



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

FINANCE, AUDIT AND RISK COMMITTEE

Agenda

NOTICE OF MEETING

This meeting will be held in person at the Supper Room, Waihinga Centre, Texas Street, Martinborough and via video conference on the 11 May 2022 and will commence at 10:00am. All members participating via video conference will count for the purpose of the meeting quorum in accordance with clause 25B of Schedule 7 to the Local Government Act 2002. This meeting will be live-streamed and will be available to view on our [YouTube channel](#). The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

MEMBERSHIP OF THE COMMITTEE

Councillors Leigh Hay (Chair), Pam Colenso, Garrick Emms, Brian Jephson, Colin Olds, Brenda West, and Mayor Alex Beijen. Independent member: Kit Nixon

Open Section

Health and Safety Procedures

- A1.** Apologies
- A2.** Conflicts of interest
- A3.** Public participation
As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.
- A4.** Actions from public participation
- A5.** Extraordinary business
- A6.** Minutes for Confirmation:
Proposed Resolution: *That the minutes of the Finance, Audit and Risk Committee meeting held on 30 March 2022 are confirmed as a true and correct record.*

Pages 1-4

B. Decision Report

- | | | |
|------------|--|-----------|
| B1. | Funding for Reprioritised Capital from Fiscal Stimulus Report
<i>Charly Clarke, Finance Manager will be speaking to this report</i> | Pages 5-9 |
|------------|--|-----------|

C. Information and Verbal Reports from Chief Executive and Staff

- | | | |
|------------|--|-------------|
| C1. | Finance Report
<i>Charly Clarke, Finance Manager will be speaking to this report</i> | Pages 10-25 |
| C2. | Policy and Governance Report
<i>Amanda Bradley, General Manager Policy & Governance will be speaking to this report</i> | Pages 26-40 |
| C3. | Climate Change Risk Report
<i>Melanie Barthe, Climate Change Advisor will be speaking to this report</i> | Pages 41-46 |
| C4. | Action Items Reports | Pages 47-50 |



FINANCE, AUDIT AND RISK COMMITTEE

Minutes from 30 March 2022

Present:	Councillors Leigh Hay (Chair), Pam Colenso, Garrick Emms, Brian Jephson Colin Olds, Brenda West, Mayor Alex Beijen and independent member Kit Nixon.
In Attendance:	Harry Wilson (Chief Executive), Russell O’Leary (Group Manager Planning and Environment), Katrina Neems (General Manager Finance), Amanda Bradley (General Manager Policy and Governance), Charly Clarke (Finance Manager), Steph Frischknecht (Policy and Governance Advisor) and Amy Andersen (Committee Advisor).
Conduct of Business:	<p>Under the Red traffic light setting of the Covid-19 Protection Framework this meeting was held via video conference and live streamed to Council’s YouTube channel. All members participating via video conference count for the purpose of the meeting quorum in accordance with clause 25B of Schedule 7 to the Local Government Act 2002.</p> <p>The meeting was held in public under the above provisions from 12:31pm to 2:19 pm except where expressly noted.</p>

Open Section

Public Announcement – Special thanks were given by Cr Leigh Hay, on behalf of the Finance Audit and Risk (FAR) Committee, to Katrina Neems, General Manager – Finance, following her resignation. Cr Hay made mention of Ms Neems’ ongoing support, knowledge and contributions to finance at South Wairarapa District Council over the past three years.

A1. Apologies

There were no apologies.

A2. Conflicts of Interest

There were no conflicts of interest declared.

A3. Public Participation

There was no public participation.

A4. Actions from Public Participation

There were no actions from public participation.

DISCLAIMER

Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

A5. Extraordinary Business

There was no extraordinary business.

A6. Minutes for Confirmation

FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/09):

1. That the minutes of the Finance, Audit and Risk Committee meeting held on 16 February 2022 are a true and correct record.
2. That the public excluded minutes of the Finance, Audit and Risk Committee meeting held on 16 February 2022 are a true and correct record.

(Moved Cr Colenso/Seconded Cr Olds)

Carried

B Information and Verbal Reports from Chief Executive and Staff

B1. Policy and Governance Report

Ms Bradley updated members on work to date overhauling the strategic risk register. Members queried timeframes regarding the delivery of the register and the template which will be used to manage this, which was confirmed to be an *all of Government* risk template to be used, framework and gaps analysis. Members also queried whether a new software programme would be sourced to manage the register. Ms Bradley, supported by Ms Neems, suggested this could be explored in the new financial year.

Members queried whether the Smokefree Policy will cover parks and reserves; Officers confirmed it would and the Committee would be kept up to date with changes/progress on all policies as they occur.

There was discussion on the residents' perception survey, including timeframes and online administration.

FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/10):

1. To receive the Policy and Governance Report.

(Moved Cr West/Seconded Cr Emms)

Carried

B2. Finance Report

Ms Neems spoke to matters in the report; key points being financial statements, operating surplus tracking, expenditure and investments. Members queried budgeted costs for Iwi recruitment and Ms Neems clarified funding for this.

Mr Wilson provide commentary on the current work with Wellington Water, including the challenges in terms of the management of water supplies, the funding sources for reactive maintenance and the future ahead. Mr Wilson noted an Asset

DISCLAIMER

Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

Page 2

Management Plan will be completed to support ongoing work in this space. An exact timeframe on this is to be confirmed.
Mayor Beijen remarked on improvements in reports from Finance and Ms Neems indicated this would continue in future.

The meeting was adjourned at 1:30pm.
The meeting was reconvened at 1:40pm.

Supported by Mr Wilson, Ms Neems noted improvements in IT network security and there will be an Infrastructure Evaluation later this year to support ongoing work in this space.

Members queried whether a purchase of an electronic purchase order system could be made for and if would this fall into next year's budget. Ms Neems, supported by Ms Clarke, confirmed there are funds available and further investigation will be completed before committing to this.

Members also discussed items including the timings for land valuation, contracting of independent auditors (costs associated with this work) and Audit New Zealand's schedule for auditing local and central government organisations/departments.

Cr Jephson left the meeting at 2:09pm.

Ms Neems responded to queries about rates categorisation.

FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2022/11):

To receive the Finance Report.

(Moved Mayor Beijen/Seconded Cr Colenso)

Carried

B3. Action Items Report

Members requested Action 248 be reopened to review whether there is leeway for within the current contract in the context of a focus on waste minimisation and to understand the associated costs and noted any updates would be raised with the Assets & Services Committee.

Discussions on the direction of waste minimisation would be referred to the Assets and Services Committee.

Cr Hay offered support to Officers relating to Action 54 and providing a list of signs with accompanying photos to support the rebrand rollout project.

FINANCE AUDIT AND RISK COMMITTEE RESOLVED (FAR2021/12) to receive the Action Items Report.

(Moved Cr Colenso /Seconded Cr Emms)

Carried

The meeting closed at 2:19pm.

DISCLAIMER

Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

Page 3

Confirmed as a true and correct record

.....(Chair)

.....(Date)

DISCLAIMER

Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

Page 4

FINANCE, AUDIT AND RISK COMMITTEE

11 MAY 2022

AGENDA ITEM B1

FUNDING FOR REPRIORITISED CAPITAL FROM FISCAL STIMULUS

Purpose of Report

To present the funding options for the \$1M of additional CAPEX reprioritised through the fiscal stimulus programme.

Recommendations

Officers recommend that the Committee:

1. *Receive the funding for reprioritised capital from fiscal stimulus report; and*
2. *Recommend to Council that the additional capital expenditure be funded through the depreciation reserve.*

1. Executive Summary

On 16 March 2022 a report to Council considered ways to fund the forecast \$1.1M overspend in Wellington Water Limited operational budgets. Council resolved to make use of the ability to reprioritise the fiscal stimulus package and replace it with additional CAPEX funding of \$1M.

COUNCIL RESOLVED (DC2022/10):

1. To receive Use of Additional Fiscal Stimulus for Wellington Water Limited Opex Budget Report. (Moved Cr Fox/Seconded Cr Maynard) Carried
2. Notes unconstrained 3 water OPEX costs are forecasted to be \$1.1M overspent in FY 2021/22. (Moved Cr Plimmer/Seconded Cr Hay) Carried Cr West abstained
3. Approves that \$1M fiscal stimulus CAPEX be reprioritised to the SWDC OPEX budget to meet the forecast overspend. (Moved Cr Olds/Seconded Jephson) Carried Cr West
4. Note that this will need to be replaced with additional CAPEX funding of \$1M and agree to refer options for funding of the \$1M CAPEX to the Finance, Audit and Risk Committee for a recommendation to Council on the method of funding. (Moved Cr Colenso/Seconded Cr Plimmer) Carried Cr West abstained

2. Funding Options Available

After the resolution passed by council on 16th March 2022, officers have considered funding options available. The table below discusses three options.

Options		Discussion	Financial Impact
1	Raise an additional \$1M in debt	<p>Council could choose to debt fund the capital expenditure.</p> <p>The purpose of the loan would be to fund network renewals and the term of the loan would be 35 years, which is the maximum term allowable under the Revenue and Financing Policy.</p> <p>New debt of \$1M would be raised through council's funder, Local Government Funding Agency (LGFA).</p> <p>Council's current policy is to spread interest rate risk through use of shorter-term loans that are rolled over and repaid at the end of the useful life of the asset - 35 years.</p> <p>Principal and interest would be collected from ratepayers from 1st July 2022.</p>	<p>Current borrowing rates for a five-year* term are 4.45%.</p> <p>The annual financial impact would be:</p> <p style="text-align: right;">Interest \$44,500 Principal \$200,000 Total \$244,500</p> <p>This equates to an increase to water rates of approximately \$56 per connection, per year (\$1.07 per week) from 1st July 2022. Only water supply rates affected.</p>
2	Fund the capital expenditure through the Depreciation Reserve	<p>Council could choose to use the depreciation reserve to fund the capital expenditure.</p> <p>The additional capital has been reprioritised to cover the network renewals programme. Council funds its renewals programme from accumulated funds in the depreciation reserve.</p>	<p>Cash reserves would be reduced by \$1m.</p> <p>Cash reserves are estimated to be \$3.87m at 30th June 2022.</p> <p>Loss of interest income would be approximately \$11,800.</p> <p>This equates to an increase to water rates of approximately \$3 per connection, per year from 1st July 2022. Only water supply rates affected.</p>
3	Combination of Debt and Reserves (1 and 2)	<p>Council could choose to fund 50% of the capital expenditure through debt and 50% through depreciation reserve.</p> <p>New debt of \$500k would be raised through councils funder, Local Government Funding Agency (LGFA).</p> <p>The depreciation reserve would be used to fund the remaining \$500k.</p>	<p>Current borrowing rates for a five-year* term are 4.45%.</p> <p>The annual financial impact would be:</p> <p style="text-align: right;">Interest \$22,250 Principal \$100,000 Total \$122,250</p> <p>Cash reserves would be reduced by \$500k.</p> <p>Loss of interest income would be approximately \$5,900.</p> <p>This equates to an increase to water rates of approximately \$29 per connection, per year from 1st July 2022. Only water supply rates affected.</p>

- Usual borrowing term for water infrastructure would be 35 years, however due to likelihood of Three Water Reform taking effect in 2024 a more realistic term of five years has been used for modelling.

3. Impacts on Balance Sheet

See Appendix 1 for the impact of each option on the depreciation reserves and loan balances.

4. Conclusion

Officers have considered the three options above and recommend council funds the additional capital expenditure through use of depreciation reserves (option 2). This would result in loss of interest income equivalent to approximately \$3 per year per water supply connection.

5. Appendices

Appendix 1 - Impact on balance sheet

Contact Officer: Charly Clarke, Finance Manager

Reviewed By: Harry Wilson, Chief Executive Officer

Appendix 1 – Impact on balance sheet

Impact on Water Supply depreciation reserve	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current forecast	3,451	3,479	3,880	3,802	4,027	4,855	5,776	6,683	6,930	7,340
Option 1	3,451	3,479	3,880	3,802	4,027	4,855	5,776	6,683	6,930	7,340
Option 2	2,451	2,479	2,880	2,802	3,027	3,855	4,776	5,683	5,930	6,340
Option 3	2,951	2,979	3,380	3,302	3,527	4,355	5,276	6,183	6,430	6,840

Impact on Water Supply loans	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current forecast	28,247	32,342	38,391	48,421	53,969	53,654	53,654	53,654	53,654	53,654
Option 1	29,247	33,342	39,391	49,421	54,969	53,654	53,654	53,654	53,654	53,654
Option 2	28,247	32,342	38,391	48,421	53,969	53,654	53,654	53,654	53,654	53,654
Option 3	28,747	32,842	38,891	48,921	54,469	53,654	53,654	53,654	53,654	53,654

FINANCE, AUDIT AND RISK COMMITTEE

11 MAY 2022

AGENDA ITEM C1

FINANCE REPORT

Purpose of Report

To present the Finance Report for March 2022.

Recommendations

Officers recommend that the Committee:

1. *Receive the Finance Report*
2. *Note an exceedance in February 2022 to the investment thresholds*

1. Executive Summary

Officers present the following Reports for review by the Finance, Audit and Risk Committee:

- Financial Report for the nine months from 1st July 2021 to 31 March 2022
- Treasury Report
- Audit Management Report
- Rates arrears report to 31 March 2022

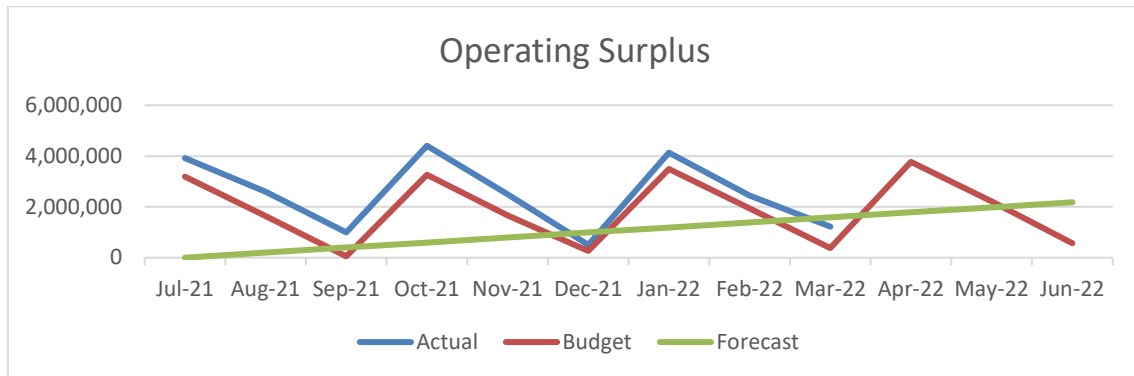
2. Financial Report

2.1 Purpose

The purpose of this report is to provide Council with a commentary on:

- Year to date budget vs actual financial results.
- Commentary on material variances.
- Full year risks (if any) for each significant activity.

2.1.1. Overall Performance (Operating Surplus/Deficit)



Operating Surplus		
Actual	Budget	Variance
1,220,744	374,158	846,586
326%		

Operating Income		
Actual	Budget	Variance
21,206,143	18,667,316	2,538,827
114%		

Operating Expenditure		
Actual	Budget	Variance
19,985,399	18,293,158	(1,692,241)
109%		

Operating surplus for the nine months to 31st March 2022 is \$1,221K against a forecast surplus of \$374K.

Adjusting this surplus for one-off unbudgeted items (\$2,025k of income, and \$1,857k of expense) the surplus is \$1,053k, which is \$679k favourable compared to budget.

Adjusted Operating Surplus		
Actual	Budget	Variance
1,052,945	374,158	678,787
281%		

Adjusted Operating Income		
Actual	Budget	Variance
19,181,169	18,667,316	513,853
103%		

Adjusted Operating Expenditure		
Actual	Budget	Variance
18,128,224	18,293,158	164,934
99%		

2.1.2. Operating Income

Operating income is favourable by \$2.5M.

This includes one-off unbudgeted income from stimulus funding for the Three Water Reform programme as well as Mayor's Taskforce for Jobs, Provincial Growth Fund, and NZLPP (Libraries). Removing these items adjusts the operating income to \$514K favourable.

Increased income is largely due to:

- building consenting fee income (\$246k higher than forecast)
- Waka Kotahi operating subsidies (\$161k higher than forecast) as the programme has now caught up with the budget
- resource consenting fee income (\$59k higher than forecast)
- rental income (\$55k higher than forecast) due to renegotiation of leases, and partly phasing of invoicing.

2.1.3. Operating Expenditure

Operating expenditure is unfavourable by \$1.7M.

This includes one-off unbudgeted income from stimulus funding for the Three Water Reform programme as well as Mayor's Taskforce for Jobs, Provincial Growth Fund, and NZLPP (Libraries). Removing these items adjusts the operating expenditure to \$165K favourable.

Corporate Services – \$125k unfavourable. This is largely due to increasing costs to upgrade IT systems to support business continuity. End of year forecast is estimated \$150k unfavourable.

Professional Services - Unfavourable by \$35k. This is due to increased Consultants costs.

Governance, Leadership & Advocacy - Favourable \$269k largely due to a delay in recruiting for the Iwi representative.

Public Protection – Unfavourable \$30k. We are seeing increased building consenting costs as a result of higher-than-expected building consenting numbers. This is offset by increased consenting income. All other areas tracking well to budget.

Resource Management – Favourable to budget by \$77K. Forecast to be on budget by end of financial year.

Economic, Cultural and Community Development – Unfavourable by \$417k, however this is due to Provincial Growth costs of \$483k for Tauherenikau Bridge and Marae development, and Mayor's Taskforce costs of \$97k.

Amenities (including Libraries) - Overall, Amenities is unfavourable by \$221k.

- Libraries are unfavourable by \$214k. However this is due to \$235k costs offset by the NZLPP Grant income.
- Other variances due to timing of budget phasing and contractor availability.

Solid Waste – Unfavourable by \$32k due to higher than predicted refuse volumes.

Land Transport - Favourable by \$246k. This is due to phasing of the work programme.

Water Supply – Unfavourable by \$539K. This is partly offset by the \$518k of stimulus funding income however unforeseen breakages in the network is putting pressure on budgets. Wellington Water are forecasting a 16% overspend for the full year but this may be impacted by further extreme weather events.

Wastewater - Unfavourable by \$590K. This is partly offset by the \$373k of stimulus funding income. however unforeseen breakages in the network is putting pressure on budgets. Wellington Water are forecasting a 13% underspend for the full year.

Stormwater - Unfavourable by \$291K. This is offset by \$151k of stimulus funding income. Stormwater depreciation has been affected by the inclusion of water race channel assets at the end of 2020-21 financial year, which had not been fully anticipated in the budget. Wellington Water are forecasting a 40% underspend for the full year.

2.1.4. Other Non-Operating Income

Non-operating income includes the Waka Kotahi capex subsidy, financial contributions received from developers, assets vested in council, and other capex related grants and subsidies received.

Income to date is favourable by \$933k. This is due to \$1,576k higher than anticipated developers contributions. Waka Kotahi capex subsidies are \$709k unfavourable to budget due to a delayed work programme however are expected to be on track by end of year.

Note: Budgets have been phased based on last year's actual spend. Some variances are due to actual spending patterns being different between years.

2.2 Operating Surplus (excluding one-off items)

Adjusted Operating Surplus (showing effect of unbudgeted grant-funded projects)				
	Year-To-Date (March) Actuals			Year-To-Date (March) Budget
Operating Income	Total	One-Off Amounts	Adjusted Total	Budget
Rates	14,815,053		14,815,053	14,940,579
Rates Penalty	96,284		96,284	100,000
Interest	205,316		205,316	81,576
Internal Interest Loans	15,674		15,674	-
Fees & Licences	1,463,081		1,463,081	1,181,896
User Levies	585,494		585,494	571,419
Commissions	60,648		60,648	58,266
Waka Kotahi Operating Subsidy	1,251,213		1,251,213	1,089,810
Petrol Tax	63,134		63,134	63,495
Grants, Donations & Subsidies	2,024,974	2,024,974	-	2,988
<i>Mayor's Taskforce</i>	250,000	250,000	-	-
<i>NZ Library Partnership</i>	233,016	233,016	-	-
<i>Provincial Growth</i>	500,000	500,000	-	-
<i>Three Water Stimulus</i>	1,041,958	1,041,958	-	-
<i>Other Grants, Donations & Subsidies</i>	-	-	-	2,988
Rental / Hire	564,760		564,760	509,832
Miscellaneous Income	60,512		60,512	67,455
Total	21,206,143	2,024,974	19,181,169	18,667,316
Operating Expenditure	Total	One-Off Amounts	Adjusted Total	Year-To-Date Budget
Corporate Services	2,265,708		2,265,708	2,140,989
Professional Services	146,294		146,294	110,954
Governance, Leadership & Advocacy	718,830		718,830	987,748
Public Protection	1,413,440		1,413,440	1,383,477
Resource Management	598,140		598,140	675,370
Economic, Cultural & Community Development	923,871	579,726	344,145	506,954
<i>Mayor's Taskforce</i>	97,191	97,191	-	-
<i>Provincial Growth</i>	482,535	482,535	-	-
<i>Other Expense</i>	344,145		344,145	506,954
Amenities	3,045,224	235,493	2,809,731	2,824,605
<i>NZ Library Partnership</i>	235,493	235,493	-	-
<i>Other Expense</i>	2,809,731		2,809,731	2,824,605
Land Transport	3,932,956		3,932,956	4,178,509
Water Supply	2,947,825	517,784	2,430,041	2,409,172
<i>Three Water Stimulus</i>	517,784	517,784	-	-
<i>Other Expense</i>	2,430,041		2,430,041	2,409,172
Solid Waste Management	1,318,928		1,318,928	1,287,357
Sewerage	2,098,014	373,160	1,724,854	1,503,745
<i>Three Water Stimulus</i>	373,160	373,160	-	-
<i>Other Expense</i>	1,724,854		1,724,854	1,503,745
Stormwater Drainage	556,368	151,012	405,356	269,278
<i>Three Water Stimulus</i>	151,012	151,012	-	-
<i>Other Expense</i>	405,356		405,356	269,278
Rate Debtors Written Off	17,225		17,225	15,000
Bad Debts	988		988	
Loss on Sale of Assets	1,588		1,588	
Total	19,985,399	1,857,175	18,128,224	18,293,158
Operating Surplus/(Deficit)	1,220,745		1,052,945	374,158

2.3 Capital Expenditure

A summary of major project and infrastructure capital expenditure shows most activities are tracking below target. There are increasing delays due to supply chain constraints and contractor availability.

Key CAPEX Projects March 2022

Activity	Mapping	Project	Account Code	Carried forward	2021/22 Budget	Total Available Budget	21/22 YTD Actuals	Remaining	Full Year Forecast	Variance to Forecast
CS	IT software	Information management system	98860266	-	60,000	60,000	-	60,000	-	60,000
CS	Motor vehicles	Motor vehicles	98860272	-	140,000	140,000	-	140,000	140,000	-
CS	Intangible	Rebrand rollout	98860290	-	20,000	20,000	-	20,000	-	20,000
GV	Spatial Plan	Spatial Plan	98860290	-	265,000	265,000	-	265,000	150,000	115,000
GV	Combined District Plan	Combined District Plan	98860290	-	200,000	200,000	-	200,000	200,000	-
PP	Liquifaction modelling	Provide for liquefaction in planning/building rules	98860290	100,000	140,000	240,000	12,639	227,361	70,000	170,000
PP	Dog pound	Dog pound decision/initiate	9886021001	240,000	100,000	340,000	-	340,000	100,000	240,000
AM	Cemeteries	FTN Cemetery - build natural burial site	98860206	-	75,000	75,000	8,802	66,198	75,000	-
AM		GTN Cemetery Additions	98860206	10,000	200,000	210,000	99,170	110,830	210,000	-
AM	Community buildings	Carkeek Observatory implementation of conservation plan	98860210	-	100,000	100,000	6,800	93,200	50,000	50,000
AM		Greytown sports facility upgrade / extension	9886020203	-	1,000,000	1,000,000	10,755	989,245	500,000	500,000
AM		Greytown New Open space Development		-	330,000	330,000	-	330,000	165,000	165,000
LT	Land Transport	Land Transport		447,000	3,405,585	3,852,585	1,514,422	2,338,163	3,852,585	-
LT		New footpath kerb & channel	98860257	-	400,000	400,000		400,000	400,000	-
LT		Otauirā reserve reseal carpark	98860253001	-	60,000	60,000		60,000	60,000	-
				447,000	3,865,585	4,312,585	1,514,422	2,798,163	4,312,585	-
WS	Water Supply	Water Supply	98860219	100,000	2,516,239	2,616,239	2,069,397	546,842	2,689,268	- 73,029
WW	Waste Water	Waste Water	98860237	729,717	589,600	1,319,317	502,827	816,490	626,690	692,627
WW		FSTN WWTP Upgrades and Consent	98860219001	-	480,000	480,000	229,946	250,054	645,628	- 165,628
WW		MTB Pinot Grove WW Upgrade	98860237	-	-	-	72,253	72,253	117,300	- 117,300
WW		GTN Papawai Rd WW Upgrade	98860242	180,000	2,148,235	2,328,235	2,076,967	251,268	1,879,793	448,442
ST	Stormwater	Stormwater	98860233	-	77,170	77,170	81,803	4,633	41,321	35,849
				1,009,717	5,811,244	6,820,961	5,033,193	1,787,768	6,000,000	820,961

3. Treasury

3.1 Working Capital

Working Capital, which expresses the ability of council to meet its short-term obligations, is strong with a ratio of 3.1 times (June 2021 2.7 times), and a total value of \$10,090(30 June 2021 \$9,144k).

3.2 Investments

SWDC's investment policy provides that financial investments should be spread around a number of financial institutions to reduce the risk of loss to Council.

Clause 2 of the Investment policy covers the 50% rule:

- *The maximum amount to be invested with any one approved institution is 50% of Council's total investments.*
- *Occasional and short-term exceedances of the 50% rule are allowed, such exceedances are to be reported to the Audit and Risk Working Party [Finance, Audit and Risk Committee].*

Date	Exceedances	Percent if exceeded
February 2022	ANZ	54%
March 2022	No exceedances	N/A

- We have not placed any investments with Kiwibank since 2019 due to non-competitive rates. We propose to close our call account with Kiwibank in order to save on related administration costs.

3.3 Public Debt

Current debt \$24,400k, at 2.63% average borrowing rate.

No changes to debt have occurred between 1 July 2021 and 31 March 2022.

3.4 Reserves

PROSPECTIVE STATEMENT OF SPECIAL AND SEPARATE FUNDS FOR THE YEARS ENDING 30 JUNE 2021-2031							
	1 JULY 2021 OPENING BALANCE \$,'000	Additional Contributions to budget	Additional Expenditure to budget	Forecast balance 30/06/2022	10 YEAR TRANSFERS IN \$,'000	10 YEAR TRANSFERS OUT \$,'000	30 JUNE 2031 CLOSING BALANCE \$,'000
Discretionary Reserves							
	183				10,500	8,337	2,346
To be used for town centre development, road protection schemes & seal extensions, and capital gains from the sale of Council assets that have been realised over time							
Disaster Recovery	-				100	-	100
Community Board Reserves							
Community Board funds carried over:	96				-	-	96
Restricted Reserves							
	1,253	184		836	6,465	1,150	6,568
To provide for the acquisition and development of reserves and open spaces in response to the needs arising from subdivision and development, to protect conservation values, To provide opportunities for public access to and along water bodies, to provide recreational opportunities near water bodies							
Water Race Reserves							
Longwood	(59)				996	996	(59)
Moroa	214				1,075	1,075	214
Trusts							
Campground Memorial	7				-	-	7
Pain Farm - maintaining and improving the Borough's parks, sports grounds, camping ground, swimming baths, providing, equipping and maintaining sports facilities and a children's playground.	162				316	-	479
Infrastructure Contributions							
	2,674	929	226	3,643	9,732	11,290	1,116
To provide a potable water supply, to safeguard the health of inhabitants and protect the natural environment for inappropriate disposal of sewage, to prevent damage to property or amenity from the indiscriminate and uncontrolled runoff of Stormwater, to ensure sufficient water is available for fire fighting purposes. To provide for the safe and convenient movement on roads of motor vehicles, bicycles and pedestrians within and through the Wairarapa.							
Combined District Plan and Spatial Plan Reserve							
To spread the costs of the District Plan over the life of the plan.	26				1,265	1,296	(6)
Maintenance Reserve							
To spread the costs of building maintenance.	(10)				820	1,412	(602)
Rural Roading Reserve							
To fund shortfall in Special Purpose Road NZTA funding.	1,190				3,000	-	4,190
Housing for Seniors Reserve							
To fund shortfall in capital works on Council Housing for Seniors	(121)				605	391	94
Wastewater							
To spread the cost of wastewater to land projects	67				-	-	67
Loan Redemption Reserves							
Internal loans	290				-	290	-
External loans	6,200				17,703	6,147	17,757
Depreciation Reserves							
To fund new capital projects	15,192				57,463	32,873	39,783
TOTAL SPECIAL AND SEPARATE FUNDS	27,365				110,041	65,256	72,150

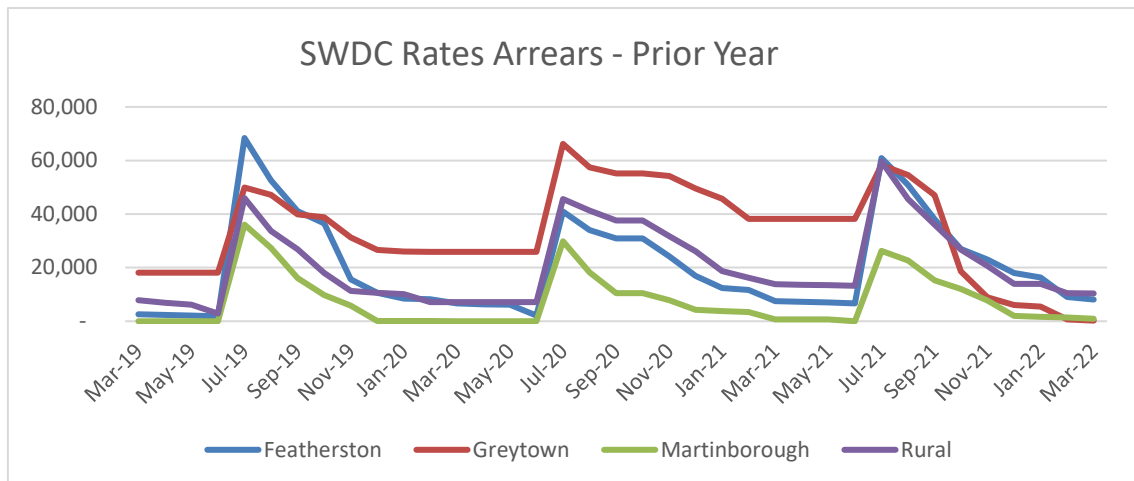
Infrastructure Reserve

Unbudgeted additional expenditure of \$226,000 relates has been approved for a new footpath to connect 5 Rivers Medical Centre in Greytown to the town network. The balance in the reserve, once additional financial contributions are included is forecast to be \$3.5M at 30 June 2022

4. Rates Report

4.1 Rates Arrears

The rates arrears graphs below shows a decrease in amount of unpaid rates carried forward from the previous year (2020/21).



Prior year's arrears have decreased \$41 K (67%) from the same time last year. For March 2022 there was a total of just under \$20K arrears over 16 properties. This is made up as follows:

Row Labels	Sum of Arrears Total	Count of Key
FSTN URBAN	\$ 8,128.14	5
GTWN URBAN	\$ 235.30	1
MTNB URBAN	\$ 972.66	1
RURAL	\$ 10,388.06	9
Grand Total	\$ 19,724.16	16

Row Labels	Sum of Arrears Total	Count of Key
LEGAL	\$ 16,904	8
REPYMT PLAN	\$ 2,690	4
UNDER \$150.00	\$ 130	4
Grand Total	\$ 19,724	16

Payment plans

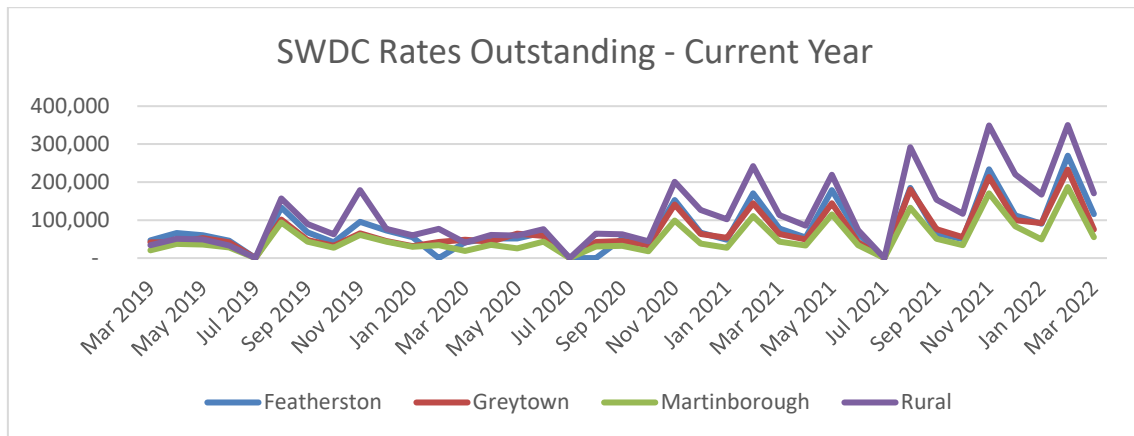
There are currently 16 active payment plans, with 3 in the process of being added.

Direct debits

Of the 555 properties with current year overdue rates, 276 (50%) are under direct debit. Although rates under direct debit payment methods appear as overdue, this is a timing issue rather than actual late payment. Direct debit overdues make up 14% of the \$417k of overdue rates, so 'true' amount of current year rates overdue is \$357k.

39% of the 7,193 rating units in South Wairarapa use direct debit for payments.

4.2 Current Year Overdue Rates

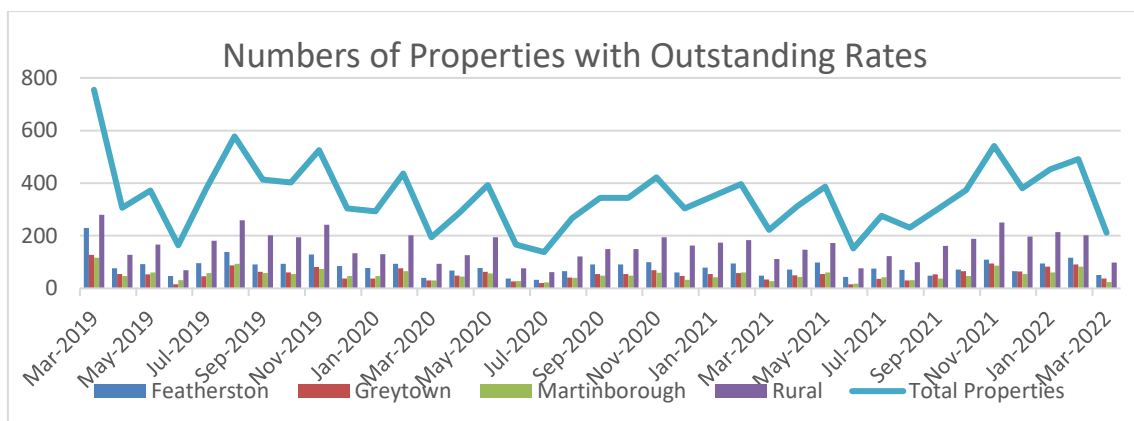
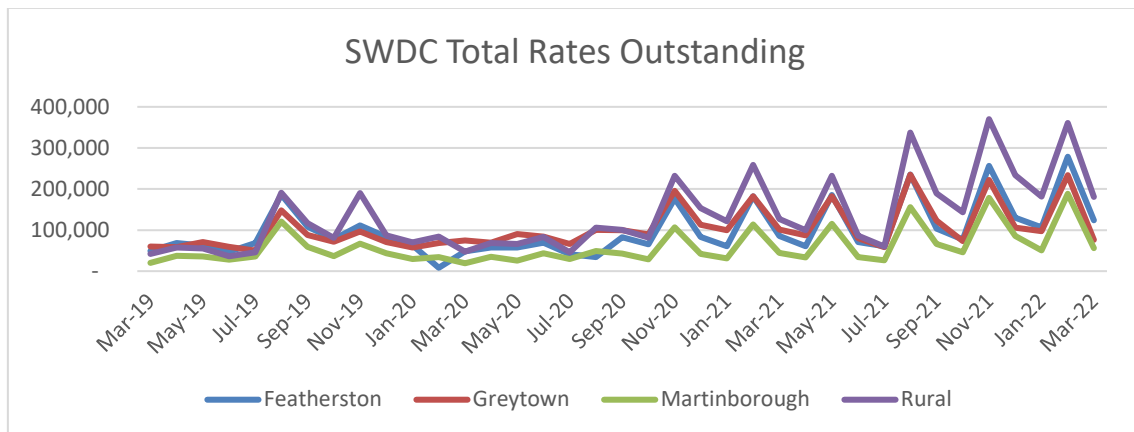


At the end of March 2022, the current years amount was \$417K (40%) higher than the same time last year. Of this, \$60K (14%) was due to timing of direct debits, so the true current year outstanding rates were \$357K.

4.3 Total Rates Outstanding (Arrears & Current Year Overdue combined)

Total rates outstanding have increased by \$78K (22%) from the same month last year.

Outstanding rates were \$436K in March 2022 compared to \$358K in March 2021.



The total number of properties with outstanding rates has decreased by 11 compared to March 2021.

5. Appendices

Appendix 1 – Financial Statements for the seven months from 1st July 2021 to 31st March 2022

Contact Officers: Charly Clarke, Finance Manager

Reviewed by: Harry Wilson, Chief Executive Officer

Appendix 1 – Financial Statements for the period ended 31st March 2022

South Wairarapa District Council
Statement of Financial Performance
For the Period End 31 March 2022

Last Year Actual		Actual	Current Year Budget	Variance	Full Year Budget	%
<u>Operating Income</u>						
11,625,027	Rates	14,815,053	14,940,579	(125,526)	19,920,770	74.4%
74,253	Rates Penalty	96,284	100,000	(3,716)	120,000	80.2%
160,373	Interest	205,316	81,576	123,740	109,205	188.0%
15,674	Internal Interest Loans	15,674	-	15,674	-	0.0%
1,346,836	Fees & Licences	1,463,081	1,181,896	281,185	1,528,000	95.8%
474,350	User Levies	585,494	571,419	14,075	764,950	76.5%
58,475	Commissions	60,648	58,266	2,382	78,000	77.8%
1,259,712	NZ Transport Agency Subsidy	1,251,213	1,089,810	161,403	1,458,921	85.8%
76,436	Petrol Tax	63,134	63,495	(361)	85,000	74.3%
989,278	Grants, Donations & Subsidies	2,024,974	2,988	2,021,986	3,999	50637.0%
504,802	Rental / Hire	564,760	509,832	54,928	682,500	82.7%
1,464,743	Miscellaneous Income	60,512	67,455	(6,943)	90,300	67.0%
18,049,960		21,206,143	18,667,316	2,538,827	24,841,645	85.4%
<u>Operating Expenditure</u>						
2,011,967	Corporate Services	2,265,708	2,140,989	(124,719)	2,802,879	80.8%
416,314	Professional Services	146,294	110,954	(35,340)	147,835	99.0%
493,300	Governance, Leadership & Advocacy	815,658	987,748	172,090	1,316,348	62.0%
1,307,687	Public Protection	1,413,440	1,383,477	(29,963)	1,854,863	76.2%
569,014	Resource Management	598,140	675,370	77,230	903,725	66.2%
453,842	Economic, Cultural & Community Development	827,043	506,954	(320,089)	678,290	121.9%
2,468,422	Amenities	3,045,224	2,824,605	-	3,671,762	82.9%
4,155,032	Land Transport	3,932,956	4,178,509	245,553	5,593,154	70.3%
3,110,863	Water Supply	2,947,825	2,409,172	(538,653)	3,201,723	92.1%
1,215,017	Solid Waste Management	1,318,928	1,287,357	(31,571)	1,723,126	76.5%
2,156,434	Sewerage	2,093,878	1,503,745	(590,133)	1,998,482	104.8%
496,964	Stormwater Drainage	560,504	269,278	(291,226)	358,116	156.5%
16,032	Rate Debtors Written Off	17,225	15,000	(2,225)	20,000	86.1%
2,087	Bad Debts	988	-	(988)	-	0.0%
2,362	Loss on Sale of Assets	1,588	-	(1,588)	-	0.0%
18,875,336		19,985,399	18,293,158	(1,692,241)	24,270,303	82.3%
(825,376)	Operating Surplus/(Deficit)	1,220,744	374,158	846,586	571,342	213.7%
<u>Other Income</u>						
765,241	NZTA CAPEX Subsidy	983,686	1,693,080	(709,394)	2,266,500	43.4%
185,127	Grants, Donations & Subsidies	43,319	-	43,319	-	0.0%
1,793,297	Contributions	2,544,495	968,859	1,575,636	1,297,000	196.2%
1,739	Assets Vesting in Council	23,343	-	23,343	-	0.0%
-	Gain on Asset Revaluations	-	-	-	417,327	0.0%
2,745,404		3,594,843	2,661,939	932,904	3,980,827	90.3%
<u>Other Expenditure</u>						
-		-	-	-	-	0.0%
1,920,027	Total Surplus/(Deficit)	4,815,587	3,036,097	1,779,490	4,552,169	105.8%
Included in the operating expenditure is:						
3,965,083	Depreciation	3,663,718	3,426,210	(237,508)	4,586,603	79.9%
431,577	Interest Expense	474,467	458,559	(15,908)	613,870	77.3%

South Wairarapa District Council

Statement of Financial Position

As at 31 March 2022

	March 2022	June 2021	Movement
Assets			
Current Assets			
Cash and Bank	3,216,146	1,425,297	1,790,849
Short Term Deposits	9,154,735	9,615,548	(460,813)
Prepayments and Receivables	2,446,650	3,331,788	(885,138)
Inventories	47,465	46,284	1,181
	<u>14,864,996</u>	<u>14,418,916</u>	<u>446,080</u>
Non-Current Assets			
Intangible Assets	80,150	73,250	6,901
Investment Properties	14,322,000	14,322,000	-
Investments	760,168	725,168	35,000
Property Plant and Equipment	511,617,613	507,812,469	3,805,144
	<u>526,779,931</u>	<u>522,932,887</u>	<u>3,847,044</u>
Total Assets	<u><u>541,644,927</u></u>	<u><u>537,351,803</u></u>	<u><u>4,293,124</u></u>
Liabilities			
Current Liabilities			
Payables and Accruals	4,019,114	4,795,242	776,128
Employee Entitlements	721,326	467,661	(253,665)
Provisions - Current Portion	34,220	34,220	-
	<u>4,774,660</u>	<u>5,297,123</u>	<u>522,464</u>
Non-Current Liabilities			
Public Debt - Non Current Portion	24,400,000	24,400,000	-
Provisions - Non Current Portion	381,267	381,267	-
	<u>24,781,267</u>	<u>24,781,267</u>	<u>-</u>
Equity			
Public Equity	163,241,541	158,425,954	(4,815,587)
Special Separate and Trust Funds	28,057,825	28,057,825	-
Asset Revaluation Reserve	320,789,389	320,789,389	-
Other Reserves	245	245	-
	<u>512,089,000</u>	<u>507,273,413</u>	<u>(4,815,587)</u>
Total Liabilities & Equity	<u><u>541,644,927</u></u>	<u><u>537,351,803</u></u>	<u><u>(4,293,124)</u></u>
	-	-	-

SOUTH WAIRARAPA DISTRICT COUNCIL
Statement of cashflows
AS AT 31 MARCH 2022

	31 MARCH 2022	31-Mar-2021	30-Jun-2021
OPERATING ACTIVITIES			
Cash was provided from:			
Rates	15,678,512	12,222,678	19,966,552
Grants & Subsidies	4,479,708	3,412,807	5,906,751
Petrol Tax	44,418	71,543	66,451
Other Income	5,672,237	5,482,538	5,310,440
Interest on Investments	104,532	231,278	304,346
Total Operating Cash Inflow	25,979,408	21,420,844	31,554,540
Cash was applied to:			
Payments to Suppliers & Employees	16,722,627	16,256,261	25,344,398
Interest Paid	414,394	348,242	465,971
Total Operating Cash Outflow	17,137,020	16,604,503	25,810,369
Net Cashflow from Operating Activities	8,842,387	4,816,341	5,744,171
INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Property, Plant & Equipment	-	-	250
Term Investments, Shares & Advances	2,669,000	2,669,000	18,580,015
Total Investing Cash Inflow	2,669,000	2,669,000	18,580,265
Cash was applied to:			
Purchase of Property, Plant & Equipment	7,534,751	7,084,150	10,901,361
Term Investments, Shares & Advances	2,669,000	2,669,000	14,674,709
Total Investing Cash Outflow	10,203,751	9,753,150	25,576,069
Net Cashflow from Investing Activities	(7,534,749)	(7,084,148)	(6,995,803)
FINANCING ACTIVITIES			
Cash was provided from:			
Public Debt	-	-	8,200,000
Total Financing Cash Inflow	-	-	8,200,000
Cash was applied to:			
Repayment of Public Debt	-	-	5,700,000
Total Financing Cash Outflow	-	-	5,700,000
Net Cash Flow from Financing Activities	-	-	2,500,000
NET INCREASE / (DECREASE) IN CASH	1,307,639	(2,267,807)	1,248,369
28 March 2021	11,063,245	13,812,085	2,203,316
31 MARCH 2022	\$ 12,370,883	\$ 11,544,278	\$ 3,451,683
REPRESENTED BY:			
Cash and Cash equivalents	12,370,883	11,544,278	3,451,682
	-	-	-
\$ 12,370,883	\$ 11,544,278	\$ 3,451,682	

SUMMARY OF INVESTMENTS AS AT 31 March 2022

ORGANISATION	Weighted Average Interest Rate	Weighted Average Term	Total Invested	Percentage of Term Deposits	Authorised Threshold
SHORT TERM FUNDS & TERM INVESTMENTS					
ASB Bank					
Call account & short term deposits	0.50%	1 days	\$551,478.42		
Term Deposits 90 days & over	0.00%	0 days	\$0.00		
			\$551,478.42	0%	50%
ANZ Bank					
Call account & short term deposits	0.50%	1 days	\$86.60		
Term Deposits 90 days & over	1.45%	365 days	\$3,000,000.00		
			\$3,000,086.60	35%	50%
BNZ Bank					
Call account & short term deposits	0.10%	1 days	\$2,302,926.44		
Term Deposits 90 days & over	1.31%	155 days	\$3,037,042.02		
			\$5,339,968.46	35%	50%
Kiwibank					
Call account & short term deposits	0.00%	0 days	\$0.00		
Term Deposits 90 days & over	0.00%	0 days	\$0.00		
			\$0.00	0%	50%
Wairarapa Building Society					
Call account & short term deposits	0.50%	1 days	\$1.32		
Term Deposits 90 days & over	1.69%	365 days	\$566,111.76		
			\$566,113.08	7%	10%
Westpac Bank					
Call account & short term deposits	0.10%	1 days	\$14.61		
Term Deposits 90 days & over	0.45%	0 days	\$2,000,000.00		
			\$2,000,000.00	23%	50%
TOTAL	1.18%		\$11,457,646.56	100%	
INVESTMENTS					
	Weighted Average Interest Rate	Weighted Average Term	Total Invested		
BONDS					
LGFA Borrower Bonds	2.11%	7 years	\$499,200.00		
			\$499,200.00		
FORESTRY					
Plantation - Hurupi Stock			\$9,305.00		
			\$9,305.00		
SHARES					
Farmlands			\$1,159.00		
NZ Local Government Insurance Company			\$81,434.30		
Wellington Water Limited			\$50,000.00		
			\$132,593.30		
TOTAL INVESTMENTS			\$12,098,744.86		

FINANCE, AUDIT AND RISK COMMITTEE

11 MAY 2022

AGENDA ITEM C2

POLICY AND GOVERNANCE REPORT

Purpose of Report

To present the Policy and Governance Report for May 2022.

Recommendations

Officers recommend that the Committee:

1. *Receive the Policy and Governance Report.*

1. Executive Summary

Officers present the following updates for consideration by the Finance, Audit and Risk Committee:

- Strategic Risk Register Review
- Policy Review
- Residents' Perception Survey
- Governance

2. Strategic Risk Register Review

The Strategic Risk Register continues to be reviewed and updated.

The process is set out as below:

April:	Asses our current risks against the All of Government (AoG) Risk Maturity Assessment Framework and Maturity Level as recommended by the Office of the Auditor General as best practice (in-progress)
May:	Set up the new strategic risk register template (completed)
May-June:	Work with each GM to assess inherent risks, mitigations, residual risks, accountability, and responsibility/accountability roles– based on agreed maturity level and new template (beginning)
May-June	Review the Risk Policy
June:	Workshop with FAR (policy and register)
August:	Updated policy and strategic risk register presented to FAR for decision

The risk register template has been changed to reflect inherent likelihood/consequence/risk, existing and planned controls, and residual likelihood/consequence/risk. We have also more clearly identified the risk owners, both responsible and accountable.

We have begun an initial assessment of our risks against the recommended All of Government (AoG) Risk Maturity Assessment Framework (please refer to Appendix 1). The Minimum Maturity Level (MML) initial assessment score was 22/40 which puts us just inside the level 3 organisation maturity (driven by a high change score based on uncertainty due to central government reform). The detailed assessment scores were mostly at level 2 with a few level 1 scores – due largely to practice, not due to significant gaps. Some improvement areas have been identified including:

- Consistent compliance monitoring
- Explicit links between organisational values and behaviours and risk informed decision making
- Common definition of innovation (identified gap in our risk policy)
- Clearly defined risk appetite (identified gap in our risk policy)
- Three-year review cycle
- Consistent assurance processes
- Consistent data collection, monitoring, and reporting
- Partnership Policy (identified gap)
- Strengthening of disruptive and extreme event assessment
- Assessment of significant change risks

The Risk Policy was due for review in August 2021 and requires updating in conjunction with the strategic risk register and can be expected to the Finance and Risk Committee at the August meeting.

Note that climate change is being treated as a special risk and will be reported on separately.

3. Policy Review

Work has begun on a policy framework outlining the purpose of policy documents and a policy structure that will clarify the difference between governance and operational policies and the process for policy review and sign off.

Work has also begun on reviewing the fraud and procuring goods and services policies which are the first two policies prioritised for review based on the last audit. A workshop will be held with the intention of presenting the draft policies to the committee on 22 June, for Council adoption on 30 June. A delegation's policy and register are also being worked on to be presented alongside as part of our regulatory requirements.

Work continues through the Wairarapa Policy Working Group on joint policy reviews including the Wairarapa Local Alcohol Policy and Smokefree Policy.

Other policies will be reviewed by applying the following prioritisation framework:

- Legislative requirement
- Supports governance best practice
- Low hanging fruit (simple updates or replacements)
- More complex reviews i.e., future proofing, (re)alignment to new/updated strategies, wholistic views of policy direction, etc.

4. Residents' Perception Survey

Key Research is continuing to progress the 2022 Residents' Perception Survey which is being conducted on our behalf.

The data collection component is currently being finalised. As at 26 April, 546 responses had been received, with hard copy responses still coming through. A draft report of results is expected later in May and a final report in June 2022 (date TBC).

The results will be used to measure performance against the key performance indicators (KPI's) reported in the Annual Report and to identify opportunities for improvement.

5. Governance

Improvements to governance processes and officer support to committees and community boards will be implemented over the coming months including:

- Dedicated Executive Leadership Team member for each committee and community board to provide continuity and a key relationship management approach to support a trusted working environment
- Improvements to agendas and support for meeting preparation for Chairs
- Closer monitoring and rationalisation of open actions

6. Appendices

Appendix 1 – AoG Enterprise Risk Maturity Assessment Framework

Contact Officers: Steph Frischknecht, Policy and Governance Advisor
Reviewed by: Amanda Bradley, Policy and Governance Advisor

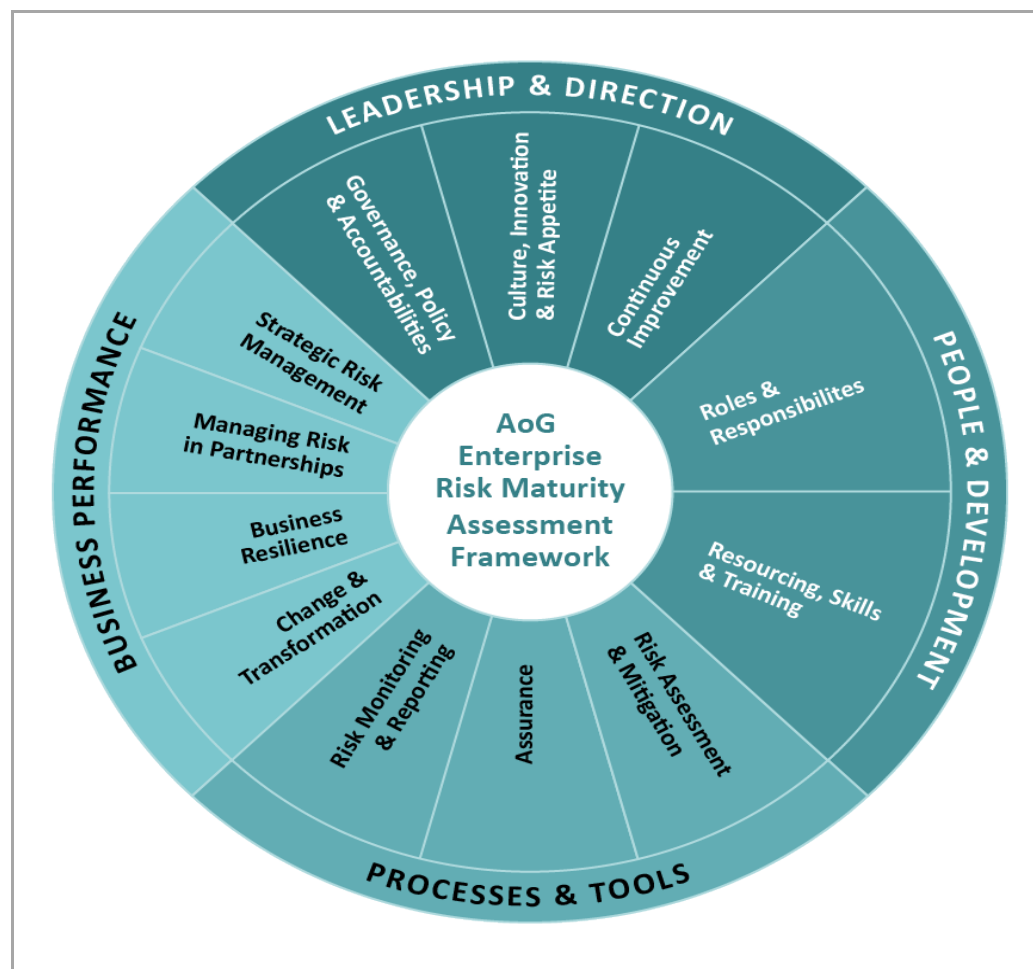
Appendix 1 – AoG Enterprise Risk Maturity Assessment Framework

AoG Enterprise Risk Maturity Assessment Framework

The AoG Enterprise Risk Maturity Assessment Framework enables agencies to objectively measure their current level of risk maturity and identify Improvement opportunities. This will assist senior business leaders to prioritise resources to those areas of greatest need to further strengthen risk management across the agency and help prepare for a PIF review. The framework recognises that not all agencies need to achieve the same level of maturity. Agencies can assess the level of inherent risk in their operating environment to 'right size' risk maturity for their agency so that risk management practices are fit for purpose.

Benefits of Enterprise Risk Management

- ✓ Enterprise risk management is an integrated, top-down approach to risk management that helps senior business leaders to cut across functional boundaries resulting in better quality risk information for decision making.
- ✓ As a result of a top-down approach, senior business leaders will have a better view of their strategic risks and be in a stronger position to manage these. Strategic risks have been found to have the most impact on an organisation's performance.
- ✓ An integrated approach helps to drive improved value and cost savings from current risk management practices, including:
 - Improved allocation of resources to those areas of greatest risk to the agency
 - Reduced compliance costs as a result of an integrated approach to risk and assurance activities
 - Reduced insurance costs by more clearly identifying underlying risk exposures.
- ✓ Enterprise risk management provides an overarching governance framework to support the agency's efforts in implementing functional risk management approaches e.g. privacy, health and safety, etc.



Core Expectations

Element	Attribute	Key Question	Core Expectations – What does good look like?
Leadership & Direction	Governance, Policy & Accountabilities	<i>Is there clear accountability and authority for managing risk at the leadership level?</i>	There is a comprehensive governance framework in place that explicitly assigns individual roles and responsibilities for managing risks, including risks with core partners.
	Culture, Innovation & Risk Appetite	<i>Does leadership promote a culture of risk informed decision making based on a clear understanding of acceptable and unacceptable risk?</i>	Organisational values and behaviours clearly support risk informed decision making and there is a comprehensive risk appetite statement in place that includes a common definition of innovation.
	Continuous Improvement	<i>Does leadership drive improvements in risk management?</i>	There is a regular formal review of risk management practices to identify improvements.
People & Development	Roles & Responsibilities	<i>Do staff clearly understand their roles and responsibilities for managing risk?</i>	Risk management roles and responsibilities are documented and communicated for all risk areas and are consistently reflected in position descriptions.
	Resources, Skills & Training	<i>Is resourcing sufficient and are staff adequately trained and experienced in risk management?</i>	Risk management activities are adequately resourced with assessment of skills and training undertaken on a regular basis.
Processes & Tools	Risk Assessment & Mitigation	<i>Are there effective processes in place for the identification, assessment and mitigation of risks?</i>	Risk assessment processes and templates are defined and applied consistently across the agency. Risk mitigation plans align to agreed tolerance levels.
	Assurance	<i>Is there an effective assurance framework in place?</i>	Risk-based assurance is consistently provided over agency changes, policy and operational areas including activities undertaken by core partners.
	Risk Monitoring & Reporting	<i>Does risk monitoring and reporting support decision making and management action?</i>	The senior management team regularly receives risk information aligned to business outcomes to support decision making and management action.
Business Performance	Strategic Risk Management	<i>Is there effective anticipation and management of strategic risks?</i>	Strategic risks and opportunities are explicitly identified and documented in the agency's strategic plan together with planned responses.
	Managing Risk in Partnerships	<i>Are there effective arrangements for managing risk with partners?</i>	There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information.
	Business Resilience	<i>Are there effective mechanisms in place to monitor, respond, anticipate and learn from disruptive and extreme events?</i>	Disruptive and extreme events are comprehensively assessed on a regular basis and there are mechanisms in place to monitor, respond, anticipate and learn from these events.
	Change & Transformation	<i>Is there a portfolio approach to managing risk for significant change initiatives?</i>	There is a comprehensive risk assessment process for approving significant change initiatives based on a portfolio view of risk related to change and transformation.

Maturity Levels

The AoG Enterprise Risk Maturity Assessment Framework enables agencies to objectively measure their risk management capability against a continuum of five possible maturity levels:

M1	M2	M3	M4	M5
Risk management practices are not documented and rely on the dedicated efforts of a few individuals. There is no or limited awareness of the value of enterprise risk management by senior business leaders with decision making being wholly subjective and opinion-based. As a result, overall business performance is largely determined by 'chance' and may vary greatly from expected outcomes.	Basic risk management practices are documented but there is a lack of detailed guidance and risk management practices are not consistently applied across all business units. Senior business leaders have a high level appreciation of the value of enterprise risk management and promote its adoption. There is some use of evidence-based data to support risk informed decision making and provide assurance that risks are being managed effectively. As a result, overall business performance is somewhat determined by 'chance' and may vary from expected outcomes.	Risk management practices are well defined, documented and there is consistent application across all business units. Senior business leaders actively promote the value of enterprise risk management across the agency. There is good use of evidence-based data and more sophisticated risk management techniques to support risk informed decision making and provide risk-based assurance that risks are being managed effectively. As a result, overall business performance is predictable with limited variation from expected outcomes.	Risk management practices are partially integrated within the agency's structures, processes, systems and people capability. Risk management extends beyond organisational boundaries to include some inter-agency, sector and AoG outcomes. Senior business leaders proactively encourage a continuous improvement risk culture with input from the business. There is strong use of evidence-based data and advanced risk management techniques to support risk informed decision making and provide integrated assurance that risks are being managed effectively. As a result, overall business performance is consistently strong against expected outcomes.	Risk management practices are fully integrated within the agency's structures, processes, systems and people capability, and independently verified as 'best in class'. The agency takes the lead in managing system level risks in support of inter-agency, sector and AoG outcomes. Senior business leaders view risk management as a core competency to drive value and sustainable public outcomes. There is excellent use of evidence-based data and innovative risk management techniques to support risk informed decision making and provide dynamic and iterative assurance that risks are being managed effectively. As a result, overall business performance is optimised and often exceeds expected outcomes.

Detailed Assessment

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
Leadership & Direction	Governance, Policy & Accountabilities	<ul style="list-style-type: none">• The governance framework for overseeing risk management is not formally documented.• An independent governance body does not exist.• There is no internal audit function and the provision of assurance is primarily focussed on meeting external audit requirements.• There is limited guidance on how risks should be managed and escalated.• There is limited evidence of risk focussed discussions taking place at senior leadership team meetings.• Limited action is taken based on the results of assurance activities.	<ul style="list-style-type: none">• A formal governance framework exists that sets out high level accountabilities for overseeing risk management.• An independent governance body (e.g. Audit and Risk Committee) exists but is largely passive e.g. reviews and approves risk management strategy / annual audit plan.• An internal audit function has been set up with a focus on controls and compliance monitoring in specific areas.• There is some guidance on how risks should be managed and escalated across the agency but this tends to have an operational focus e.g. health and safety.• Application of the risk management guidance is not consistent across all business units.• There is some evidence of risk focussed discussions taking place at senior leadership team meetings; however, there is limited evidence of challenge regarding risk and assurance information or proactive action being taken as a result, or action is taken in isolation to other business units.	<ul style="list-style-type: none">• There is a comprehensive governance framework in place that explicitly assigns individual accountabilities for managing top risks, including risks with core delivery partners.• An independent governance body exists that regularly reviews and monitors top risks and progress against the risk management strategy / annual audit plan.• The internal audit function has a broad remit with a focus on risk assurance and process improvements.• There is a formal risk management policy together with clear guidance for escalating risks (e.g. to whom) that has been approved by the senior leadership team and the governance body.• Application of the risk management policy and guidance is consistent across all business units.• The senior leadership team provides specific direction around the management of top risks and there is some evidence of challenge regarding risk and assurance information; action taken considers the potential impact on other business units and core delivery partners.	<ul style="list-style-type: none">• There is a comprehensive governance framework in place with explicit accountabilities for managing top risks, including some system level risks in support of inter-agency, sector and AoG outcomes.• An independent governance body exists that challenges and directs the senior leadership team on managing top risks and the results of assurance activities.• The internal audit function is well established and provides assurance across a range of risks, including system level risks.• Senior business leaders clearly understand the need to escalate risks and there is good evidence of this happening.• There are mechanisms in place for sharing risk and assurance insights and lessons learned with senior business leaders.• Risk is a standing agenda item at senior leadership team meetings and there is good evidence of risk focussed discussions and challenge regarding risk and assurance information e.g. deep dive into specific risks; action taken considers the potential impact on some inter-agency, sector and AoG outcomes.	<ul style="list-style-type: none">• The risk management policy is formally reviewed by the independent governance body every one to two years or when significant changes occur.• The effectiveness of the governance body and internal audit function are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'.• Risks, including system level risks in support of inter-agency, sector and AoG outcomes, are escalated in near time.• There are mechanisms in place for sharing risk and assurance insights and lessons learned with other agencies and partners.• New and emerging risks are discussed at senior leadership team meetings with strong evidence of proactive action being taken in support of inter-agency, sector and AoG outcomes.	2	3
	Culture, Innovation & Risk Appetite	<ul style="list-style-type: none">• There is no clear link between organisational values and behaviours and risk informed decision making.• There is limited understanding of the concept of risk appetite by senior business leaders.• There is no formal definition of innovation and what it means for the agency's risk appetite.	<ul style="list-style-type: none">• Risk informed decision making is implied in organisational values and behaviours.• There is a basic understanding of the concept of risk appetite by senior business leaders, although tolerance levels for different types of risk have not been defined.• The agency has a common definition of innovation but this is not linked to risk appetite in any way.• Risk appetite, including the desire for innovation, is considered informally as part of strategic planning and decision making processes.	<ul style="list-style-type: none">• There is an explicit link between organisational values and behaviours and risk informed decision making.• There is a comprehensive risk appetite statement in place that has been approved by the senior leadership team.• Risk tolerance levels for individual risks have been defined using basic risk rating criteria (e.g. High, Medium, Low).• The agency has a common definition of innovation and there is some link to risk appetite e.g. tolerance levels for change and transformation risk have been agreed.• Risk appetite and the desire for innovation are formally considered as part of strategic planning and decision making processes.	<ul style="list-style-type: none">• Risk informed decision making is encouraged and supported through internal communications with a clear link to organisational values and behaviours.• The risk appetite statement incorporates some system level risks in support of inter-agency, sector and AoG outcomes.• Risk information, beyond basic risk rating criteria, is used to challenge the senior leadership team on what tolerance levels should be, including the acceptable level of risk for different types of innovation.• Risk appetite and the desire for innovation are integrated into strategic planning and decision making processes through risk focussed discussions and analysis.	<ul style="list-style-type: none">• Risk informed decision making is fully integrated into organisational values and behaviours and is visibly encouraged, supported and rewarded by senior business leaders.• Risk appetite discussions are supported by a range of qualitative and quantitative tolerances that include inter-agency, sector and AoG outcomes.• Risk appetite and the desire for innovation form an integral part of strategic planning and decision making processes and are regularly reviewed.• There is strong evidence of risk appetite being applied to strategic options analysis and contingency planning.	2	3
	Continuous Improvement	<ul style="list-style-type: none">• There is no formal review of the effectiveness of risk management practices.• There is no formal risk management strategy or assessment of resources required to deliver improvements.	<ul style="list-style-type: none">• The effectiveness of risk management practices is periodically reviewed on a formal basis e.g. internally by the risk management or internal audit function every two to three years.• Improvement opportunities are documented in a basic risk management strategy that has been approved by the independent governance body.• There is no formal endorsement of the resources required to deliver improvements from the senior leadership team.	<ul style="list-style-type: none">• The effectiveness of risk management practices is regularly reviewed on a formal basis e.g. internally by the risk management or internal audit function every one to two years.• There is a comprehensive risk management strategy that has been approved by the independent governance body.• There is formal endorsement of the resources required to deliver improvements from the senior leadership team and regular updates on progress against the risk management strategy.	<ul style="list-style-type: none">• The effectiveness of risk management practices is informed by regular feedback from business units and core partners.• The risk management strategy includes some initiatives to improve the management of system level risks in support of inter-agency, sector and AoG outcomes.• Risk management outcomes are partially integrated into business performance reporting to the senior leadership team.	<ul style="list-style-type: none">• The effectiveness of risk management practices is independently reviewed every three to five years and benchmarked against a recognised achievement standard (such as this framework) as 'best in class'.• Inter-agency, sector and AoG risk management outcomes are fully integrated into business performance reporting to the senior leadership team.	2	3

Detailed Assessment

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
People & Development	Roles & Responsibilities	<ul style="list-style-type: none">• Risk management roles and responsibilities are not formally documented.• Risk management is being carried out by individuals on a self-initiated 'best endeavours' basis.• Senior business leaders do not expect or require assurance over their area of responsibility.	<ul style="list-style-type: none">• Risk management roles and responsibilities are documented and communicated in traditional areas, such as corporate risk management and compliance functions.• Corporate risk management roles and responsibilities are focused on risk reporting and compliance.• There may be some link to position descriptions, terms of reference, contracts and goals but this is not consistent across the agency.• Some senior business leaders may require assurance over their area of responsibility but this is ad hoc across the agency.	<ul style="list-style-type: none">• Risk management roles and responsibilities are documented and communicated for all risk areas and across all business units.• Corporate risk management roles and responsibilities are focused on driving elements of good practice across the agency.• Risk management roles and responsibilities are consistently reflected in position descriptions, terms of reference, contracts, goals and the agency's policy framework.• There is limited evidence that good risk management behaviours are rewarded.• Senior business leaders routinely expect and request assurance over their area of responsibility.	<ul style="list-style-type: none">• Risk management roles and responsibilities are well understood and are generally incorporated into individual performance objectives.• Corporate risk management roles and responsibilities are focused on driving good practice across the agency and there is a senior risk management advisor to provide leadership and direction.• There is some evidence that good risk management behaviours are rewarded.• Senior business leaders routinely expect and request assurance over their area of responsibility, and may ask for ad hoc reviews.	<ul style="list-style-type: none">• Risk management is regarded as a core competency and risk management roles and responsibilities are explicitly incorporated into individual performance objectives with a high degree of consistency across the agency.• Corporate risk management roles and responsibilities are focused on optimising good practice across the agency and there is a head of risk / chief risk officer who is seen in the agency as the senior risk management advisor.• There is strong evidence that good risk management behaviours are rewarded.• Senior business leaders plan for assurance advice and reviews without being prompted.	2	3
	Resourcing, Skills & Training	<ul style="list-style-type: none">• Limited resourcing is allocated to risk management activities.• The agency has limited access to the skills and experience required to provide effective risk management.	<ul style="list-style-type: none">• There are some gaps in the effectiveness of risk management activities due to insufficient resourcing.• Risk management skills and experience are assessed at a high level for some key roles.• Some ad hoc risk management training exists for key roles.	<ul style="list-style-type: none">• Risk management activities are generally well resourced across the agency although some areas would benefit from additional resourcing.• Risk management skills and experience are formally assessed for all key roles, including the senior leadership team.• Structured risk management training is provided for all key roles.• Risk management forms part of induction training for all management and staff.	<ul style="list-style-type: none">• Resourcing is sufficient for the agency and supports some inter-agency, sector and AoG risk management outcomes.• Risk management skills and experience for all key roles are regularly reviewed to ensure alignment with risk management outcomes and strategy.• Risk management training needs are included in individual performance plans.• There are mechanisms in place for keeping staff up to date with developments in risk management e.g. newsletters and other regular internal communications.	<ul style="list-style-type: none">• Resourcing fully supports inter-agency, sector and AoG risk management outcomes• Risk management skills and experience are optimised and continually improved.• There are opportunities for secondments between the business and risk and assurance functions.• There are mechanisms in place to measure the effectiveness of risk management training.	2	3

Detailed Assessment

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
Processes & Tools	Risk Assessment & Mitigation	<ul style="list-style-type: none">• There is no common definition of risk across the agency.• Risk assessment processes are informal and ad hoc with no clear linkage to business objectives.	<ul style="list-style-type: none">• There is a common definition of risk that is focused on the 'downside' of risk; some definitions exist for different types of risk but the boundaries are not always clear.• Risk assessment processes and templates are defined and may be applied in some key business units, but there is a lack of management buy-in in other areas.• Risk measurement is largely subjective based on high level qualitative likelihood and impact criteria.• Inherent and residual risk evaluations are undertaken but the link to control effectiveness is not clearly understood.• Risk mitigation plans are based on reactive responses.	<ul style="list-style-type: none">• There is a common definition of risk that recognises the 'upside' of risk and there is a formal risk categorisation model for the agency.• Risk assessment processes and templates are defined and applied consistently across all key business units.• There is some evidence of a data driven approach to risk measurement (e.g. based on internal management information).• Inherent and residual risk evaluations taking into account the effectiveness of controls are sometimes undertaken.• There is some evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	<ul style="list-style-type: none">• There is a common definition of risk and a formal risk categorisation model that recognises the agency's role in supporting inter-agency, sector and AoG outcomes• Risk assessment processes and templates extend beyond the agency's boundaries to include some system level risks linked to inter-agency, sector and AoG outcomes.• There is some use of technology to improve the consistency and quality of risk assessment and mitigation processes.• Quantitative approaches (where appropriate) are used for risk measurement.• Inherent and residual risk evaluations taking into account the effectiveness of controls are consistently undertaken.• There is good evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	<ul style="list-style-type: none">• There is a fully integrated risk management solution supporting an optimal risk and control framework that includes inter-agency, sector and AoG outcomes.• Risk and control assessments are performed near time.• Risk and control information is used to optimise insurance arrangements.• There is strong evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.• Cost-benefit analysis is performed to support prioritisation of risk mitigation plans.	2	3
	Assurance	<ul style="list-style-type: none">• Senior business leaders have limited understanding of the need for assurance over their areas of responsibility.• The assurance framework (e.g. three lines of defence) is not formally documented.• Assurance activities cover only a few operational risk areas of the agency, or are reactive to specific events.• Controls and assurance activities are not formally considered when designing new systems, process and policies.• Assurance needs are not formally aligned to the agency's risk profile and there is limited evidence of assurance results being used to inform risk assessments.	<ul style="list-style-type: none">• Senior business leaders have some understanding of the need for assurance over their areas of responsibility.• There is a formal assurance framework in place but limited evidence of coordination across the 'three lines of defence' internally to better integrate risk and assurance activities.• Assurance activities are targeted at business unit operations on a cyclical basis and focus on historic transactional or systematic compliance.• Compliance-focused control and assurance activities are considered when designing new systems, processes and policy.• Assurance needs are somewhat aligned to the agency's risk profile and there is some evidence of assurance results being used to inform risk assessments.	<ul style="list-style-type: none">• Senior business leaders are able to describe the areas across the agency that require assurance and how this is being obtained.• There is a formal assurance framework in place and some evidence of coordination between the 'three lines of defence' both internally and with core delivery partners.• Assurance activities are targeted at critical enterprise-wide functions and focus on controls assurance and systemic improvements.• Risk assessments are undertaken when designing new systems, processes and policy, including for some core delivery partner activities.• Assurance needs are generally responsive to changing agency risks and assurance results are consistently used to inform risk assessments, including across a range of core delivery partner activities.	<ul style="list-style-type: none">• Senior business leaders understand the quality and amount of assurance required across the agency and this extends to some system level risks in support of inter-agency, sector and AoG outcomes.• There is an effective assurance framework with good coordination between the 'three lines of defence' both internally and externally in support of some inter-agency, sector and AoG outcomes.• Assurance activities are multi-layered and targeted at agency outcomes, including in support of some inter-agency, sector and AoG outcomes.• Risk assessments determine the assurance activities implemented when designing new systems, processes and policy, including some automated assurance activities.• Assurance needs are regularly reviewed and reprioritised and assurance results are used to inform some system level risk assessments.	<ul style="list-style-type: none">• Senior business leaders obtain the right quality and amount of assurance and promote a strong assurance culture including in support of inter-agency, sector and AoG outcomes.• There is a fully integrated assurance framework in place with seamless coordination between the 'three lines of defence' internally and externally in support of inter-agency, sector and AoG outcomes.• Assurance activities fully support inter-agency, sector and AoG outcomes and focus on improving performance across the system.• Automated assurance activities are embedded into new systems, processes and policy.• Assurance is forward-looking and assurance providers anticipate risks and expect priorities to change.	2	3
	Risk Monitoring & Reporting	<ul style="list-style-type: none">• There is limited coordinated collection of risk data from business units.• There is limited formalised monitoring or reporting of risk information to support decision making or management action.	<ul style="list-style-type: none">• Risk data collection is formalised and coordinated on an annual basis. This is largely viewed as a compliance requirement and the quality of risk data is variable.• Risk data is aggregated across the agency to create a bottom-up view of the top risks faced by the agency which is presented to the senior leadership team.• There is some review of risk information to assist with decision making and management action.	<ul style="list-style-type: none">• Risk data collection is formalised and coordinated on a regular basis e.g. every three to six months. There is some quality review of risk data to address duplications, inconsistencies and gaps.• Aggregated risk data is supplemented by a top down assessment of strategic risks to give an enterprise-wide view of the top risks faced by the agency.• Senior business leaders regularly review risk information to assist with decision making and management action.	<ul style="list-style-type: none">• There is some use of technology to improve the quality and consistency of risk data collection and automate risk monitoring and reporting.• There is increasing use of semi-quantitative approaches to risk aggregation.• There an enterprise-wide view of the top risks faced by the agency that includes strategic risks and some system level risks in support of inter-agency, sector and AoG outcomes.• Risk monitoring and reporting is aligned to the agency's risk appetite framework to assist with decision making and management action.	<ul style="list-style-type: none">• Risk data collection, aggregation, monitoring and reporting is frequent, automated and fully integrated with the agency's risk appetite framework.• Risk reporting is easily able to be tailored to meet the needs of inter-agency, sector and AoG stakeholders.• Risk reporting has a distinct forward looking view using leading risk indicators, to assist with proactive decision making and management action.	1	3

Detailed Assessment

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
Business Performance	Strategic Risk Management	<ul style="list-style-type: none">There is limited integration of risk management into the strategic planning cycle.	<ul style="list-style-type: none">The strategic planning cycle includes a review of the agency's top risks.There is some evidence of strategic risks and opportunities being documented in the agency's strategic plan but there is no refresh of the agency's top risks based on strategic planning outcomes.Strategic risk contingency planning to safeguard the strategic and hedge delivery of business outcomes is not undertaken.	<ul style="list-style-type: none">The strategic planning cycle includes a review of the agency's top risks as well as some external trends and indicators to inform the level of risk in the external environment.There is good evidence of strategic risks and opportunities being documented in the agency's strategic plan together with planned response.A formal refresh of the agency's top risks is undertaken based on strategic planning outcomes.There are some risk contingency plans in place to safeguard the strategy and hedge delivery of business outcomes.	<ul style="list-style-type: none">The strategic planning cycle includes forward-looking scenario analysis to identify new and emerging risks, including some system level risks in support of inter-agency, sector and AoG outcomes.There is strong evidence of strategic risks and opportunities being documented in the agency's strategic and long term investment plans with a formal process for capturing new and emerging risks.Some key external trends and indicators have been identified but are not actively monitored by the senior leadership team.Risk contingency plans are in place to safeguard the strategy and hedge delivery of business outcomes.	<ul style="list-style-type: none">Strategic risk management practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'.Key external trends and indicators are actively monitored and their impact on the agency's business outcomes is regularly assessed by the senior leadership team.Strategic risk contingency plans are continuously reviewed and updated.	2	3
	Managing Risk in Partnerships	<ul style="list-style-type: none">There is no clear definition of what a 'partner' is or what 'partnering' involves.There is no formal partnering policy providing guidance on how to manage partner related risks.	<ul style="list-style-type: none">'Partner' is defined at a high level and a group of core partners has been identified.There is a basic partnering policy in place that addresses how to identify, assess and manage risks.Risk and reward trade-offs may be applied informally in individual contracts.There is some evidence of risk and performance monitoring of partners.	<ul style="list-style-type: none">The agency has a common definition of 'partner' that recognises the different types of partnership arrangements that exist.There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information.Risk and reward trade-offs are formally articulated and are generally applied in contracts.There is good evidence of risk and performance monitoring of partners, including testing of contingency arrangements.	<ul style="list-style-type: none">The agency has a formal partner scoring model in place that covers all key aspects of risk and performance.The partner scoring model is used to differentiate levels of monitoring and partner authority / delegation.Risk and reward trade-offs are articulated across a range of partners and are routinely applied in contracts.There is strong evidence of risk and performance monitoring of partners, including some integrated testing of contingency arrangements between different partners.	<ul style="list-style-type: none">Partnering practices are independently reviewed every three to five years and benchmarked against a recognised achievement framework as 'best in class'.Risk and reward trade-offs are clearly articulated across a wide range of partners and systematically applied.Contingency arrangements with partners are continuously reviewed and updated.	1	3
	Business Resilience	<ul style="list-style-type: none">There is no formal process for assessing the potential impacts of disruptive or extreme events (e.g. environmental, social, economic, technological changes).	<ul style="list-style-type: none">Disruptive and extreme events are assessed but not on any regular basis.Assessment of impacts is high level and predominantly routine in nature.There is limited alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning.There is no systematic 'feedback' loop to actively learn from disruptive or extreme events.	<ul style="list-style-type: none">Disruptive and extreme events are assessed on a regular basis using stress testing and scenario analysis.Potential reputational, financial and business impacts are comprehensively assessed.There is some alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning.There is some evidence of 'feedback' in the wake of extreme or disruptive events which is used to make improvements.	<ul style="list-style-type: none">Disruptive and extreme events are assessed on a regular basis and cover a range of alternative, forward-looking scenarios.Early warning indicators exist that allow management to anticipate disruptive and extreme events.There is a clear link between disruptive and extreme event assessment and BCP / DRP planning that includes core partners as well as long term investment planning.There is a good evidence of post-event analysis and assessment and learning for the future.	<ul style="list-style-type: none">There is a fully integrated and ongoing programme of actions and interventions that support business resilience, including facilities and tools to support new knowledge and technologies, cross-agency and partner collaboration, and incentives for improving resilience.	2	3
	Change & Transformation	<ul style="list-style-type: none">There is no clear definition of what constitutes a 'significant change' or formal process for assessing related risks.	<ul style="list-style-type: none">There is a basic process to assess the risks associated with significant change initiatives but this is applied informally and no independent assurance is sought.There is limited evidence of a portfolio view of risk related to significant change initiatives.	<ul style="list-style-type: none">There is a formal definition of what constitutes a 'significant change', including new services, business models and other strategic investments.There is a comprehensive risk assessment process for the approval of significant change initiatives that is consistently applied across the agency.There is a formal monitoring and assurance regime in place for significant change initiatives that includes independent assurance.There is some evidence of a portfolio view of risk related to significant change initiatives.	<ul style="list-style-type: none">The agency has a formal approach in place that allows risk and reward trade-off decisions across the agency's entire portfolio of change initiatives to be made in line with the agency's risk appetite.The monitoring and assurance regime is regularly reviewed and updated to reflect changes to the risk profile of significant change initiatives.There is good evidence of a portfolio view of risk related to significant change initiatives that includes active monitoring against the agency's risk appetite.	<ul style="list-style-type: none">P3M3 practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'.There is very strong evidence that risk and reward trade-offs across the agency's entire portfolio of change initiatives are clearly articulated and systematically applied.The monitoring and assurance regime is continuously reviewed and updated.	1	3

Minimum Maturity Level Calculator

The Minimum Maturity Level Calculator can be used to 'right size' the AoG Enterprise Risk Maturity Assessment Framework for your agency. Not all agencies need to achieve the same level of risk maturity. This will vary depending on the size, complexity, system role (e.g. inter-agency, sector or AoG focus), performance assessment and level of change activity for your agency. You can use the Minimum Maturity Level Calculator as a starting point to gain consensus on their desired (i.e. target) level of risk maturity.

There are eight criterion to help you assess the level of inherent risk in your operating environment both at a system level and an agency level.

CRITERION	CRITERION SCORE = 1	CRITERION SCORE = 3	CRITERION SCORE = 5	SCORE
System Level				
System role	Single purpose agency with limited inter-agency, sector or AoG focus	Contributing agency to the delivery of inter-agency, sector or AoG outcomes	Lead agency in the delivery of inter-agency, sector or AoG outcomes	1
External scrutiny	Limited external scrutiny (e.g. regulatory, political, media or public interest)	Some external scrutiny (e.g. regulatory, political, media or public interest)	Significant external scrutiny (e.g. regulatory, political, media or public interest)	3
Criticality of services	Limited number of critical services impacting a specific user group or geographical area	Limited number of critical services but with the potential to impact a wide group of users nationally	High number of critical services essential to the functioning of society and/or the economy	1
Dependence on partners	Limited dependence on partners (e.g. third parties, vendors and other agencies) to deliver business outcomes	Some dependence on core partners to deliver business outcomes	High dependence on multiple core partners to deliver business outcomes	5
Agency Level				
Size of agency	Annual spend (Opex and Capex) is less than \$100m	Annual spend (Opex and Capex) is greater than \$100m but less than \$500m	Annual spend (Opex and Capex) is greater than \$500m	1
Complexity of business	Small range of business units and services operating from a single location	Some diversity of business units and services operating from more than one location	Diverse range of business units and services operating across multiple locations	3
Performance assessment	Clearly articulated strategic direction with credible plans in place to deliver it (e.g. Well placed or Strong based on PIF rating)	Clearly articulated strategic direction but limited evidence of how it will be achieved (e.g. Needing development based on PIF rating)	Some strategy apparent but fragmented and no clear evidence of how it will be achieved (e.g. Weak based on PIF rating)	3
Level of change	Organisation is relatively stable with only minor change initiatives underway or planned	Some change initiatives underway or planned but not significant in the context of the wider business	Significant organisational change underway or planned	5
OVERALL SCORE				22

Recommended Minimum Maturity Level

SCORE	MINIMUM MATURITY LEVEL	GUIDANCE
8-20	Maturity Level 2	Smaller agencies operating in relatively stable environments will likely have less formalised and sophisticated risk management practices in place. Consideration should be given to assessing the need for more mature risk management practices in specific areas such as managing risk in partnerships, reputational risk, etc.
21-28	Maturity Level 3	Medium-sized agencies operating in more complex environments should have well defined and relatively sophisticated risk management practices in place. Consideration should be given to assessing the need for more mature risk management practices in specific areas such as managing risk in partnerships, organisational change, reputational risk, etc. In addition, a higher level of maturity would be expected if the agency plays an active role in contributing to inter-agency, sector or AoG outcomes.
29-36	Maturity Level 4	Large agencies operating in complex and changing environments should have embedded and sophisticated risk management practices in place. Risk management practices should extend beyond organisational boundaries to better manage system level risks to support the delivery of inter-agency, sector or AoG outcomes.
>36	Maturity Level 5	Best in class agencies will have fully integrated risk management practices in place and be able to demonstrate these are operating effectively to manage system level risks to support the delivery of inter-agency, sector or AoG outcomes. They take the lead in developing innovative ideas and techniques to better manage these risks.

Glossary

Common terms and definitions used in the AoG Enterprise Risk Maturity Assessment Framework are included below:

Term	Definition
AoG Enterprise Risk Maturity Assessment Framework	An All-of-Government (AoG) framework that allows agencies to objectively measure their current level of risk management capability and identify improvement opportunities that will enable them to reach a higher level of maturity.
Assurance	Assurance is an independent and objective assessment that provides credible information to support decision making. Assurance provides confidence to governance bodies and management. It encompasses more than just independent assurance (e.g. internal and external audit functions) and should include management assurance activities, such as governance and oversight committees, control self-assessment, attestations, or management-sponsored assessment reports.
Business resilience	Resilience describes the attributes of an agency which allow them to withstand, respond and/or adapt to a vast range of disruptive and extreme events by preserving and even enhancing critical functionality.
Business units	Business units refer to the functions, services and locations that make up the entirety of an agency's operations.
Current maturity level	Current maturity level refers to an agency's existing level of risk management capability. It does not take into account planned activities to improve risk management practices.
Disruptive events	A new or emerging trend that may have an disruptive impact on business activities over time (e.g. technological or demographic changes).
Enterprise risk management	A top-down, enterprise-wide approach to managing all the risk an agency is exposed to versus a traditional silo-based approach.
Governance body	A governance body is a group of people with the authority to exercise oversight and challenge over the agency's risk profile as whole or key risk area. It may be a separate committee or a sub-committee of a board of directors . It may include independent or non-executive directors.
Extreme event	An event that may have a sudden and extreme impact on business activities (e.g. natural disasters or the loss of a core partner).
Inherent risk	Inherent risk refers to the level of risk without taking into account the effectiveness of existing controls.
Minimum maturity level	Minimum maturity level refers to the recommended maturity level for an agency based on its size, complexity, system role, performance assessment, level of change activity, etc. Agencies can use the minimum maturity level as a starting point for gaining consensus on their target maturity level.
Partners	Partners refer to third parties, vendors and other agencies that are key to deliver business outcomes.
Residual risk	Residual risk refers to the level of risk remaining after taking into account the effectiveness of existing controls.
Risk	Risk refers to the effect of uncertainty on business objectives.

Term	Definition
Risk appetite	Risk appetite is a high-level (usually narrative) expression of the amount and type of risk that an agency is willing to take in the pursuit of its business objectives.
Risk tolerance	Risk tolerance is the specific maximum amount of risk (exposure) that an agency is willing to take / accept regarding each relevant risk to which it is exposed.
Risk management capability	The culture, practices, experience and application of risk management within an agency.
Risk management framework	The organisational arrangements an agency has put in place for systematically identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk management policy	The agency's overall statement of risk management goals and objectives, core values, accountabilities and risk appetite.
Risk management strategy	The vision, guiding principles and key outcomes of the agency's investment in risk management. It sets out the short term and long term opportunities for improving risk management capability.
Risk mitigation	Risk mitigation refers to the management actions taken to further mitigate the level of risk to an acceptable level. Sometimes referred to as risk treatment.
Senior business leaders	Senior business leaders are those people in the agency who have been formally assigned the appropriate delegated authority from the Chief Executive to manage specific risks.
Senior leadership team	The senior leadership team refers to the Chief Executive and his/her direct reports. The senior leadership team may be referred to as the executive leadership team / board, senior management team or other similar title.
Significant change initiatives	Significant change initiatives refer to investments that have a high degree of importance in terms of their likelihood and impact on the agency's business outcomes.
System level risks	System level risks refer to an aggregated view of risk beyond the agency's organisational boundary. System level risks may be in the context of a specific area of functional risk across government such as ICT operational risk, a inter-agency or sector-wide initiative, result area or AoG strategic objective.
Target maturity level	Target maturity level refers to an agency's desired level of risk management capability after taking into account planned activities to improve risk management practices.
Three lines of defence	The three lines of defence model is a useful model to describe risk management roles and responsibilities across the agency. The first line of defence is the most important and is responsible for identifying and managing risks over day-to-day operations. The second line of defence establishes the policies and procedures for handling risk and provides oversight to ensure risks are being managed. The third line of defence provides independent assurance that risks are being managed which may come from your Internal Audit function or a third party assurance provider.
Top risks	Top risks refer to material risks that threaten the achievement of business outcomes. Top risks may be internal or external to the agency, resulting from operational activities, strategic initiatives and the environment in which the agency operates.

AGENDA ITEM C3

CLIMATE CHANGE

Purpose of Report

Update the Council on the Risk and Resilience Strategy.

Recommendations

Officers recommend that the Committee:

1. *Receives the Climate Change report*

1. Background

During the LTP2021-31 process, the climate change related risks were briefly assessed by the climate change advisor and all the managers in the organisation. This assessment revealed that SWDC needed a deeper understanding of its climate change related risks to be able to well adapt to climate change and increase the organisation's resiliency.

Therefore, it was agreed that a Risk and Resilience Strategy should be developed. This strategy will allow SWDC to understand the Council's climate change related risks and increase the Council's resiliency. Note that the strategy focuses only the risks the organisation is facing. It does not focus on the risks the district is facing.

Also, this work is in line with:

- The Government work (National Climate Change Risk Assessment released in 2020 and National Adaptation Plan due in August 2022)
- The region's work (Wellington Regional Climate Change Impact Assessment due in December 2022 and Wellington Regional Adaptation Plan due in 2024)

2. Methodology

The Strategy was developed following the "He kupu ārahi mō te aromatawai tūraru huringa āhuarangi ā-rohe – A guide to local climate change risk assessments" released by MfE in 2021.

2.1 Climate change scenarios and timeframe

Following the MfE guidance the following scenarios are used in the Strategy:

- RCP4.5: emissions peak in 2040 and start to decline to reach net zero in 2080.
- RCP8.5: no measures are taken to reduce the greenhouse gas emissions.

Following the MfE guidance, the following timeframes are used in the Strategy:

- Present day
- Mid-term: 2040-2050
- Long-term: 2090-2100

2.2 Climate change projections and hazards

Climate change projections:

The source of the climate change projection is: “Climate change projections for the Wairarapa”, report prepared by NIWA for GWRC, 2021

An information session was held on 18th November 2022 to present this report to Elected Members and Managers from both SWDC and CDC. A replay of this session is available [here](#).

For further information, you can have a look at the full report and a short video (made by NIWA):

- Report [here](#),
- Video [here](#).

Hazards:

- Extreme weather events (wind and rain)
- Sea level rise, coastal flooding and erosion
- Inland flooding
- Erosion and land slide
- Droughts
- Wildfire
- Heatwave

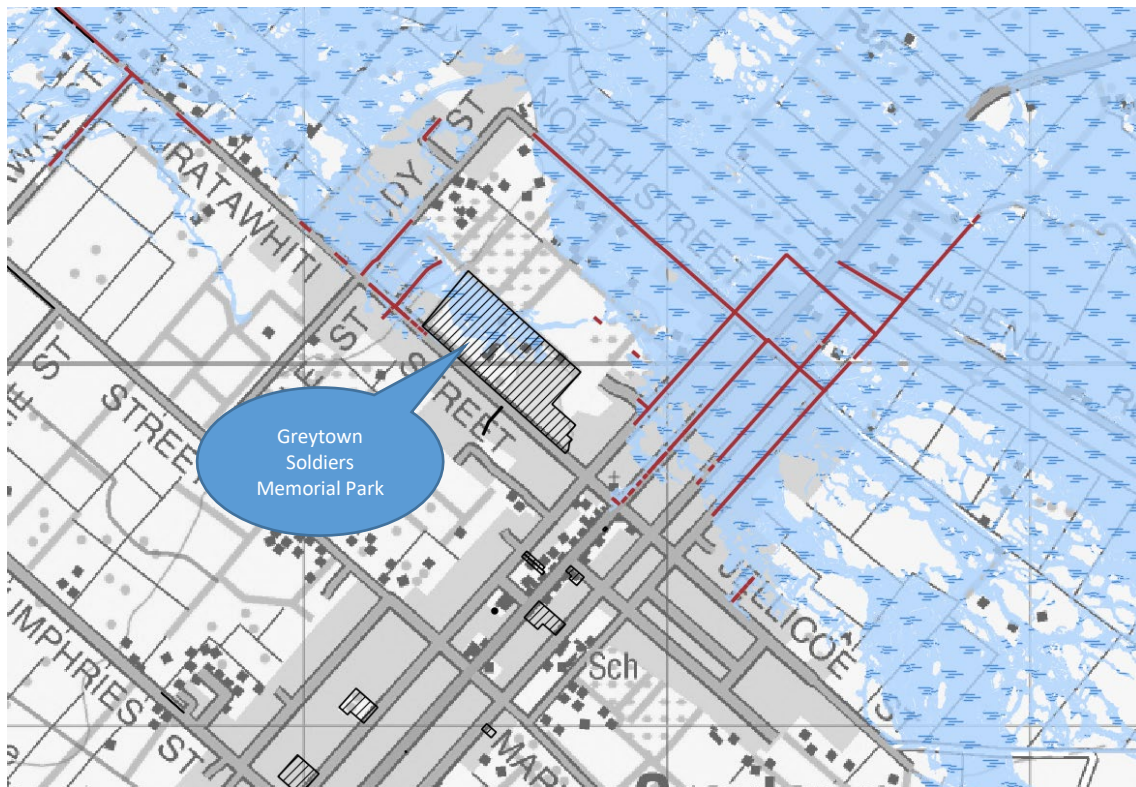
2.3 Elements at risk and screening against hazards

Physical impacts:

Part of this screening was done by overlaying the following layers on a GIS system (this is a good way to identify physical impacts):

- Climate change projections and hazards
- SWDC properties (building, parks and reserves, etc), roads, elements linked to 3-waters, etc

The following screenshot shows an example of risks identified: The Greytown Soldiers Memorial Park is partly located in a flood zone (in blue). Also, the dark red lines show the roads located in the flood zone.



Other impacts:

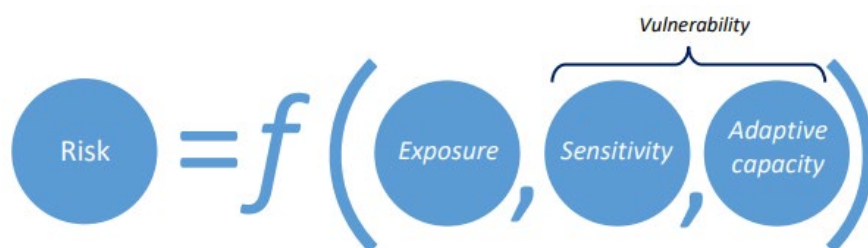
Other impacts, such as financial impacts, were also identified.

Workshop:

A workshop is scheduled on 25th May with Elected Members and Managers to confirm the screening and make sure all the risks were identified.

2.4 Risk rating

To rate a **risk**, **exposure** to the hazard and **vulnerability** must be combined. Vulnerability is a combination between **sensitivity** and **adaptive capacity**.



Exposure:

Definition: Element that could be adversely affected by a climate hazard

Exposure rating	Definition
Extreme	Significant and widespread exposure of elements to the hazard (>75%)
High	High exposure of elements to the hazard (50-75%)
Moderate	Moderate exposure of elements to the hazard (25-50%)
Low	Isolated elements are exposed to the hazard (5-25%)

Vulnerability:

Definition of vulnerability: Propensity or predisposition to be adversely affected by a climate hazard. To rate vulnerability, **sensitivity** of the element and **adaptive capacity** must be combined.

Definition of sensitivity: How the element will fare when exposed to a hazard

Definition of adaptive capacity: Element's ability to adjust to potential damage

		Sensitivity			
		Low	Moderate	High	Extreme
Adaptive capacity	Very low	Moderate	High	Extreme	Extreme
	Low	Low	Moderate	High	Extreme
	Medium	Low	Moderate	Moderate	High
	High	Low	Low	Low	Moderate

Vulnerability rating	Definition
Extreme	Extremely likely to be adversely affected, because the element or asset is highly sensitive to a given hazard and has a low capacity to adapt
High	Highly likely to be adversely affected, because the element or asset is highly sensitive to a given hazard and has a low capacity to adapt

Moderate	Moderately likely to be adversely affected, because the element or asset is moderately sensitive to a given hazard and has a low or moderate capacity to adapt
Low	Low likelihood of being adversely affected, because the element or asset has a low sensitivity to a given hazard and has a high capacity to adapt

Risk rating matrix:

		Exposure			
		Low	Moderate	High	Extreme
Vulnerability	Extreme	Moderate	High	Extreme	Extreme
	High	Low	Moderate	High	Extreme
	Moderate	Low	Moderate	Moderate	High
	Low	Low	Low	Moderate	High

The workshop scheduled on 25th May with Elected Members and Managers aims to rate all the risks identified.

2.5 Mitigation measures

A workshop scheduled on 2nd June with Elected Members and Managers aims to:

- validate the mitigation measures presented by the climate change advisor
- Discuss about other measures attendees may know of
- Discuss about other measures that could be done to increase resiliency

At the end of the workshop, we aim to have all the information needed to finalise the Risk and Resilience Strategy.

3. Next steps

- 25th May 2022: Risk Rating Workshop with Elected members and Managers
- 2nd June 2022: Mitigation Measures Workshop with Elected members and Managers
- 22nd June 2022: Final Strategy presented to the Audit and Risk Committee

4. Considerations

4.1 Climate change

Climate change mitigation: There is no direct impact on the GHG emissions from the organisation.

Climate change adaptation: This strategy will allow SWDC to have a deep understand of the climate change risks the organisation is and will be facing. This strategy will also identify mitigation actions and measures to increase the Council's resiliency.

4.2 Tāngata whenua

The Risk and Resilience Strategy identifies a risk on mana whenua relationship and engagement. By acknowledging this risk and providing measures to mitigate this risk, the strategy will have a positive impact on tāngata whenua.

4.3 Financial impact

The Risk and Resilience Strategy identifies several risks on the Council's budget. By acknowledging those risks and providing measures to mitigate them, the strategy will have a positive impact on the Council's finances.

4.4 Community engagement requirements

No communication or engagement plan is required.

4.5 Significance, Engagement and Consultation

The decision has been assessed against Council's Significance and Engagement Policy and is of low significance.

5. Conclusion

It is recommended that the Council receives the climate change report.

Contact Officer: Melanie Barthe, Climate Change Advisor

Reviewed By: Amanda Bradley, Policy and Governance Manager

FINANCE AUDIT AND RISK COMMITTEE

11 MAY 2022

AGENDA ITEM C4

ACTION ITEMS REPORT

Purpose of Report

To present the Committee with updates on actions and resolutions.

Recommendations

Officers recommend that the Committee:

1. *Receive the Finance Audit and Risk Action Items Report.*

1. Executive Summary

Action items from recent meetings are presented to the Committee for information. The Chair may ask the Chief Financial Officer for comment and all members may ask the Chief Financial Officer for clarification and information through the Chair.

If the action has been completed between meetings it will be shown as 'actioned' for one meeting and then will be remain in a master register but no longer reported on. Procedural resolutions are not reported on.

2. Appendices

Appendix 1 – Action items to 30 April 2022

Contact Officer: Amy Andersen, Committee Advisor

Reviewed By: Harry Wilson, Chief Executive Officer

Appendix 1 – Action Items to 30 April 2022

Number	Raised Date	Action Type	Responsible Manager	Assigned to	Action or Task details	Open	Notes
248	11-Dec-19	Action	Stefan		<p>Find out the background to the Bonny Glen landfill risk and update FAR Committee members</p> <p>Assess the risk to Council of central government mandated increases to solid waste levies and the ability of Council to change processes to manage landfill contracts, expenditure and revenue alongside promotion of waste minimisation</p>	Open	<p>14/8/20 Bonnie Glen is owned by Waste Management and Environmental Services and charges are climbing outside of regular pricing for waste disposal due to a monopoly and limited future capacity at the site. We have a contract for service to use Bonnie Glen which ends shortly. Alternative avenues to dispose of refuse will be researched prior to the contract ending.</p> <p>24/2/20: Action updated by FAR</p> <p>01/10/21: We have a 20-year contract for service to use Bonnie Glen landfill. There are no capacity issues.</p> <p>30/03/2022: members requested this be reopened and referred to A&S was because they wanted to review whether there is leeway for within the current contract in the context of a focus on waste minimisation and to understand the associated costs. That there was a suggestion by Harry for our new waste advisor to brief the A&S committee on this. Bryce assigned to follow up.</p>
250	11-Dec-19	Action	Amanda	Steph	<p>Review the Procurement and Contract Management Policy in March 2020 to ensure it covers all procurement and management activities</p> <p>Note this action also encompasses the review of the sensitive expenditure section within this policy to ensure best practice guidance is followed.</p>	Open	<p>16/4/21: Will be considered as part of policy review programme following review of CDC's policy for sustainability matters</p> <p>23/11/21: Timeline to be reported to the next FAR meeting once the policy review programme is finalised</p> <p>22/3/22: Refer to the Policy and Governance Report for an update on the policy review work.</p>
482	6-Oct-21	Action	Sheil		Review the Communications Failure risk with a view to raising the risk level and consider adding reputation risk to the Strategic Risk Register	Actioned	<p>24/11/21: Will be considered by ELT on 30 Nov</p> <p>23/03/22: ELT is reviewing Council's operational and strategic risk registers, and this will be addressed as</p>

Number	Raised Date	Action Type	Responsible Manager	Assigned to	Action or Task details	Open	Notes
							part of that review. 11/04/22: Action closed due to work as above.
483	6-Oct-21	Action	Amanda	Steph	Include a list of all policies, their expiry dates, their proposed review dates and an officer comment column with the Policy and Governance Report	Open	23/11/21: To be reported to the next FAR meeting once the policy review programme is finalised. 22/3/22: Refer to Policy & Governance Report for update.
50	16-Feb-22	Action	Amanda		Provide members a timeline for completion of the overhaul of the strategic risk register.	Open	30/03/2022: To be completed for next FAR meeting 11/05/2022
53	16-Feb-22	Action	Katrina		Investigate the ability to strip out one-off unbudgeted income such as stimulus funding from business-as-usual activity and to include unbudgeted expenditure in the financial reporting.	Actioned	23/03/2022 - A reporting removing all one-off items for Stimulus, PGF, and NZLPP funding has been included in the finance report for the 30 March 2022 meeting. 11/04/22: As advised by Finance Manager - Action 53 can be closed as this report is now being included in FAR report.
54	16-Feb-22	Action	Sheil		Provide assurances the rebrand rollover project will be completed this financial year.	Actioned	23/03/22: A register of signs is being created and a review being undertaken as to which ones remain to be refreshed. Signs will continue to be refreshed with the current branding. 30/03/22: Cr Hay offered support to Officers relating to Action 54 and providing a list of signs with accompanying photos for rebrand rollout. Sheil confirmed she has been in contact with Cr Hay and action can be closed.
55	16-Feb-22	Action	Russell		Investigate whether a plan change related to developer contributions for South Wairarapa could be brought forward ahead of the District Plan review.	Open	