTP 2021-31

Level of Service: Maintain a Council of elected representatives in accordance with statutory requirements and in a manner that promotes effective decision-making, transparency, and accountability to the West Coast regional community					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Number of public meetings held and individual Councillor attendance	80% attendance by each Councillors of all Council and Resource Management Committee meetings, other scheduled meetings and scheduled workshops – 80%	On track			
Timing and number of newsletters, and internet website based information related to public consultation	Twice per year	On track			
Percentage of Council and Committee meeting Agendas (for all scheduled meetings) that are available at least two working days before meetings	New measure – 100%	Not on track. LTP Agenda sent day before hearing.			
Percentage of draft Council and Committee minutes available on the Council website within six weeks of meetings	New measure – 100%	On track			

Mana Whakahone a Rohe Agreement Aligned Performance measures for LTP 2021-31

Level of Service: Continue to support the contribution our two West Coast Runanga make to Council’s decision-making processes; and continue to seek contributions from other Māori					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Attendance of Iwi appointees at Resource Management Committee meetings	80% attendance by each Iwi representative of all Resource Management Committee meetings and workshops.	Not on track.			
All RMA submissions made by Council reviewed by Iwi	New measure - All	On track			
Number of non-RMA submissions made by Council reviewed by Iwi	New measure – 75%	N/A			
Council to fund Pokeka Poutini o Ngai Tahu Limited*	New measure – 100%	On track			

*As per Schedule 2 of Mana Whakahono o Rohe Agreement signed October 2020.

All RMA submissions made by Council reviewed by Iwi: PNT had input into the 3 submissions lodged between 1 July-30 Sept: Exposure Draft – Natural and Built Environments Bill, and Discussion Documents on low slope map changes, and farm plan regulations.

Number of non-RMA submissions made by Council reviewed by Iwi: N/A, we didn’t make any non-RMA submissions between 1 July-30 Sept.

Regional Planning Performance measures for LTP 2021-31

The following levels of service and measures have been developed to monitor Council's performance in Regional Planning.

Level of Service: Council's planning and reporting functions meet statutory requirements and demonstrate sound business planning					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Compliance with statutory timeframes	Meet statutory deadlines for notifying the Council's Annual Plan or Long-Term Plan, and the Annual Report each year, in accordance with Local Government Act 2002. <i>(Annual Plan 30 June, Annual report 31 December**)</i>	On track			
Council's LTP, Annual Plan and Annual reports meet audit requirements	New measure – <i>(Unqualified audit opinion achieved for LTP and Annual report)</i>	On track			
Level of Service: Complete Te Tai o Poutini Plan to operative stage, and ensure ongoing maintenance through TTPP Committee					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Order in council requirement to produce a combined district plan for the West Coast. Te Tai o Poutini Plan to give effect to National and Regional legislation and Policy Plan notified mid-2022, with the aim of submissions, hearings, mediation, and possible court processes complete in 2026	New measure - Draft plan available for feedback late January 2022 Proposed Plan notified July 2022 Submissions received and responded to late 2022	On track for all deliverables			

**8 July 2021, Parliament passed a Bill to extend by two months the statutory reporting time frames in the LGA for both the 2021 and 2022 financial reporting years.

Community Resilience

Civil Defence Emergency Management Performance measures for LTP 2021-31

Level of Service: Maintain a Civil Defence Plan that delivers efficient and effective management of the region's civil defence functions in compliance with the legislation.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Compliance with statutory requirements for the preparation, review and implementation of the Group CDEM Plan.	The CDEM Group has an operative and up to date CDEM Group Plan – 100%	On track			
	The CDEM Group work programme makes adequate provision to maintain & implement the CDEM Group Plan – (The CDEM Group work programme is monitored and reviewed quarterly by Joint Committee & annually by CEEG)	On track. Considerable response effort into Westport flooding.			
Appropriately trained staff	Ensure at least 30 Council staff are trained as Emergency Coordination Centre (ECC) personnel so that we have two shifts of ECC staff trained and exercised in case of a regional emergency - >30	On track. One CIMS training course held this quarter. Another planned for November.			
	Staff are provided at least three training opportunities each year to learn about Emergency management and practice a coordination centre activation – >3 .	On track as above.			
Level of Service: Maintain a level of staff preparedness so that Council can respond to significant events in a timely manner.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Continuity Plan reviewed annually for relevance.	New Measure – 100%	On track.			
All Council vehicles have fitted with a Disaster kit.	New Measure – 100%	On track. Recommendation going to Executive on 1 November re costing and context of vehicle kits.			
Maintain a register of Natural Hazards that is available on the website	New Measure - Reviewed annually	On track.			

Resource Management

Environmental Planning and Monitoring Performance measures for LTP 2021-31

Level of Service: Complete current regional plans to operative stage and review them to maintain their community acceptability.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
<p>Compliance with statutory requirements for the review of Council's plans and strategies.</p> <p>Meet all deadlines set out in the West Coast Regional Council NPS-FM Progressive Implementation Programme.</p>	<p>Regional plans that give effect to the National Policy Statement for Freshwater management 2020 (NPS-FM 2020).</p> <p>Notify regional plans that implement the NPS-FM 2020 by 31 December 2024.</p> <p>NPS-FM 2020 is to be in place by 2026.</p> <p>(Respond to discussion documents on FW management.</p> <p>Work in partnership with iwi)</p>	N/A Working towards this.			
Level of Service: Advocate for the West Coast interests when external environmental policymaking may affect the West Coast.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Number of submissions made and number of successful advocacy outcomes.	Submit on all central or local government discussion documents, draft strategies, policies or Bills that may impact on West Coast interests, within required timeframes – 100%	On track			
Level of Service: To monitor water quality in the West Coast's rivers					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Water quality attributes, including ammoniacal nitrogen, clarity, turbidity and faecal coliforms, are measured at 38 river sites ¹	Measurement of all relevant attributes at river monitoring sites (Meet measurement baseline)	On track			
Level of Service: To maintain or enhance the water quality in Lake Brunner					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
The trophic state of Lake Brunner as measured by the rolling 5 year Trophic Level Index (TLI) mean remains above the baseline	2002-2006 TLI baseline mean of 2.79 (TLI >2.79)	Not on track			
Level of Service: To monitor the life supporting capacity and amenity value of the West Coast's rivers					
Measure	Baseline	Targets 2022			

¹ The suite of water quality attributes measured by WCRC will vary in response to the needs of central government policy and regional community needs. The number and location of sites will vary over time for the same reasons stated above.

		Q1	Q2	Q3	Q4
Instream macroinvertebrate community health is assessed at 29 river sites. ² The Semi Quantitative Macroinvertebrate Community Index (SQMCI) is calculated from a rolling 5 year mean and compared to mean calculated from 2005-2009, at each site	The SQMCI ³ comparisons are made annually according to the method stipulated under the measure – (Meet baseline requirements)	N/A Not tested this quarter			
Twenty swimming sites are tested, weekly or fortnightly ⁴ , for E coli or Enterococci, and the results compared to relevant national policy and guidelines	Bacterial testing at scheduled swimming sites is completed at least fortnightly from November to March and reported publicly within 5 days of testing – (Meet baseline requirements)	N/A Not tested this quarter			
	Test results are compared to following criteria: E coli (moderate-high risk > 550 cfu/100 ml) and Enterococci (moderate-high risk > 280 cfu/100 ml) – (All exceedances are reported to the Resource Management Committee)	N/A Not tested this quarter			
Level of Service: Monitor groundwater to protect human health from adverse impacts of poor groundwater quality.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Twenty eight wells ⁵ are monitored at least twice annually, 24 of which are used for human consumption. The New Zealand Drinking Water Standard (NZDWS) for nitrate is applied to wells used for human consumption: 11.3 mg/L Nitrate-N.	Twenty eight wells are monitored at least twice annually – (Meet baseline requirements)	On track			
	For each well compare the most recent 12 months of data to the NZDWS Nitrate-N guideline and report twice yearly to the Resource Management Committee – (Meet baseline requirements)	N/A Not tested this quarter			
Level of Service: To protect human health from any adverse impacts of poor air quality in Reefton.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Reefton's air is monitored for PM ₁₀ in accordance with the National Environmental Standard for Air Quality (NESAQ)	The threshold is a 24hr mean PM ₁₀ of 50 micrograms/m ³ . (All exceedances are reported to the Resource Management Committee)	On track. No exceedances this quarter			

² The suite of water quality monitoring sites used by WCRC will vary in response to the needs of central government policy and regional community needs.

³ This macroinvertebrate index uses comparative samples of aquatic invertebrates to evaluate water quality, based on the type and tolerances of invertebrates (bugs) found at that site and how those communities of invertebrates may change over time. Some bug species are pollution tolerant while others are pollution sensitive, so the mix of species tells us a lot about the water quality at the site.

⁴ The number and location of swimming/bathing monitoring sites used by WCRC, and the frequency that they are sampled at, will vary in response to the needs of central government policy and regional community needs.

⁵ The number and location of monitoring wells used by WCRC, and the frequency that they are sampled at, will vary in response to the needs of central government policy and regional community needs.

Consents and Compliance Performance measures for LTP 2021-31

Level of Service: Compliance with the consent processing timeframes in the RMA and mining legislation.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Compliance with discounting regulations and mining timeframes	Process all resource consent applications without incurring any cost to Council due to the RMA discounting regulations – 100% .	On track			
	<i>Process all resource consent applications within statutory timeframes – 100%.</i>	On track			
	<i>Process all mining work programmes within 20 working days – 100%.</i>	On track			
Level of Service: Respond to all genuine incident complaints received by the Council and take enforcement action where needed.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Operate a 7.00 am – 9.00 pm complaints service	Respond to all urgent / high risk complaints within 24 hours – 100% .	On track			
	Non-urgent medium/high risk complaints within 10 working days, and non-urgent low risk desktop response only – 100% .	On track			
Level of Service: Respond to marine oil spills in coastal waters					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
In accordance with the Tier 2 Oil Spill Response Plan and maintain readiness for spill response.	Respond within 4 hours to all spills, using Council or MNZ spill equipment to contain spills – 100% .	On track			
	10 staff are trained responders (10 Or more)	On track			
Level of Service: To monitor the impact of discharges on water quality in the West Coast's rivers					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Compliance Monitoring for Discharges: The number of compliant or non-compliant point source discharges to water or discharges likely to enter water; and council's response to any non-compliance.	All significant consented discharges ⁶ are monitored at least annually – 100% .	On track			
	All dairy farms that operate under permitted activity at least bi-annually depending on each individual compliance record – 100% .	On track			
	All non-compliances are publicly reported to the Resource Management Committee (RMC) – 100% .	On track			
	Enforcements reported to RMC – 100% .	On track			

⁶ Significant Consented Discharge includes: any consented discharge from a municipal sewage scheme or landfill, any consented discharge from a working mine site, any consented discharge of dairy effluent to water, and any large-scale industrial discharge (WMP, Kokiri).

Level of Service: To provide marine oil spill and terrestrial hazardous substance spill support, and biosecurity response services for Maritime NZ, Ministry for Primary Industries and the Regional Council.

Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Availability of trained staff	At least 10 staff available as a response unit for marine and terrestrial pollution spill events as advised by Maritime NZ - 10 or more	On track			
	Have 4 staff plus a vehicle available for biosecurity emergencies, as per the National Biosecurity Capability Network agreement 2011. - 4	On track			

Level of Service: Maintain the Consents and Compliance functions of Council in a manner that promotes effective decision-making, transparency, and accountability to the West Coast regional community

Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Bond release within four months of surrender or at the conclusion of mining	New measure - 100%	On track			
Annual inspection of all Whitebait stands on Little Wanganui, Taramakau, Hokitika, Wanganui, Paringa, Haast and Waiaototo Rivers	New measure - 100%	On track			
Annual assessment of farm compliance in the Lake Brunner catchment.	New measure - 100%	On track			
Inspect new consents that involve major construction works within 1 month of the project commencing	New measure - 100%	On track			

Regional Transport

Regional Transport Performance measures for LTP 2021-31

Level of Service: Maintain a Regional Land Transport Plan in accordance with relevant legislation reflecting West Coast issues and opportunities					
Measure	Baseline	Targets			
		Q1	Q2	Q3	Q4
An operative Regional Land Transport Plan	Compliance with statutory requirements for the preparation, review and implementation of the Regional Transport Plan - 100%	On track			
Level of Service: Maintain a Regional Public Transport Plan in accordance with relevant legislation.					
Measure	Baseline	Targets			
		Q1	Q2	Q3	Q4
An operative Regional Public Transport Plan	Compliance with the statutory requirements for the preparation, review and implementation of the Regional Public Transport Plan - 100%	On track			

Hydrology and flood warning services

Hydrology and Flood Warning Performance measures for LTP 2021-31

Level of Service: 24hr Flood Warning Service for 6 key rivers on the West Coast; Karamea Rv, Mokihinui Rv, Buller Rv, Grey Rv, Hokitika Rv, Waiho Rv.					
Measure	Baseline	Targets			
		Q1	Q2	Q3	Q4
Staff response to high flow events.	Deliver flood warning alerts as required in accordance with the Flood Warning Manual - 100%	On track			
Availability of information about high flow events.	River level data available on the Council website for the 6 key rivers on the West Coast (updated 12 hourly, or 3 hourly during flood events) >90%	On track			

River, drainage and coastal protection work

Flood protection, drainage and erosion control Performance measures for LTP 2021-31

Level of Service: Meet or exceed the flood protection, drainage or erosion protection levels as described in the 'levels of service – background' section above.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Completion of 25 rating district inspections, works reports, and consultation meetings	Complete all asset inspections of rating districts - 100%	On track			
	Complete all works reports for rating districts where material works are proposed - 100%	On track			
	Hold meetings with all rating district annually or as agreed with the spokesman of the liaison committee - 100%	On track			
	Perform all capital and maintenance works as agreed in the annual work programme - 100%	On track			
Proportion of schemes performing to their agreed service level.	Monitor all rating district infrastructural assets to ensure they perform to the service level consistent with the Asset Management Plan of each Rating District - 100%	On track			
Meet timeframes for plan review	Review Rating District Asset Management Plans every third year or earlier where information indicates a significant change from what is stated in the asset management plan.	NA	NA	NA	NA

Quarry Production Performance measures for LTP 2021-31

Level of Service: Ensure efficient and effective management and safe operation of Council's quarries, delivering rock to any customers within ten working days with priority given to Council rating district customers.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Timing of delivering on rock requests.	Deliver on requests for rock within two weeks, and ensure sufficient stockpiled rock is available where practical – 100%	On track			
Number of site inspections to monitor contractor health and safety and performance	Visit each active quarry site, when contractors are working the quarry (where possible), to ensure health and safety standards and other permit requirements are being adhered to – Twice annually	On track			

Vector Control Business Unit

VCS Performance measures for LTP 2021-31

Level of Service: To produce a financial surplus (to offset general rates) by tendering for and delivering on vector control and other contracts.					
Measure	Baseline	Targets 2022			
		Q1	Q2	Q3	Q4
Achieve or exceed budgeted financial return	Tender for, and win, sufficient contracts to provide or exceed the annual budgeted return to Council. <i>(Above adopted budget)</i>	Not on track. To achieve the adopted annual budget			

Report to: Risk & Assurance Committee	Meeting Date: 1 November 2021
Title of Item: Treasury Report	
Report by: Neil Selman, Acting Corporate Services Manager	
Reviewed by:	
Public excluded? Yes (Commercial sensitivity)	

Report Purpose

The purpose of this paper is to table Council's quarterly Treasury Report to 30 September 2021.

Report Summary

The attached Treasury Report provides an overview of Council's:

- 1) Borrowing Market Environment
- 2) Funding Arrangements
- 3) Debt and Cover Profile
- 4) Policy Compliance

The key points to note from the report are:

- Council had a total of \$9,615,000 debt as at 30 September 2021. This is made up of short-term working-capital bank funding of \$1,015,000 and \$8,600,000 of LGFA core borrowing.
- Council has \$2,000,000 of Commercial Paper due to expire on 26 November 2021.
- Council's funding is largely well balanced.
- Council has a minor policy breach for four months from May 2025 to September 2025 when its interest rate cover is slightly under covered. Council will seek to remedy this breach in the near term by either using Fixed Rate Bonds or interest rate swaps.

Draft Recommendations

It is recommended that the Committee resolve to:

Receive the Treasury Report noting Council's minor policy breach for four months from May 2025 to September 2025.

Attachments

Attachment 1: Treasury Report as at 30 September prepared by Bancorp Treasury Services Limited

TREASURY REPORT

FOR



AS AT

30 SEPTEMBER 2021



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

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1. MARKET ENVIRONMENT

1.1 GLOBAL MARKETS OVERVIEW (AS AT 30 SEPTEMBER 2021)

Central bankers around the globe adopted a more hawkish stance in September as employment slowly crept back to 2019 levels and several supply shocks continue to push inflation above target ranges. Economists have lowered their forecasts for global and US growth for 2021 and 2022 as the COVID-19 Delta variant continues to create issues and add uncertainty to the already clouded outlook. Meanwhile, material weakness in recent Chinese data, the new 'common prosperity' approach, along with the Evergrande drama has the market thinking there could be some serious issues going forward for the world's second largest economy.

The US Federal Reserve ("Fed") left its key benchmark interest rate unchanged in the September meeting, but the minutes suggested tapering will start in November or December stating *"If progress continues broadly as expected the Committee judges that a moderation in the pace of asset purchases may soon be warranted. While no decisions were made, participants generally viewed that as long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year is likely to be appropriate."* The Fed's 'dot plots' also signalled that interest rate increases may follow more quickly than expected, with 9 out of 18 policymakers projecting interest rates will rise in 2022. Members now see the US economy growing at 5.9% in 2021, 3.8% in 2022, and 2.5% in 2023.

The US 10 year Treasury bond yield started and finished the quarter at 1.46%. However, it reached a low of 1.18% in July, before shooting up to 1.53% in September after the Fed meeting confirmed market expectations of the tapering process beginning this year.

Chinese data continues to undershoot expectations, with August's retail sales numbers significantly underperforming expectations and manufacturing PMIs on the cusp of turning contractionary. Authorities also provided more information on their 'Common Prosperity' drive which consists of *"two core priorities: achieving high-quality growth and sharing wealth."* Beyond that, *"narrowing the income gap"* and *"equalizing access to basic public services and narrowing the urban-rural gap"* are the objectives. Meanwhile, China's 1 year onshore swap rate surged to its highest level in almost 4 years, signalling market worries over liquidity shortages on the inevitable default of local property developer, Evergrande.

In an entirely predictable move, the Reserve Bank of Australia ("RBA") left its cash and 3-year yield target rates unchanged in September. RBA Governor, Philip Lowe, also announced *"the Delta outbreak has delayed, but not derailed the economic recovery"* while reiterating *"the cash rate is unlikely to rise before 2024 given sluggish wage growth."* The RBA has explicitly said it will not increase the cash rate until actual inflation is sustainably within the 2.0%–3.0% target range, and that it won't be enough for inflation to just sneak across the 2.0% line for a quarter or two.

1.2 NEW ZEALAND MARKET OVERVIEW (AS AT 30 SEPTEMBER 2021)

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
30 Jun 2021	0.25%	0.33%	0.78%	1.00%	1.36%	1.62%	1.88%
30 Sep 2021	0.25%	0.60%	1.43%	1.63%	1.87%	2.04%	2.26%
Change	0.0%	+0.27%	+0.65%	+0.63%	+0.51%	+0.42%	+0.38%

The New Zealand government's decision to lock down the country following the discovery of the COVID-19 Delta strain in the wider community, necessitated the Reserve Bank of New Zealand ("RBNZ") delaying its ("Official Cash Rate") OCR hiking cycle in August. The RBNZ's own OCR forecasts project the rate to increase to 0.60% by December 2021, with further increases every quarter until December 2022, before the cash rate eventually tops out at 2.10% in March 2024. The RBNZ expects these hikes to slow the economy as it also pared back its GDP growth forecasts.

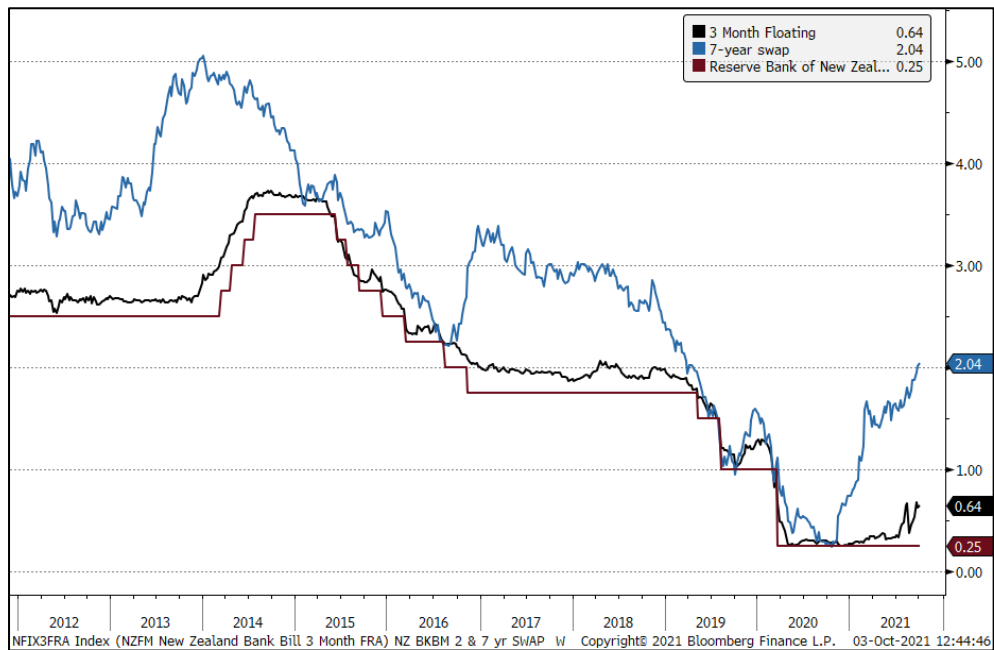
After the meeting, RBNZ Assistant Governor, Christian Hawkesby, stated that "the August MPS noted that we had more confidence that employment was at its maximum sustainable level and that pressures on capacity would feed through into more persistent inflation pressures over the medium-term." Following this speech, market pricing is now assigning an 88% probability of a 25 basis point hike in the OCR to 0.50% in October and has a 92% probability that it will be at 0.75% by the end of November. By the end of 2022, market pricing and RBNZ projections for the OCR are closely aligned around 1.50%.

While there may be some potholes in the road ahead for the New Zealand economy, the June quarter GDP print looked at how the country was doing before the COVID-19 Delta intrusion and, by all accounts it was doing very nicely. June quarter GDP grew by 2.8%, expanding at a pace more than twice the rate anticipated by economists, who were forecasting a modest 1.1% gain. And while there will be a slowdown in the September quarter due to the lockdowns, the June quarter GDP print will essentially 'force' the RBNZ Governor to act on 6 October.

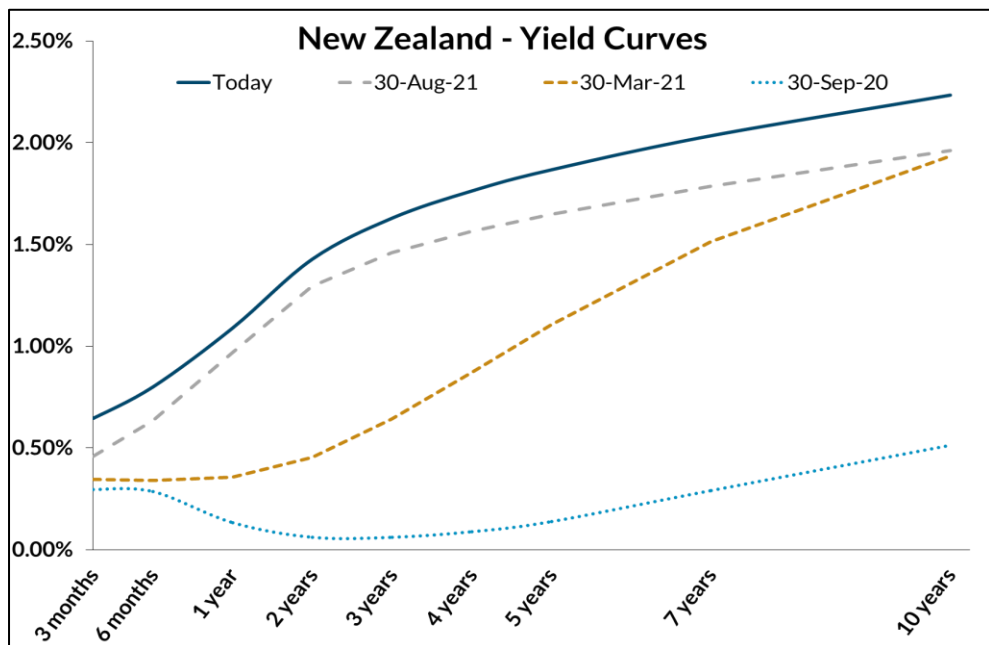
The domestic unemployment rate and participation rate outperformed market expectations in the second quarter. The unemployment rate decreased to 4.7% while the participation rate increased to 70.4%, against expectations of 4.9% and 70.2%. Private sector wages also had a small win as they were up 0.4% for the quarter.

The local yield curve flattened over the quarter, with the market indicator spread between the 2 and 10 year swap rates narrowing from 143 basis points at the end of June to 110 basis points by the end of September. The short end of the curve was driven up by the rate hikes priced in by the market, while the 10 year swap rate climbed in September due to rising long term yields in the US. BKBM has also increased to 0.65% in anticipation of October's 25bp rate hike.

The graph below shows the OCR, 90 day BKBM and the 7 year swap rate. It illustrates that prior to the start of the last hiking cycle in 2014, the 7 year rate increased sharply in anticipation of future OCR hikes, however once the hiking materialised, the 7 year rate actually started falling.



There is very little downside risk priced into the NZ yield curve, as illustrated below.



1.3 LOCAL AUTHORITY SECTOR

Listed on the following page are the credit spreads and applicable interest rates as at 30 September for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which the West Coast Regional Council (“WCRC”) could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP) Rate	FRB
3 month CP	0.20%	0.83%	N/A
6 month CP	0.20%	1.06%	N/A
April 2022	0.47%	1.10%	1.29%
April 2023	0.53%	1.16%	1.82%
April 2024	0.54%	1.17%	2.08%
April 2025	0.60%	1.23%	2.28%
April 2026	0.66%	1.29%	2.47%
April 2027	0.71%	1.34%	2.57%
April 2029	0.74%	1.37%	2.78%
May 2031	0.79%	1.42%	2.94%
April 2033	0.88%	1.51%	3.13%
April 2037	0.94%	1.57%	3.36%

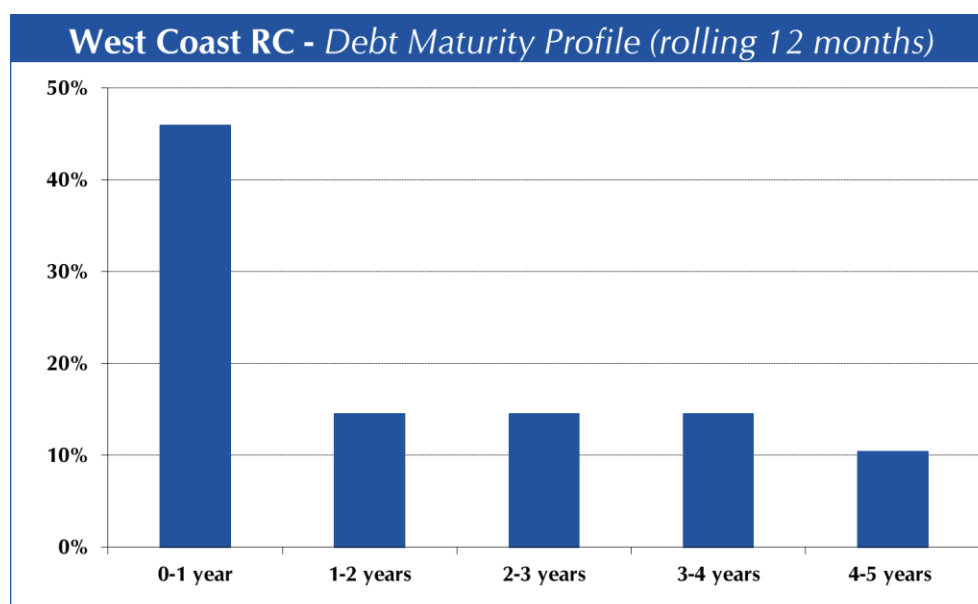
Margins for LGFA debt were little changed over the September quarter, however the rise in the underlying 90 day bank bill pushed the yields for FRNs higher. The yields for FRBs were noticeably higher during the quarter due to the increases in swap rates which were driven by moves in offshore bond yields and expectations for the RBNZ to increase the OCR starting in the fourth quarter of 2021.

2. FUNDING

As at 30 September, WCRC had \$9.615 million of total debt. This was comprised of four FRBs, one FRN and one tranche of CP all sourced from the LGFA, and one tranche of bank debt. Details of the debt are contained in the table below. The tranche of bank debt highlighted in bold is classified as short term non-core debt. As at 30 September, WCRC had \$8.60 million of core debt.

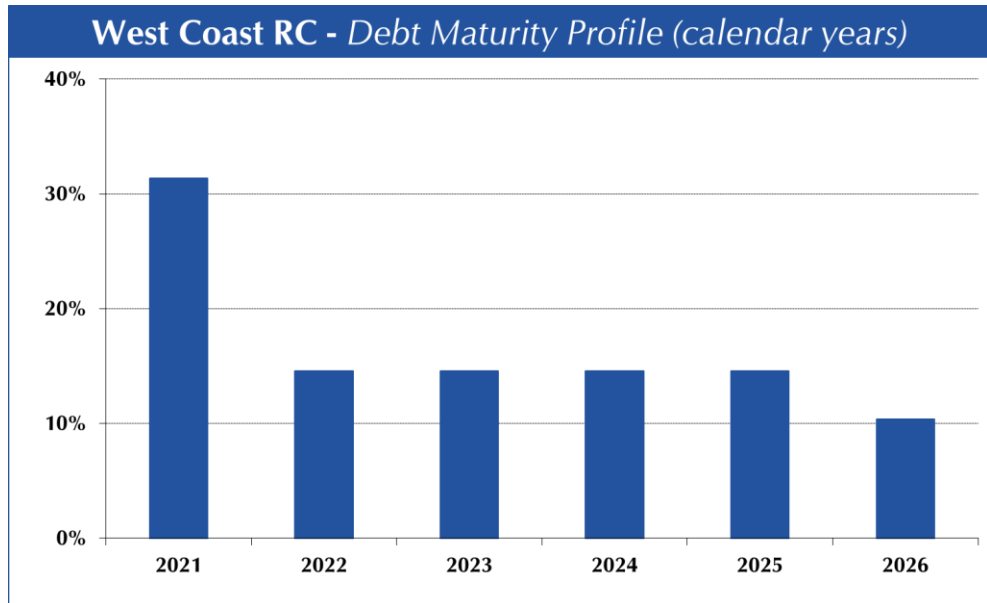
Counterparty	Maturity	Instrument	Rate	Amount
Westpac	01-Oct-21	Bank Debt	1.70%	\$1,015,000
LGFA	26-Nov-21	CP	0.59%	\$2,000,000
LGFA	30-May-22	FRB	2.02%	\$1,400,000
LGFA	30-May-23	FRN	1.16%	\$1,400,000
LGFA	30-May-24	FRB	2.27%	\$1,400,000
LGFA	30-May-25	FRB	2.39%	\$1,400,000
LGFA	30-May-26	FRB	1.30%	\$1,000,000
			TOTAL	\$9,615,000

WCRC has a committed bank facility from Westpac Bank (“Westpac”) for \$2.0 million that has a line fee of 0.35% and a margin of 1.25% which expires on 1 July 2022. WCRC’s current drawn debt maturity profile (including the \$1,015,000 drawn from the Westpac facility which is listed as a FY2021 maturity), is depicted in the following graph and is based on a rolling 12 month basis.

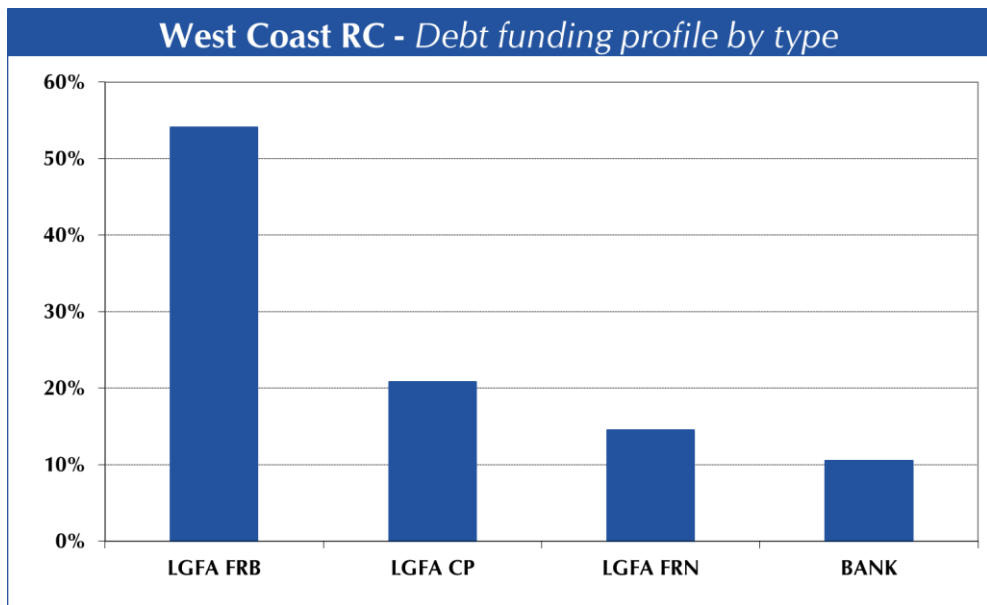


Section 4.3 of the Treasury Policy states, “To ensure that all of the Council’s debt is not exposed to excessive refinancing risk at any one time, where practicable no more than 60% of all debt facilities should mature within a rolling twelve month period.” As at 30 June, WCRC was complying with this guideline.

WCRC's current drawn debt maturity profile (including the \$1,015,000 drawn from the Westpac facility which is listed as a FY2021 maturity), is depicted in the following graph and is based on calendar years.



WCRC's funding profile, categorised according to the type of funding (including the \$1,015,000 drawn from the Westpac facility), is depicted in the following graph.



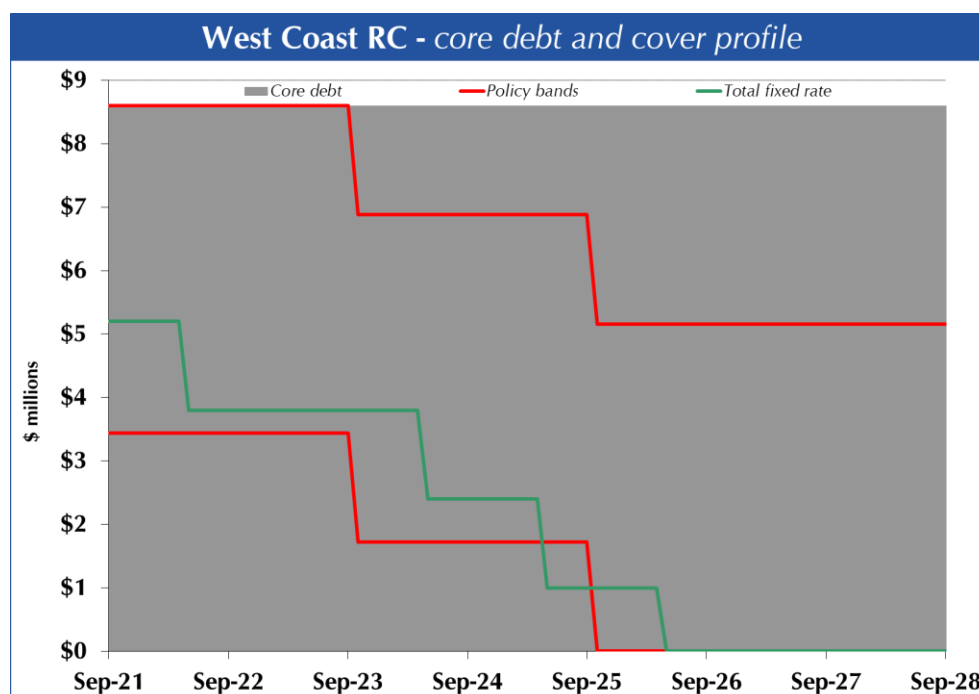
3. DEBT AND COVER PROFILE

As at 30 September, WCRC had a total of \$9.615 million of debt, of which \$8.60 million was classified as core debt and \$5.20 million was on a fixed rate basis utilising FRBs.

WCRC manages its debt and associated hedging according to 'Fixed Rate Hedging Parameters' that are contained in Section 4.1 the Treasury Policy. These have been amended slightly as part of the 2021-2031 Long Term Plan process, with the new parameters being as follows:

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0–2 years	40%	100%
2–4 years	20%	80%
4–7 years	0%	60%

The debt and hedging profiles using the above parameters, and incorporating the core debt of \$8.60 million, is depicted in the following chart. This indicates that, as at 30 September, WCRC had a minor policy breach for four ~~two~~ months from May 2025 to September 2025 when it is slightly under-covered. The intention is to remedy this breach, once future debt levels have been ascertained, using either FRBs or interest rate swaps.



WCRC's cost of funds as at 30 September, calculated on the total debt of \$9.615 million (and inclusive of the bank line fee), was 1.65%, up from 1.62% at the end of June.

The cost of funds as at 30 September, calculated on the core debt of \$8.60 million and inclusive of the bank line fee was 1.56%, down from 1.62% at the end of June. Prior to WCRC joining the LGFA in June 2019, its cost of funds was 3.15%.

WCRC's cost of funds is one of the lowest in the local government sector that Bancorp Treasury is aware of.

4. POLICY COMPLIANCE (AS AT 30 SEPTEMBER 2021)

	<i>Yes/No</i>
Are all treasury transactions in compliance with policy?	Yes
Are the fixed rate hedging percentages within policy control limits?	No
Is Council maintaining liquidity within policy control limits?	Yes
Is Council maintaining funding within policy control guidelines?	Yes
Are all counterparty exposures within policy control limits?	Yes
Are all borrowing covenants/limits being complied with?	Yes

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THE WEST COAST REGIONAL COUNCIL

RISK & ASSURANCE COMMITTEE

To: Chairperson, West Coast Regional Council

I move that the public be excluded from the following parts of the proceedings of this meeting, namely, -

- Item 1 Confirmation of Confidential Minutes 30 August 2021
- Item 2 Health & Safety Report – October 2021
- Item 3 LTP Audit Report
- Item 4 AR 2020 Audit Management Letter
- Item 5 WCRC Annual Report (unaudited)
- Item 6 RSHL Annual Report (unaudited)
- Item 7 VCS Operational Report
- Item 8 Council Insurance Renewal
- Item 9 PCR Update (verbal)
- Item 10 Buller District Council Health Check
- Item 11 Fees and Charges Correction

Item No.	General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 7 of LGOIMA for the passing of this resolution.
Item 1	Confirmation of Confidential Minutes 30 August 2021		Clause 7 subclause 2 (a)
Item 2	Health & Safety Report – October 2021		Clause 7 subclause 2 (b)
Item 3	LTP Audit Report		Clause 7 subclause 2 (i)
Item 4	AR 2020 Audit Management Letter		Clause 7 subclause 2 (i)
Item 5	WCRC Annual Report (unaudited)		Clause 7 subclause 2 (i)
Item 6	RSHL Annual Report (unaudited)		Clause 7 subclause 2 (i)
Item 7	VCS Operational Report		Clause 7 subclause 2 (i)
Item 8	Council Insurance Renewal		Clause 7 subclause 2 (i)
Item 9	PCR Update (verbal)		Clause 7 subclause 2 (i)
Item 10	Buller District Council Health Check		Clause 7 subclause 2 (i)
Item 11	Fees and Charges Correction		Clause 7 subclause 2 (i)

I also move that:

- Heather Mabin, Kim Hibbs, and Neil Selman be permitted to remain at this meeting after the public has been excluded, because of their knowledge on the subject. This knowledge, which will be of assistance in relation to the matter to be discussed.

The Minutes Clerk also be permitted to remain at the meeting.