



KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

19 February 2024

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

Tuesday 27 February 2024 commencing at 2:00 pm

The meeting will be livestreamed on Council's Facebook page.

Membership

	Suzanne Tindal (Independent Chair)
	Mayor C Barry (Deputy Chair)
Cr G Barratt	Cr J Briggs
Cr K Morgan	Cr T Stallinger

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

Have your say

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing DemocraticServicesTeam@huttcity.govt.nz or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

Chair:	Independent Chair Sue Tindal
Deputy Chair:	Mayor Campbell Barry
Membership: Komiti Iti Ahumoni i Tūraru Audit and Risk Subcommittee members should be appointed so that the subcommittee has a diversity of governance skills, experiences and personal qualities. Between them, the members should bring a mix of the following attributes: 1. Broad governance experience; 2. Familiarity with risk management disciplines; 3. Understanding of internal control and assurance frameworks; 4. An understanding of financial and non-financial performance reporting; 5. A good understanding of the roles of internal and external audit; and 6. A sound understanding of the local government sector. Use of the matrix below has assisted other councils to consider the best fit for membership of an Komiti Iti Ahumoni i Tūraru Audit and Risk Committee.	Cr Glenda Barratt Cr Josh Briggs Cr Karen Morgan Cr Tony Stallinger
Quorum:	Half of the membership
Meeting Cycle:	Meets on an eight-weekly basis or as required
Reports to:	Council

AREAS OF FOCUS:

The subcommittee's areas of focus are:

- Oversight of risk management and assurance across the Council Group with respect to risk that is significant
- Internal and external audit and assurance
- Health, safety and wellbeing
- Business continuity and resilience
- Integrity and investigations
- Monitoring of compliance with laws and regulations
- Significant projects, programmes of work and procurement, focussing on the appropriate management of risk
- The Long Term Plan, Annual Report and other external financial reports required by statute.

DELEGATIONS FOR THE SUBCOMMITTEE'S AREAS OF FOCUS:

- The subcommittee has no decision-making powers other than those in these Terms of Reference.
- The subcommittee may request expert advice through the Chief Executive where necessary.
- The subcommittee may make recommendations to Council and/or Chief Executive.

Risk Management:

- Review, approve and monitor the implementation of the risk management framework and strategy, including significant risks to the Council Group.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks.

Assurance:

- Review and approve, and monitor the implementation of, the assurance strategy and detailed internal audit coverage and annual work plans.
- Review the coordination between the risk and assurance functions, including the integration of the Council's risk profile with the internal audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to Council Controlled Organisations and Council Controlled Trading Organisations that are significant to the Council Group).
- Review and monitor management's responsiveness to the findings and recommendations, inquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity:

- Review, approve and monitor the implementation of the assurance strategy, including the fraud and integrity aspects.
- Review the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and ensure that there is a proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected and appointed members, management, staff, consultants and contractors.
- Review internal and external reports related to possible improprieties, ethics, bribery and fraud-related incidents.

Statutory Reporting:

- Review and monitor the integrity of the Long Term Plan and Annual Report including statutory financial statements and any other formal announcements relating to the Council's financial performance, focussing particularly on the areas listed below.
- Compliance with, and the appropriate application of, relevant accounting policies, practises and accounting standards.

- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting policies, across reporting periods, and the Council Group.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation, or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the way they are disclosed.
- The disclosures of contingent liabilities and contingent assets.
- The clarity of disclosures generally.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

External Audit:

- Discuss with the external auditor, before the audit commences, the nature, scope and fees of the external audit, areas of audit focus, and error and materiality levels.
- Review, with the external auditors, representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditor's management letter and management responses and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General to attend meetings of the subcommittee to discuss the office's plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO):

- Other committees dealing with CCO and CCTO matters may refer matters to the Komiti Iti Ahumoni i Tūraru | Audit and Risk Subcommittee for review and advice.
- This subcommittee will inquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Council or the Council Group, the subcommittee will also ensure that all affected entities are aware of and are appropriately managing the risk.

Matrix of Experience, Skills and Personal Qualities

Experience, Skills and Personal Qualities	Member A	Member B	Member C	Member D	Independent Chairperson
<i>The recommended combination of experience is:</i>					
• financial reporting					
• broad governance experience					
• familiarity with risk management disciplines					
• understanding of internal control and assurance frameworks					
• good understanding of the roles of internal and external audit					
• local government expertise					
<i>For an “advisory-oriented” audit committee, particular emphasis should be placed on:</i>					
• Strategy					
• Performance management					
• Risk management disciplines					
<i>In determining the composition of the audit committee, the combined experience, skills, and personal qualities of audit committee members is critical. Members should bring:</i>					
• the ability to act independently and objectively					
• the ability to ask relevant and pertinent questions, and evaluate the answers					
• the ability to work constructively with management to achieve improvements					
• an appreciation of the public entity’s culture and values, and a determination to uphold these					
• a proactive approach to advising the governing body and chief executive on matters that require further attention					
• business acumen					
• appropriate diligence, time, effort, and commitment					
• the ability to explain technical matters in their field to other members of the audit committee					

HUTT CITY COUNCIL**KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE**

Meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt
on
Tuesday 27 February 2024 commencing at 2:00 pm.

ORDER PAPER**PUBLIC BUSINESS****1. OPENING FORMALITIES - KARAKIA TIMATANGA**

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tihei mauri ora	

2. APOLOGIES

No apologies have been received.

3. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

4. CONFLICT OF INTEREST DECLARATIONS

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have

5. RECOMMENDATION TO TE KAUNIHĒRA O TE AWA KAIRANGI COUNCIL - 27 March 2024

Draft Procurement Strategy

Report No. ARSC2024/1/26 by the Risk and Assurance Manager - Finance 9

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

6. 3 WATERS MATTERS

Report No. ARSC2024/1/27 by the Strategic Advisor 22

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

7. SENSITIVE EXPENDITURE DISCLOSURES

Report No. ARSC2024/1/18 by the Financial Accounting Manager 26

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

8. INFORMATION ITEMS

a) Whakatupu Ngaengae - progress update

Memorandum dated 8 February 2024 by the Project Manager (Naenae) 32

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the memorandum be endorsed."

b) Audit and Risk Subcommittee Forward Programme 2024

Memorandum dated 9 February 2024 by the Democracy Advisor 49

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the memorandum be endorsed."

9. QUESTIONS

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

10. EXCLUSION OF THE PUBLIC**CHAIR'S RECOMMENDATION:**

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

11. HR AND PAYROLL SYSTEM

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

(A)	(B)	(C)
General subject of the matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground under section 48(1) for the passing of this resolution.
HR and payroll system.	The withholding of the information is necessary to maintain legal professional privilege (s7(2)(g)). The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities (s7(2)(h)).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.

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

Vanessa Gilmour
DEMOCRACY ADVISOR

Report no: ARSC2024/1/26

Draft Procurement Strategy

Purpose of Report

1. This is the first Group Procurement Strategy, setting the Council Group's procurement direction and encompassing the whole procurement lifecycle.
2. Endorsement of the draft Strategy is sought from the Audit and Risk Subcommittee before Council approval.

Recommendations

That Subcommittee recommends that Council:

- (1) notes and receives the draft Group Procurement Strategy;
- (2) notes this is a newly created Group Procurement Strategy; and
- (3) approves the Group Procurement Strategy, attached as Appendix 1 to the report.

Background

3. Procurement plays an important role in how the Council Group delivers its priorities and works to build a resilient and connected city where all residents thrive.
4. As a major buyer of goods, works, and services, the way the Council's Group plans, sources, and manages expenditure impacts the local economy and can affect the Council's Group performance and reputation.
5. The key elements for all procurement activities are to ensure they are fair, transparent, inclusive, and efficient, delivering public value.

Discussion

6. As a local government entity, we are not bound by the New Zealand Government Procurement rules. However, the Council Group is guided by them to achieve and advance its long-term benefits for its community.

7. This strategy was developed through review and alignment with achieving the Council Group's priorities, discussions with other Council's and review of other Council's procurement strategies. Feedback was also sought from the Policy and Strategy team.
8. Council's strategic operating model (framework) is made up of various components namely:
 - a. this Procurement Strategy;
 - b. the Procurement Policy;
 - c. procurement templates (including plans);
 - d. procurement reports;
 - e. ongoing capability upskilling;
 - f. contract KPIs; and
 - g. guidance by the Five Principles of Government Procurement.
9. This operating model supports the delivery of both capital and operational work programmes, ensuring compliance and public value is achieved.
10. The Council Group recognises the need to look beyond price alone and the delivery of a product and/or service. Therefore, the Council Group actively seeks to invest in social, economic, cultural, sustainable, and environmental outcomes in our community and building of strong partnerships with suppliers.
11. There is a steady increase in capital programme costs in the current year and subsequent years. The capital programme costs are as follows:
 - a. 2023-24, \$221M;
 - b. 2024-25, \$240M; and
 - c. 2025-26, 328M.
12. Additionally, on an annual basis, the Procurement Manager will report to the Audit and Risk Subcommittee on the progress made in implementing this strategy.

Options

13. Not applicable.

Climate Change Impact and Considerations

14. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

Consultation

15. A range of internal stakeholders across the group have provided feedback on the draft strategy.

Legal Considerations

16. Not applicable.

Financial Considerations

17. Not applicable.

Appendices

No.	Title	Page
1	Draft - Group Procurement Strategy	12

Author: Nishana Reddy
Risk and Assurance Manager - Finance

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive



Group Procurement Strategy (draft)

Business Unit	Finance
Date created	November 2023
Publication date	March 2024
Review period	Every 3 years
Owner	Group Chief Financial Officer
Approved by	Council

Version	Author	Date	Description
V 1.0	Nishana Reddy (Risk and Assurance Manager)	November 2023	Creation of Strategy



1. Introduction

Overview

Council's purpose is to make Te Awa Kairangi ki Tai – Lower Hutt a city where everyone thrives.

Procurement plays an important role in how the Council Group delivers its priorities and works to build a resilient and connected city where all residents thrive. As a major buyer of goods, works and services, the way the Council's Group plans, sources and manages expenditure has an impact in the local economy and can affect the Council's Group performance and reputation.

To enable and advance long-term benefits for the community, the Council's Group outlook on procurement leans towards a strategic approach rather than a reactive approach. This allows for a key focus on procurement planning and delivery, achieving public value for money and strengthening our relationships with suppliers.

To achieve all of this we are guided by our Procurement Principles and the Government Procurement Rules.

Purpose

The purpose of this strategy is to outline how the Council's Group Procurement function will support achievement of priorities, ensuring maximum benefits and desired results are realised, within the parameters of public sector guidance and rules.

Scope

The scope of this strategy encompasses all procurement activities, sets out the Council's Group procurement direction, and encompasses the whole procurement lifecycle. This is supported by ensuring good planning, effective sourcing strategies, contract management, supplier management, review, and continuous improvement exists.

Applicability

This strategy is applicable to Hutt City Council and its wholly owned Council Controlled Organisations (Council's Group).

The Transport Team has its own procurement strategy, "*Transport Procurement Strategy*", which has been developed in conjunction with Waka Kotahi. The Transport Procurement Strategy must be followed for all Roding Network procurement activities and overrides this strategy.

Objective

The objective of this Strategy is to:

- Contribute and support the achievement and delivery of the Council's Group priorities.
- Proactive identification and analysis of future procurement activities, delivering public value for money.
- Procure using agile methods, improving transparency and accountability;
- Develop, maintain, and support effective strategic partnerships with suppliers.
- Increase social outcomes by supporting and strengthening opportunities with local and regional businesses, including employment and training opportunities for the community;
- Increase sustainable outcomes by carbon reductions;
- Effectively manage the risk and risk sharing with suppliers; and
- Promote consistency and continuous improvement.

2. Council's Group Key Priorities



Whakangao i ngā pou pou hāpori Investing in Infrastructure

Investing in high-quality infrastructure that supports our people to move around, receive basic services (like water) and enjoy our community facilities.



Hei Āhuru Mōwai mō te Katoa Increasing housing supply

Effectively planning for growth in our city, ensuring an increase in housing supply and working with organisations to ensure our people have warm, safe, dry homes to live in.



Taunaki Ōhanga Auaha, Tāone Whakapoapoa Supporting an innovative, agile economy and attractive city

Investing to drive economic growth, and harnessing the talents of business, education, research and science communities in Te Awa Kairangi Lower Hutt to make our city an attractive place to work and invest.



Tūhono Hāpori Connecting communities

Investing to connect and empower neighbourhoods and communities so they can thrive and remain safe, connected, healthy, inclusive and resilient.



Whakauka Ahumoni Financial sustainability

Investing in a financially sustainable and prudent way that ensures we are carefully managing our finances to deliver on our community's expectations.



Tiaki Taiao Caring for and protecting our environment

Working with our communities to meet the challenges of climate change and our goal to become carbon zero by 2050.

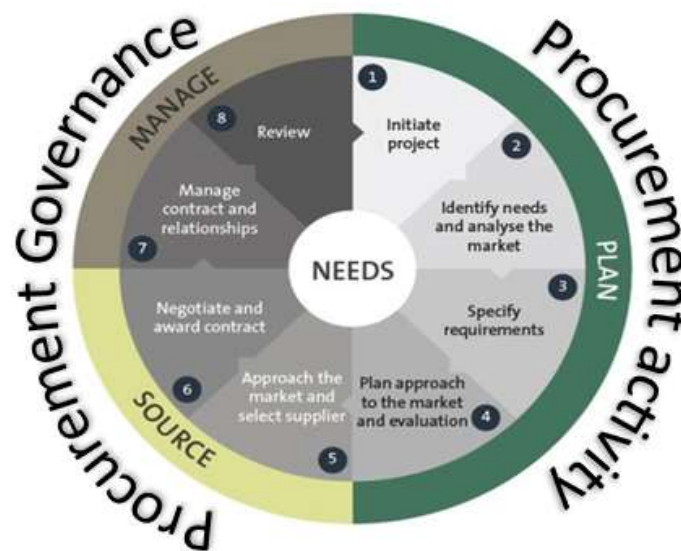
**** Diagram to be updated once revised for the LTP.**



3. The Strategy

Procurement Lifecycle

The procurement cycle is made up of three distinct categories namely Plan, Source and Manage with the “Plan” stage having four stages and the “Manage” and “Source” having two stages each. Within each category, all stages need to be completed before moving to the next category.



**** Diagram to be redrawn.**

Strategic Operating Model (framework)

The strategic operating model (framework) is made up of:

- This Procurement Strategy;
- The Procurement Policy;
- Procurement Templates (including plans);
- Procurement Reports;
- Ongoing capability upskilling;
- Contract KPIs; and
- Guidance by the Five Principles of Government Procurement.

The strategic operating model supports the Council's Group capital and operating programme of work to ensure compliance and public value is achieved.

Strategic Procurement

In order to achieve the objectives, set out in this strategy, the Council's Group will take a strategic approach to procurement of goods, works and services. A strategic outlook on procurement enables a better understanding of the full procurement cycle from initiation, supporting good decisions making, ensuring the right sourcing strategies are chosen, increased transparency, public value for money is achieved, and supplier performance/relationships are actively managed.

Key benefits of strategic procurement vs traditional/ reactive procurement

Traditional	Strategic
Reactive, transactional approach to procurement	Proactive planning, forward looking
Focus on short-term cost savings (upfront cost, price, and lead time)	Focus on long-term benefits (whole of life cost and broader outcomes),
Often disconnected from strategic objective achievements	Aligned to business objectives
Limited market analysis and research performed due to time constraints	Sufficient time to perform market analysis and research
Time constraint means, not always able to deliver best value for money	Ability to deliver public value for money through whole of life cost
Relationships with suppliers are more "trading style". Largely limited to the procurement activity with minimal relationship building and value add	Relationships with suppliers are collaborative, enhances value, drive innovations and continuous improvement
Process Driven	Outcome driven, in alignment strategic objectives such as decarbonisation

4. Broader Outcomes

Broader outcomes are secondary benefits that can be achieved from procurement activities that go beyond the delivery of a product or service. The Council's Group actively seeks to achieve this by investing in social, economic, cultural, sustainable, and environmental outcomes in our community. Therefore, broader outcomes are a key aspect in all procurement activities.

The Council's Group recognises the need to look beyond price alone and recognise that through partnerships with suppliers, we can support and encourage positive change in our communities.

The New Zealand Government provides Government Rules of Procurement which focus on broader outcomes. Whilst not bound by the rules, the Council's Group uses them as a guide for procurement activities. These rules incorporate the Five Principles of Government Procurement.

Kaitiakitanga and Social Wellbeing	Economic Wellbeing	Environmental and Sustainable Wellbeing
<ul style="list-style-type: none">• We encourage initiatives that embrace cultural diversity, inclusivity, and recognition of our indigenous heritage through engagement with our local communities.	<ul style="list-style-type: none">• We support prosperity through quality employment pathways, partnering with local agencies and reducing the barriers to employment.• We encourage increased opportunities, upskilling, and innovative supply chain initiatives, that encourage a more resilient workforce and reduce inequalities.	<ul style="list-style-type: none">• We support initiatives that protect and enhance the local environment as well as considering global environmental challenges such as climate change and decarbonization initiatives.

The Council's Group is an accredited living wage employer and as a demonstration of its support and contribution to the community, all suppliers that partner with the Council Group are required to pay their staff a living wage as a minimum. They are also required to work sustainably, in alignment with Council Group's objectives regarding waste and climate changes, such as

identified in the Wellington Region Waste Management Minimisation Plan 2023–29 and Council’s Carbon Reduction and Climate Resilience Plan 2021–23.

5. Supplier relationships and Partnerships

The Council’s Group proactively seeks to influence and strengthen relationships. We recognise that developing strong relationships and partnerships with our suppliers is key to the successful delivery of significant goods, works and services. We also acknowledge that this is particularly important in areas where more than one supplier is jointly contracted to deliver a single outcome. As such relationships involve a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery and is relevant from the smallest of contracts to the largest performance based, long term contracts.

The Council’s Group intends to strengthen contractual relationships with the supply chain through:

- Promoting stability in the marketplace.
- Increasing ability to negotiate more favourable terms and conditions, driving potential savings.
- Providing confidence to both the Council’s Group and the contracting industry.
- Encouraging investment in systems, training and equipment.
- Placing value on local knowledge and skills.

Additionally, strong relationships with suppliers provides better visibility of upcoming opportunities for them, and certainty of the pipeline of works.

6. Reporting and Monitoring

Monitoring

All procurement activities will be monitored to ensure the objectives of this strategy are achieved across the procurement lifecycle stages.

Annually, the Procurement Manager will report to the Audit and Risk Subcommittee outlining the achievements of this strategy.

Risk Management

Any procurement activity carries a degree of risk. Hutt City Council risk management framework aligns with the AS/NZS ISO 31000 Risk Management Principles and Guidelines. Procurement is also listed on the Strategic Risk Register and reported to the Audit and Risk Subcommittee.

Risk management is a structured and continuous process. It applies across our organisation, side to side, up and down and horizontally through its many areas, levels, functions, projects and activities¹.

¹ Council Group will not endorse any products or services in a manner which could be perceived as providing a commercial benefit to that company. If there is doubt regarding whether a request by a company could be perceived as a commercial endorsement, please seek guidance on the matter from Procurement and Risk and Assurance.

7. Associated Planning documents

Procurement activities are guided by:

- **The Long-Term Plan (LTP)** – Our long-term plans set the Council's Group strategic direction for a 10-year period.
- **Procurement Policy** – The policy that details the rules of Procurement for the Council's Group.
- **Procurement Guidelines** – Guidelines that detail how to go about procurement processes for the Council's Group.
- **Annual Plans** – The Annual Plan details the activities we intend to carry out over the coming financial year.
- **Annual Reports** – A key document that compares our performance for the year against the forecast in the Annual Plan.
- **The Government Policy Statement on Land Transport (GPS)** – produced by Central Government, the GPS sets out the Government's priorities, objectives and funding levels for land transport. It establishes funding ranges for land transport activity classes and identifies the results expected from this investment.
- **The National Land Transport Programme (NLTP)** – produced by Central Government, the NLTP contains all the land transport activities, such as public transport services, road construction and maintenance, that Waka Kotahi anticipates funding over the next three years.
- **Procurement Guidance for Public Entities** – produced by the Office of the Auditor General, this document provides good practice guidance for public entities to procure goods or services.
- **District Plan** – The District Plan sets out the policies and rules to manage the use of land in the area.
- **Reserve Management Plans** – A plan that sets out how we intend to develop, maintain, and protect our reserves.
- **Infrastructure Strategy** – Hutt City Council's overarching infrastructure strategy.
- **Transport Procurement Strategy** – Hutt City Council's Transport strategy developed in conjunction with Waka Kotahi.

Report no: ARSC2024/1/27

3 Waters Matters

Purpose of Report

1. This report highlights issues and risks relating to the three waters activity.

Recommendations

That the Subcommittee:

- (1) notes the Government's intentions regarding the future delivery of water services and the regional response currently being discussed and planned; and
- (2) notes that proposed increased funding within the 2024-2034 Draft Long Term Plan will likely be insufficient to manage risks around increasing three waters asset failures resulting in non-compliance with resource consents and will do little to avert leaks that contribute to summer water shortages.

Background

Water reform

2. The Government has repealed the Water Services Entities Act 2022 as part of its 100-day work programme.
3. The Prime Minister and Minister of Local Government announced on Monday, 12 February 2024, the government's plans to implement the replacement regime, *Local Water Done Well*. Legislation will consist of three stages:
 - a. repeal the existing legislation – February 2024.
 - b. establish the framework and transitional arrangements – Introduced and enacted in mid-2024.
 - c. establish enduring settings and begin transition – Introduced December 2024 and enacted mid-2025.

4. Key aspects of *Local Water Done Well* will include:
 - a. Councils being required to develop a water services delivery plan within 12 months to transition to a future water model that can meet regulatory and investment requirements; (required to be completed around mid-2025);
 - b. the water services delivery plan can be done either individually or jointly, with final decisions still sitting separately with each Council;
 - c. no mandated future model, so this could include a bespoke approach for the Wellington region, including an asset owning CCO;
 - d. ability for increased borrowing and, over time, increased revenue from water users; and
 - e. increased regulation on both water quality and asset investment.
5. The government has indicated that it expects councils to bear the costs of preparing the water service delivery plan and any establishment and transition costs with the creation of a new entity. It further expects that future delivery of 3 waters will be financially sustainable.
6. In response to these pending changes, the region's Chief Executives are working together to consider a pathway for the region's councils to work collaboratively on a preferred model and develop a shared water services delivery plan.
7. In the meantime, Wellington Water Limited (WWL) is concentrating on delivering core services, with staff previously seconded on water reform implementation back working within the business. Delivery of the capital works programme has been unaffected.
8. Work on the 2024-2034 Draft Long Term Plan (draft LTP) has been impacted by the government's policy change, but this has been partially mitigated by the decision early on to include three waters within the full 10-year plan. The main impact has been on the preparation of the Infrastructure Strategy, which has a 30-year investment period.
9. The repeal bill provides an option to enable councils to defer their 2024-34 long-term plan by 12 months and to prepare an 'enhanced' annual plan for the 2024/25 financial year instead. Council will not be considering that option.

Infrastructure Deficit

10. Council's three waters networks are generally aged with a sizeable proportion in poor condition. The main reason for this is a failure to recognise the pending issue 20 plus years ago and increase investment in renewals at that time. Council is addressing this issue and has responded in the past few years with increased investment in capital renewals and operational funding to maintain failing pipes.

11. The draft LTP is proposing a significantly higher investment in our water services, increasing from \$0.9 billion over 10 years in the Annual Plan 2023-24 to \$1.5 billion in the draft LTP 2024-2034. While this investment compares favourably with other councils in the region it still is not enough to manage the risk of increasing asset failure and non-compliance with consents. Wellington Water has recommended that we should increase investment up to \$2.5B over 10 years (being \$1 billion higher than the proposed \$1.5 billion in the draft LTP). Through the Council decision making processes for the draft plan, Council has agreed that it is unaffordable to be funded by ratepayers alone without central government support or reform.
12. Council's desired strategy is to try and lift the pipe renewals to around 30 kilometres per year to address the backlog along with those assets coming due for renewal. At this rate, it is estimated to take 30 years to get on top of the problem. Council has increased investment from an average of 4 kms per year to 15 kms last year and this year.
13. However, the capital investment proposed in three waters renewals over the next 10 years is around 50% of what WWL recommends for drinking water pipes and just over 10% for local wastewater pipes. The investment that is being made has been prioritised to critical network infrastructure such as the Seaview Wastewater Treatment Plant and water and wastewater pumping stations. As such, the annual target of 30 kms of pipe renewal will not be achieved within the 10-year period of the 2024-2034 Long Term Plan.

Water Shortage

14. The state of the region's water shortage is exacerbated by the amount of water that is lost from the region's public and private drinking water networks. The Hutt City Council public network is estimated to be losing around 37% of water to leaks.
15. Despite increasing investment both in renewals and in fixing leaks, the magnitude of the problem means that it is unlikely we will be able to make meaningful reductions in leaks unless additional funding is made available. While investment in accelerating renewals should be the priority as it is a more permanent and effective solution, reducing the leak backlog and keeping it within an acceptable level will reduce the risk of future water shortages over the next few summers

Discussion

16. Council is faced with a difficult dilemma. Debt headroom constraints limit Council's ability to further loan fund renewals, while rates funding more renewal works would have a significant impact on many ratepayers, particularly those with fixed incomes.

Climate Change Impact and Considerations

17. With a changing climate, Council's three water infrastructure will come under more pressure, whether that be less overall rainfall during the summer months or greater incidences of higher rainfall events, resulting in flooding with both stormwater and wastewater networks overloaded.

Consultation

18. Investment in three waters infrastructure will be the subject of consultation through the draft LTP.

Legal Considerations

19. There are no legal considerations at this time.

Financial Considerations

20. The government's repeal of the Water Services Entities Act and introduction of a new legislative regime for 3 waters without any central government funding assistance will result in additional costs to Council. This has yet to be quantified.

Appendices

There are no appendices for this report.

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Reviewed By: Alison Geddes
Director Environment and Sustainability

Approved By: Jo Miller
Chief Executive

Report no: ARSC2024/1/18

Sensitive Expenditure Disclosures

Purpose

1. To provide the Subcommittee with a listing of sensitive expenditure incurred by Elected Members, Chief Executive and Directors for the period 1 October 2023 to 31 December 2023.

Recommendations

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1 to the report: Summary of Sensitive Expenditure 1 October 2023 to 31 December 2023.

Background

2. Information has been extracted from our financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded.
3. The list of transactions for the quarter from 1 October 2023 to 31 December 2023 is attached as Appendix 1 to the report.
4. This information will also be published on Council's website.
<http://www.huttcity.govt.nz/Your-Council/sensitive-expenditure/>
5. The current information provided by the Office of the Auditor General on sensitive expenditure can be located on their website.
<https://oag.parliament.nz/good-practice/sensitive-expenditure>

Appendices

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Author: Darrin Newth
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Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive

Summary of Sensitive Expenditure 01 October 2023 to 31 December 2023

Chief Executive and Directors

Representative	Date	Amount \$	Paid to	Description
Miller, J	12 Oct 23	73.04	Purchase Card	Flight to Taituarā Conference
Miller, J	17 Nov 23	39.60	Purchase Card	Uber for return journey from GWRC meeting on 2 Nov 23
Miller, J	23 Nov 23	26.26	Purchase Card	Uber at Taituarā conference
Miller, J	4 Oct 23	64.40	Blue Carrot Catering	Quarterly Mana Whenua meeting 4 Oct 23 - 14 people in attendance including elected members, staff. Council hosting
Miller, J	27 Oct 23	98.69	Reimbursement	Catering for Executive Assistant's leaving function – 30 people in attendance
Miller, J	8 Dec 23	32.51	Purchase Card	Catering for SLG Workshop 8 Dec 23 x 30 people
Blackshaw, A	6 Dec 23	173.91	Naenae Hot Bread Shop	Mihi Whakatau for new senior manager (Lagi Moananu, Head of Connected Communities – included internal staff and external guests – 50 people)
Geddes, A	31 Aug 23	227.48	Orbit Corporate Travel	Proximity Apartments – Manukau - Accommodation and charge backs 27 Jul 23 for site visit to Kainga Ora Mangere and Manukau development with Kara Puketapu-Dentice
Puketapu-Dentice, K	11 Oct 23	64.89	Purchase Card	Spotto Queensland - Darlinghurst - Taxi for Brisbane conference
Puketapu-Dentice, K	12 Oct 23	13.88	Purchase Card	BWC Brisbane - Brisbane Conference - Taxi fare
Puketapu-Dentice, K	6 Oct 23	2,880.00	Hutt Valley Chamber of Commerce	Business Excellence Awards – 20 attendees in total for two tables - elected members, business and community representatives and staff

Mayor and Councillors

Representative	Date	Amount \$	Paid to	Description
Council – Cr Tupou	31 Aug 23	1,240.75	Orbit Corporate Travel	Wyndham Gardens Christchurch - Hotel accommodation, meals and charge backs – Accommodation for LGNZ Conference. Accommodation extended due to Covid isolation requirements.
Council – Cr Brown	31 Aug 23	791.54	Orbit Corporate Travel	Wyndham Gardens Christchurch - Hotel accommodation, meals and charge backs – Accommodation for LGNZ Conference
Council – Cr Shaw	27 Oct 23	172.00	Reimbursement	Registration fee for Nuku Ora Conference, Silverstream
Council – Cr Briggs	30 Nov 23	872.48	Orbit Corporate Travel	Flights and charge back fee 6 Dec 23 – Wellington to Bay of Islands for LGNZ Young Elected Members Hui
Council – Cr Briggs	27 Oct 23	83.48	Reimbursement	Dinner and Breakfast at LGNZ Conference
Mayoral Office	4 Oct 23	43.48	Purchase Card	Mayor's ticket to Institute of Directors 'A working guide to inspiring directors' event on 21 Nov 23 for him to receive his certificate
Mayoral Office	22 Nov 23	2.17	Purchase Card	Christmas wrapping paper for the 2 x Christmas Shoebox donations from Mayor to Oxygen
Mayoral Office	24 Nov 23	61.74	Purchase Card	Small child gifts for 2 x Christmas Shoebox donation from Mayor to Oxygen
Mayoral Office	24 Nov 23	4.35	Purchase Card	Tissue paper purchased from \$2 things on 23 Nov 23 for 2 x Christmas Shoebox Donations from the Mayor to Oxygen
Mayoral Office	19 Dec 23	131.71	Purchase Card	2x pounamu gifts for Shaanxi Provincial Land Engineering Group visit to Hutt City on 21 Dec 23 plus one spare as a gift to keep in Mayor's office. All purchased on 18 Dec 23
Mayoral Office	29 Nov 23	608.70	Purchase Card	7x \$100 Queensgate vouchers for the winners of the Manukura Awards 2023 on 4 Dec 23
Mayoral Office	30 Sep 23	217.77	Orbit Corporate Travel	Flights and booking fees Wellington to Christchurch 12 May 24 to attend IoD leadership conference 13-14 May 24
Mayoral Office	30 Sep 23	332.41	Orbit Corporate Travel	Novotel Hamilton – accommodation and charge backs 9 Nov 23 for speaking in the Mayoral Forum at the Future roads conference 9 Nov 23

Mayoral Office	30 Sep 23	247.89	Orbit Corporate Travel	Hertz Rental Car - Mayor Cambell Barry, 9 - 10 November Hamilton for speaking at Future Roads conference on 9/11/2023
Mayoral Office	30 Nov 23	150.45	Orbit Corporate Travel	Corporate Cars Brisbane – 2023 Asia Pacific Cities Summit & Mayors' Forum 11-13 Oct 23. Taxi is to or from airport
Mayoral Office	27 Oct 23	6.96	Reimbursement	Mayor Barry - Parking at Te Papa for The Post Finance Debate
Mayoral Office	11 Oct 23	82.44	Purchase Card	Mayor Barry Corporate Cab HCC to airport for flight to Brisbane for Asia Pacific Cities Summit & Mayor's Forum 10 Oct 23
Mayoral Office	13 Oct 23	460.87	Purchase Card	Mayor Barry accommodation in 12 out 14 May 24 for IOD conference, Crowne Plaza Christchurch
Mayoral Office	15 Oct 23	103.57	Purchase Card	Mayor Barry Corporate Cab Wellington airport to home 14 Oct 23 following 2023 Asia Pacific Cities Summit and Mayor's forum in Brisbane
Mayoral Office	29 Nov 23	39.99	Reimbursement	Mayor Barry - Parking in Wellington for LGNZ Events
Mayoral Office	31 Oct 23	61.83	Purchase Card	Mayor Barry Corporate Cab GWRC to HCC following WRLC workshop 30 Oct 23
Mayoral Office	9 Nov 23	94.35	Purchase Card	Mayor Barry Corporate Cab HCC to airport 9 Nov 23 for trip to Hamilton for Future Roads conference - guest speaker
Mayoral Office	30 Oct 23	71.39	Purchase Card	Mayor Barry Corporate Cab HCC to Te Kahui Auaha Campus for Hunan Provincial Government delegation visit 30 Oct 23
Mayoral Office	11 Dec 23	3.26	Reimbursement	Mayor Barry - Parking in Wellington for Institute Directors Event
Mayoral Office	6 Dec 23	71.91	Purchase Card	Mayor Barry Corporate Cab HCC to Parliament for meeting with Minister Brown 05 Dec 23
Mayoral Office	3 Nov 23	23.48	Purchase Card	Mayor Barry ticket to The Erie Situation film (World water film festival) via Gillian Blythe CE Water NZ, at Penthouse Cinema, Brooklyn 15 Nov 23

Mayoral Office	2 Oct 23	225.51	Blue Carrot Catering	Catering for Gold Award winners event in Mayor's office on 2 Oct 23. Food for 20 people.
Mayoral Office	29 Sep 23	51.04	Purchase Card	Soft drinks purchased from Countdown Queensgate on 29 September for the Mayor's Office Gold Awards Celebration on Monday 2 Oct 23
Mayoral Office	21 Nov 23	23.91	Purchase Card	Catering from Countdown, Queensgate purchased on 21 Nov 23 for the Mayor's afternoon tea with City Cleaners on 22 Nov 23. Approx 10 people
Mayoral Office	17 Nov 23	15.65	Purchase Card	Scones from Bellbird Eatery purchased on 16 Nov 23 for Deputy Mayor's morning tea with Councillor Dyer and Tosikazu Kawano to discuss Hutt Japan Day 2023.
Mayoral Office	11 Dec 23	60.00	Reimbursement	Soft Drinks for Mayor's Tree Groups Event
Mayoral Office	5 Dec 23	195.97	Purchase Card	Catering from Countdown for the Mayor's Manukura Awards event on 4 Dec 23. Approx 50 people.
Mayoral Office	6 Dec 23	147.81	Purchase Card	Catering from Countdown for the Mayor's BBQ for HCC staff on 5 Dec 23. Approx 60 people.
Mayoral Office	12 Dec 23	138.11	Purchase Card	Catering purchased from Countdown for the Christmas Stakeholder event in the Mayor's Office on 12 Dec 23 for approximately 65 people.
Mayoral Office	14 Dec 23	101.07	Purchase Card	Catering purchased from Countdown for the Mayor's Catch Up With Campbell BBQ on 13 Dec 23. Approx 15 people

NB: The Mayor's expenses are approved by the Audit and Risk Subcommittee Independent Chair.

Chair – Audit and Risk Subcommittee

Representative	Date	Amount \$	Paid to	Description
Tindal, S	27 Oct 23	76.14	Reimbursement	Uber to and from Council subcommittee meeting held on 26 September 2023
Tindal, S	20 Dec 23	265.50	Reimbursement	1 day of Rental Car charge in lieu of Taxi (Auckland), Uber and Taxi Expenses for Subcommittee meeting held on 28 November 2023

NB: The Independent Chair's travel expenses are approved by the Head of Democratic Services.

Our Reference



TO: Chair and Members
Audit and Risk Subcommittee

FROM: Andrew Quinn

DATE: 08 February 2024

SUBJECT: WHAKATUPU NGAENGAE - PROGRESS UPDATE

Purpose of Memorandum

1. To update the Subcommittee on the progress and management of the Whakatupu Ngaengae Project (pool and town centre development) since the last update on 28 November 2023.

Recommendation

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the following progress that has been made on the Whakatupu Ngaengae project:
 - (a) construction of the new Naenae Pool and Fitness Centre is progressing well and remains on track to be completed by the end of July 2024. Confidence is still high that the project can be completed within budget;
 - (b) the conversion of the old Naenae Post Office to a community centre is progressing well, and completion is envisaged in early April 2024; and
 - (c) following receipt of tenders for the development of Walter Mildenhall Park, Local Landscape Architects Collective has been appointed as our design partner.

Naenae Pool and Fitness Centre

2. Since the last report, work on the structural frame has been completed, and work on the main roof covering is progressing well. The main pool hall is now well advanced in terms of finishes, and the moveable floor will soon be installed. Following the installation of the pool tank walls, work has progressed to the concourse around the pool (see appendices for pictures).
3. Over the next two months, the remaining exterior cladding and glazing will go in, making the building envelope weathertight. We will be able to start interior finishes that are dependent on dry conditions eg carpentry, gib, paint and tile.
4. In November 2023, the team applied for payment milestone "Stage 2 foundations and structure" from Crown Infrastructure (CIP) and payment was received in December 2023.

5. In February 2024, CIP Chief Executive Graham Mitchell visited the site and saw the progress made.
6. The internal Council team set up to help transition the building to operations has met to agree on workstream responsibilities and deliverables. The target is to open the pool to the public in late September 2024 and to confirm the date closer to the completion of the building.

Community Centre

7. Refurbishment of the Naenae Post office and conversion to a Community Centre continues. This month's work has continued with the fit-out of internal spaces and rooms.
8. After a request from the Community Advisory Group (CAG) in December 2023, the Long Term Plan/ Annual Plan Subcommittee agreed to include an operating grant of \$90k pa for the centre in the first three years of the draft LTP, with the expectation that after this the centre is self-sustaining with other funding sources. This will be consulted on in April-May 2024.
9. In January 2024, members of the CAG visited the site and were pleased with the progress. At the meeting that followed, the CAG agreed upon an operational model for the community centre. This will see Council lease the building to an operator recommended by the CAG with a first renewal point at three years to align with the LTP funding decision. The CAG will also ask for the operating grant to be issued to this group. The CAG is currently considering its process for selecting an operator.

Walter Mildenhall Park

10. Following a rigorous public tender process, Local Landscape Architects Collective have been appointed to lead the design for the Walter Mildenhall Park, using a collaborative design process with the local community.

Risk

11. The cost of the Naenae Pool and Fitness Centre continues to be reviewed at regular intervals and remains within the \$68M budget cap. The latest QRA results are attached as Appendix 1 to the memorandum and suggest there remains high confidence that the pool project can be completed within budget.
12. The current risk register can be viewed in the appendices. All project risks are under active management and remain within acceptable tolerances with low residual risk.
13. Officers continue to monitor construction market conditions, particularly in the local supply chain. Materials delivered earlier to the construction site are now incorporated into the works.

Financial Considerations

14. The project team reviewed and updated the current financial profile of the project for the 2023/24 Annual Plan. As reported above, the project is still tracking well to the capital expenditure budget of \$68M.
15. CIP provides co-funding of \$27M through the COVID-19 response and recovery fund. To date, Council has drawn down \$14.85M of the \$27M of co-funding.
16. Expenditure on the Community Centre is forecasted to be \$6.6M on completion, inclusive of purchase of the old Post Office and 9% provision for risk. This leaves \$2.4M for the further development of Walter Mildenhall Park, which is the next priority for the Community Advisory Group.

Legal Considerations

17. There are no legal considerations to report.

Appendices

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Author: Andrew Quinn
Project Manager (Naenae)

Approved By: Andrea Blackshaw
Director Neighbourhoods and Communities









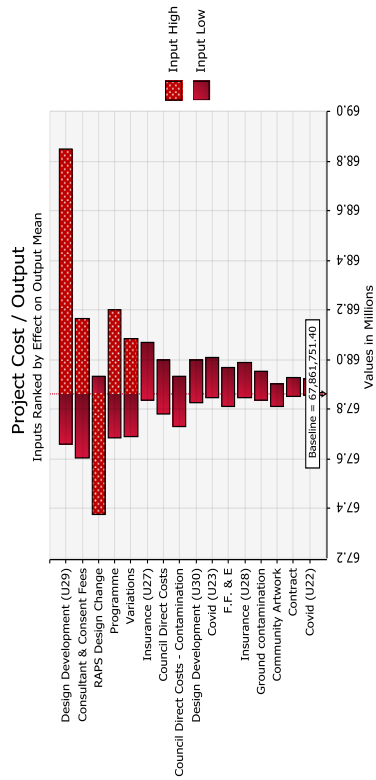
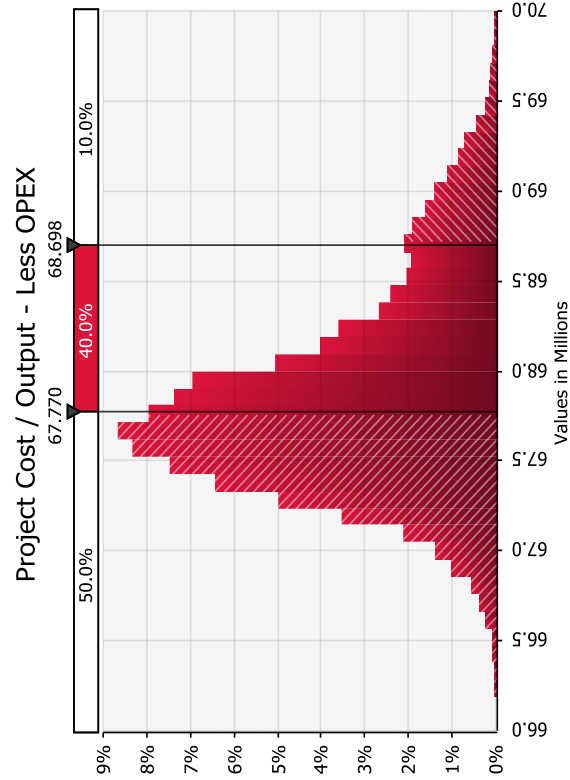




Quantitative Risk Assessment

Project: Naenae Pool
Principal: Hutt City Council
Date: 12 February 2024

Description	Output - Baseline
Project Budget	68,000,000
Estimated Project Costs [FR29], Excluding Contingency	66,956,586
Risk and Opportunity	1,646,000
Risk Review	1,961,000
Opportunity Review	(315,000)
Project Cost	68,602,586
P50	67,769,558
P50 Variance to Estimated Project Costs	812,972
P50 Budget Variance	(230,442)
P90	68,697,983
P90 Variance to Estimated Project Costs	1,741,397
Extra value over P50	928,425
P90 Budget Variance	697,983
Project Budget P-value	68%



Naenae Pool and Fitness Centre: Risk Register
Prepared by AECOM

Print Date: 15/11/2023

Naenae Pool & Fitness Centre Risk Register

Revision 4 - 14/11/2023

	THE RISK IF [event or condition i.e. what can happen] THEN [consequence. Why is it a concern / impact if we don't get it right]	RISK DRIVERS existing and potential causes/triggers	Risk owner	INHERENT RISK			CONTROLS / RISK RESPONSES	RESIDUAL RISK		
				Likelihood	Impact	Risk		Likelihood	Impact	Risk
48	<u>CIP management</u> If there is insufficient construction progress to meet CIP milestones, CIP is not informed of delays to milestone dates, and if an extension of time is not notified by HCC, Then the CIP contract may be terminated and therefore funding for the project may be jeopardised.	- Design delays impact programme - Consenting delays - Construction delays impacting programme - Force majeure events - COVID-19 associated delays	HCC	Likely	Major	High	Current controls/risk treatments: - All project team members informed of CIP dates - Design stages to proceed concurrent with client approval - Construction strategy to enable early procurement of long lead time items and to enable early works packages to proceed ahead of design completion - CIP milestones are included in the construction programme - Staged consenting Planned mitigation actions: - Construction contractor to provide detailed programme and identify critical path. CIP milestones included in programme. - Construction programme to be monitored monthly	Possible	Major	High
96	<u>Bond</u> If Apollo enters financial difficulty and the performance bond is called in, Then there would be delays to the opening of the facility and increased costs for HCC through obtaining a new main contractor or taking on the construction management directly. HCC could also face reputational damage.	- Apollo encounter financial issues on other projects - Subcontractor costs above budget allowances - Material costs above budget allowances - Subcontractors pull out at short notice due to other commitments - Subcontractors stop trading due to financial constraints	HCC	Possible	Moderate	Medium	Current controls/risk treatments: - Regular discussions with Apollo on procurement progress and concerns - Apollo engaging subcontractors early and using local market where possible - Monitoring of local subcontractor market for financial liquidity - Apollo monitoring subcontractor performance Planned mitigation actions:	Unlikely	Moderate	Medium
95	<u>Contingency Risk</u> If Apollo is unable to procure contractors within their anticipated trade budget due to market conditions in Wellington Then Apollo would use up their available contingency and could seek to recover increased costs from HCC through variations	- Wellington market pricing higher than anticipated - Tight subcontractor market with high demand - Requirements of local/social procurement targets - Design development process	Apollo	Possible	Moderate	Medium	Current controls/risk treatments: - Regular discussions with Apollo on procurement progress and concerns - Monitoring of variations and cost recovery with a focus on delivery within budget Planned mitigation actions: - Discussions on financial risk / position at PCG	Possible	Moderate	Medium
94	<u>Programme Prolongation</u> If Apollo is unable to complete the work according to programme and is delayed by more than six weeks Then there would be delays to the opening of the facility and increased costs for HCC through ongoing consultant fees	- Materials delayed in arrival to site due to availability - Materials delayed in arrival to site due to shipping delays - Subcontractors unable to deliver to timeframes due to other commitments - Subcontractors pull out at short notice due to other commitments - Subcontractors stop trading due to financial constraints	HCC	Likely	Moderate	High	Current controls/risk treatments: - Regular discussions with Apollo on procurement - Regular discussions with Apollo on material availability and shipping - Regular discussions with Apollo on subcontractor performance and concerns - Apollo procuring materials early and storing onsite - Apollo engaging subcontractors early and using local market where possible - Management and monitoring of long lead time items - Monitoring of programme and review of mitigations where programme deviates from agreed baseline Planned mitigation actions:	Possible	Moderate	Medium

Naenae Pool and Fitness Centre: Risk Register
Prepared by AECOM

Print Date: 15/11/2023

	THE RISK IF [event or condition i.e. what can happen] THEN [consequence. Why is it a concern / impact if we don't get it right]	RISK DRIVERS existing and potential causes/triggers	Risk owner	INHERENT RISK			CONTROLS / RISK RESPONSES	RESIDUAL RISK		
				Likelihood	Impact	Risk		Likelihood	Impact	Risk
68	<u>Earthquakes</u> If there was a damage causing earthquake, Then severe damage could be caused to the building structure, site or the surrounding area or infrastructure. This would result in programme delays and progress stoppage. There would also be expected damage to the contract works, on-site materials, area infrastructure, introduced collapse risks and/or reduced availability of materials and/or labour.	- Large damage causing earthquake	HCC	Likely	Moderate	High	Current controls/risk treatments: - Review of structural stability post earthquake if during construction - Temporary support structures designed to code - Seismic design considerations and restraints incorporated - Apollo Projects have contract works insurance in place Planned mitigation actions: - Project Team equipped to operate remotely - Safety plans are in place and consider earthquake risk - Review of structural stability post earthquake if during construction - Apollo Projects have contract works insurance in place	Unlikely	Moderate	Medium
55	<u>Site safety</u> If a serious incident occurs on site, Then there could be an injury or fatality. As well as work stoppage and/or programme implications and impacts to staff morale and/or mental wellbeing. This can result in an internal investigation into incidents, and there is a potential for a WorkSafe investigation.	- Health, Safety and Environment Procedures not implemented or followed - Multiple work faces - Multiple hazards	Apollo Projects	Possible	Extreme	High	Current controls/risk treatments: - Setting safety responsibility within contracts - Review of SSSP and contractor management plans and regular safety audits - Tool box talks, safety inductions etc - Engagement with HCC/Contractor Safety Managers - Engagement with HCC safety manager - WorkSafe notifications for high risk activities - Development of work method statements as applicable Planned mitigation actions: - Monthly reporting, Apollo HSE audits	Possible	Moderate	Medium
91	<u>Bowls club</u> If there is noisy or dusty construction work during bowls tournaments that causes disruption, Then this will upset bowls community, cause reputational damage, and/or attract potential negative media (some events are broadcast live to a global audience).	- Lack of communication with bowls club - Failure to review and put in place mitigation tactics to minimise disruption - Delays in programme	HCC / Apollo Projects	Unlikely	Moderate	Medium	Current controls/risk treatments: - Meetings held with bowls club to confirm dates and information about events - Main contractor to put in place regular communications with bowling club - Review of construction activities one month prior to events and review of mitigation including additional fencing, acoustic and minimising work adjacent to the boundary Planned mitigation actions: - Dust mitigation plans - Minimising noise during bowls tournaments - Moving noisy works to adjacent end of the site - Rescheduling noisy works around Tournament days - Monthly reporting	Unlikely	Minor	Low
14	<u>COVID impacts to project</u> If the global issue of the pandemic, such as further variants of Covid-19, impacts on global supply chain, staff contracting Covid-19, material supply constraints result in lock downs or restrictions, Then there would be impact on delivery of project, including escalating costs, schedule and resourcing.	- Escalation costs due to Covid-19 - Availability of material and personnel - Government mandated restrictions - Global delays in supply chain - Local delays in supply chain - Influx of infection within staff working on site - Impact on works for site staff	HCC	Possible	Moderate	Medium	Current controls/risk treatments: - Lessons learnt - Project Team equipped to operate remotely - Expectations that anything that can be done is done (i.e. early procurement of key elements) - Consideration of use of products available locally - Early identification of long lead time items for timely procurement - Follow construction sector guidance for on site practices / requirements - Greater personal hygiene on site - Enforcing personnel staying at home when sick Planned mitigation actions: - Apollo Projects to procure materials and sub-trades early	Unlikely	Minor	Low

Naenae Pool and Fitness Centre: Risk Register
Prepared by AECOM

Print Date: 15/11/2023

	THE RISK IF [event or condition i.e. what can happen] THEN [consequence. Why is it a concern / impact if we don't get it right]	RISK DRIVERS existing and potential causes/triggers	Risk owner	INHERENT RISK			CONTROLS / RISK RESPONSES	RESIDUAL RISK		
				Likelihood	Impact	Risk		Likelihood	Impact	Risk
25	<u>Availability of materials</u> If there is not enough of the required materials available during any stage of the construction phase due to supply constraints, Then there would be project delays and cost implications due to a need to source alternative products at higher cost and at less than specified standard of quality.	- Local shortage of supply due to high demand - Internationally sourced products and delays in delivery to New Zealand	Apollo Projects	Possible	Minor	Medium	Current controls/risk treatments: - Early procurement of key items - Early identification of lead in time for procurement - Source alternative products of greater or equal quality - Early sourcing by contractor and storage off-site - Consideration of available materials during design - Consideration of locally available materials during design Planned mitigation actions: - Apollo have identified long lead time items and regular monitoring of delivery status - Review of Apollo's construction programme and scheduled timelines of off-site fabrication and materials	Unlikely	Minor	Low
29	<u>Cost impact of Greenstar and other sustainability initiatives</u> If the contractor is unable to meet HCC sustainability ambitions and certification, Then there will be damage to the Clients reputation and contribution to carbon zero commitments for Council cannot be met.	- Sustainability initiatives may result in higher capex	BBD	Possible	Insignificant	Low	Current controls/risk treatments: - Identification from project team to budget from Day 1 - Project team aware of requirements - Design to be able to meet green star certification requirements - Independent Commissioning Agent (ICA) initiatives Planned mitigation actions: - Monthly reporting	Unlikely	Insignificant	Low
83	<u>Construction works adjacent to the residential houses</u> If construction noise or traffic causes disruption to neighbouring residential houses, Then there is a potential for reputational damage or an increase in complaints from the public.	- Increased noise levels, dust and nuisance - Disruption to the surrounding road network	HCC / Apollo Projects	Possible	Minor	Medium	Current controls/risk treatments: - Keeping the community informed with site works through the HCC communication channels - Letter box drops every 2 months - Clear lines of communication, being open and honest - Review of contractor methodology and mitigations Planned mitigation actions: - Keeping the community informed with site works through the HCC communication channels, including letter box drops. - Contractor communications - Attendance at CAG meetings - Keeping HCC councillors informed	Unlikely	Insignificant	Low
2	<u>Aquatic Community Expectations</u> If the completed project fails to meet the requirements and expectations of the aquatic community, Then sport groups will not use the pool as it does not meet their requirements	- Insufficient engagement with aquatic users throughout the design process - Competing interests between aquatic sports and local community users - Cost pressures result in reduced scope	HCC	Unlikely	Minor	Low	Current controls/risk treatments: - Development of communication and stakeholder management plans at project commencement - Engaging with the aquatic community in a structured and planned way - Decision from Board where there is a competing interest between local users, sports groups and community groups - Formation of the Aquatic Users Group to represent various aquatic stakeholders - Regular engagement with the Aquatic Users Group throughout design development - Aquatic Users Group to have a representative on the Community Advisory Group Planned mitigation actions: - Future involvement with community and sports groups - Update community and sports groups at each design phase	Unlikely	Minor	Low

Naenae Pool and Fitness Centre: Risk Register
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Print Date: 15/11/2023

	THE RISK IF [event or condition i.e. what can happen] THEN [consequence. Why is it a concern / impact if we don't get it right]	RISK DRIVERS existing and potential causes/triggers	Risk owner	INHERENT RISK			CONTROLS / RISK RESPONSES	RESIDUAL RISK		
				Likelihood	Impact	Risk		Likelihood	Impact	Risk
9	<u>Degree of consultation (not enough)</u> If there is insufficient engagement with local stakeholders and users early on, Then there will be late changes in project resulting in delays, additional costs, higher than specified operational costs, and possibly reduced use of the facilities.	- Inadequate timeframes - Lack of information and participation - Inexperience or incorrect key team members	HCC	Unlikely	Moderate	Medium	Current controls/risk treatments: - Stakeholder mapping and engagement plan (what can we talk to people about and when) - Community Advisory Group will feed into design - Design team visual representation and interpretation to be shared with the community through HCC media platforms Planned mitigation actions:	Unlikely	Insignificant	Low
34	<u>Insufficient QA practices to deliver fit for purpose facility</u> If the review processes and quality inspections during construction is insufficient, Then there will be poor deliverables and/or an impact on of cost/programme.	- Poor planning/time	Apollo Projects	Unlikely	Moderate	Medium	Current controls/risk treatments: - Quality Management Plan (QMP) - Review Contractor QMP - ICA controls and control measures within principal's requirements Planned mitigation actions: - Engineer to Contract to manage contractor performance using the contract terms. - QA updates / inspection reports provided monthly by Apollo	Unlikely	Minor	Low
70	<u>Changes of personnel in consenting</u> If key HCC personnel are changed during the consenting phase, Then there will be a delay in approved consents or changes in consent requirements or both.	- Staff leaving or change in role - Resignation - Health - Leave - Retirement - Workload	HCC	Unlikely	Moderate	Medium	Current controls/risk treatments: - Pre-application meeting and identification of consenting staff - Documenting agreed requirements - Consenting completed as soon as possible Planned mitigation actions: - Pre-application meeting and identification of consenting staff - Documenting agreed requirements - Consenting completed as soon as possible - Regular communications as consenting progresses	Unlikely	Minor	Low
3	<u>Stakeholders - Communication and reporting is not clear and results in misinformation</u> If there are not enough communication and accurate reporting with the stakeholders, Then there will be misinformation within the project team and being issued to the public through engagement or media. As well as community pressure in elected officials and/or Loss of community confidence	- Clear lines of communication not identified - Reporting timeframes not followed - Expectations around reporting and communication contents not aligned	AECOM / HCC	Unlikely	Minor	Low	Current controls/risk treatments: - Communication protocols will be set out and defined in the Project Management Plan, Communication Plan and Stakeholder Management Plan will be prepared at project initiation to provide clarity - Review of communication protocols Planned mitigation actions: - CAG engagement during project execution	Unlikely	Minor	Low
4	<u>Project Team - Communication and reporting is not clear and results in misinformation</u> If there is unclear and insufficient communication within members of the project team, Then there will be misinformation within the project team and misinformation may be issued to the public through engagement or media. As well as community pressure in elected officials and a loss of community confidence.	- Clear lines of communication not identified - Reporting timeframes not followed - Expectations around reporting and communication contents not aligned	AECOM / HCC	Unlikely	Minor	Low	Current controls/risk treatments: - Communication protocols will be set out and defined in the Project Management Plan, Communication Plan and Stakeholder Management Plan will be prepared at project initiation to provide clarity - Review of communication protocols Planned mitigation actions: - Regular reporting through weekly, monthly and quarterly reports	Unlikely	Minor	Low

Naenae Pool and Fitness Centre: Risk Register
Prepared by AECOM

Print Date: 15/11/2023

	THE RISK IF [event or condition i.e. what can happen] THEN [consequence. Why is it a concern / impact if we don't get it right]	RISK DRIVERS existing and potential causes/triggers	Risk owner	INHERENT RISK			CONTROLS / RISK RESPONSES	RESIDUAL RISK		
				Likelihood	Impact	Risk		Likelihood	Impact	Risk
5	<u>Not being able to achieve expectations within budget</u> If the budget is unachievable within expectations, or the budget is not sufficient for the desired outcome, Then there will be damage to the clients, consultants, and/or contractors reputation. A delay in completion of the project. Additional funding may have to be sourced and a need for VM or scope reduction and the benefits of the project will not be achieved.	- Changes in design that are not aligned with original brief (including Scope creep) - Unexpected additional costs due to insufficient information from third parties - Omissions in the designs - Unavailability of specified products with alternatives being more costly - Artwork not provided within timeframe creating extra cost - Incorrect cost estimation - Variable founding conditions (foundations) - Costs not within their provisional sums	HCC	Possible	Minor	Medium	Current controls/risk treatments: - Early identification of at risk items/materials for pricing fluctuations - Early identification of long-lead items - Procurement of subcontractors and acceptance of fixed pricing Planned mitigation actions:	Unlikely	Minor	Low
97	<u>Not being able to achieve artist expectations within allocated budget</u> If the budget is unachievable within expectations (client and community), or the budget is not sufficient for the desired outcome, Then there could be damage to the Clients reputation.	- Changes in design that are not aligned with original brief (including Scope creep) - Unexpected additional costs due to insufficient information from third parties - Omissions in design, non-compliant designs, insufficient / incorrect information on equipment space requirements - Unavailability of specified products with alternatives being more costly - International price fluctuations - Incorrect cost estimation - Delays in cost estimation - Costs not within their provisional sums - Insufficient management of artist inputs to programme and budget	HCC	Unlikely	Minor	Low	Current controls/risk treatments: - Staged design process - Cost estimates and QRA at each stage for early cost overruns detection - Direction from board to keep to budget (decisions) - Early identification of at risk materials for pricing fluctuations - D&B fixed price contract in place with Apollo Planned mitigation actions: - Monitoring monthly financial reports	Unlikely	Minor	Low
19	<u>Delay in Building Consent approval</u> If building consent approvals are delayed, Then there will be a delay in programme, additional costs for redesign.	- Capacity constraints at HCC to process applications - Incomplete and or non-compliant applications - Design-build components required as part of consent process - 3rd party reviewing consents - Sequencing of consent approvals	AHDT / Apollo Projects	Unlikely	Minor	Low	Current controls/risk treatments: - Early engagement with regulatory team representative and clarification of who will undertake the consent reviews - Review of programme for design build elements to review staging - Peer review requirements for regulatory approvals identified early - PS2 as part of submission Planned mitigation actions: - Early engagement with regulatory team representative and clarification of who will undertake the consent reviews - Review of programme for design build elements to review staging - Peer review requirements for regulatory approvals identified early - PS2 as part of submission - Regular communications with Consents team - Prompt responses to RFI's	Unlikely	Minor	Low
20	<u>Safety-in-Design not adequate</u> If safety is not considered enough in design with the final design not meeting safety requirements, Then the facility will not operate as it should resulting in H&S incidents during occupation. This will require cost and time to rectify problems. Additionally, there may be safety issues during construction that could have been avoided.	- Safety-in-design process not implemented - Lack of consultation with HCC, contractors, facility operator	Apollo Projects / HCC	Unlikely	Moderate	Medium	Current controls/risk treatments: - SID at all stages (includes whole of life risks and residual risk) - Handover at completion of construction to HCC - Monthly review of the LIVE document, to be closed out towards end of project Planned mitigation actions: - Adequate SID planned and undertaken at each design stage - Inclusion of wide representation including HCC operators as design progresses	Unlikely	Minor	Low

Naenae Pool and Fitness Centre: Risk Register
Prepared by AECOM

Print Date: 15/11/2023

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				Likelihood	Impact	Risk		Likelihood	Impact	Risk
24	<u>Site security breaches</u> If the site is breached during construction, Then there will be a higher safety risk or injury and potential death	- Ineffective perimeter fencing and signage - Higher risk areas associated with criminal activities	Apollo Projects	Possible	Extreme	High	Current controls/risk treatments: - Review of contractor's SSSP - Site left in safe condition - Active management of site by Contractor - Contractor has installed a high-tech site security system. Security Patrol is called out upon system activation. - Storage within secure warehouse - Identifying attractive items and removing from line of sight - As items are being installed within the building, less are stored out in public view/harder to steal Planned mitigation actions: - Review ongoing security requirements for the site as construction progresses and adjust as necessary	Unlikely	Minor	Low
35	<u>Change in project team personnel</u> If the project team take personnel leave or change roles, Then there could be a loss of historical knowledge, time loss in handover, a change in team dynamic and/or a gap in project team (if no new resource identified).	- Resignation - Health - Leave - Retirement - Workload	HCC	Possible	Minor	Medium	Current controls/risk treatments: - Balanced view of resourcing across project team - D&B fixed price contract in place Planned mitigation actions: - Contingency resources identified and utilised as necessary	Unlikely	Minor	Low
44	<u>Weather impacts to programme</u> If adverse weather results in on-site construction delays to occur, Then there will be delays in progress or increased project costs (if substantial delay).	- Adverse weather	Apollo Projects	Possible	Minor	Medium	Current controls/risk treatments: - Schedule weather sensitive activities to occur when weather is typically preferable for the activity - Programme allows for 20WD float for inclement weather Planned mitigation actions: - Continuous review of programme and progress	Unlikely	Minor	Low
50	<u>Stakeholder engagement with accessibility representatives</u> If accessibility representatives are not engaged and the pool does not have sufficient accessible features, Then the pool will fail to be suitable for all of the community.	- No accessibility engagement leading to catering for disabilities not fully considered or incorporated in design	HCC	Unlikely	Minor	Low	Current controls/risk treatments: - Early engagement with accessibility representative either through the CAG or through recognised providers. - Accessibility reviews that extend beyond NZBC compliance - Engage with CAG representative and also identify any other bodies or representatives to provide early design stage inputs to the project - Ongoing consultation with Wheels & Canes Planned mitigation actions: - Apollo to respond to accessibility review. The final agreement to be incorporated into the detailed design	Unlikely	Minor	Low
69	<u>Passive Fire more detailed definition of design for consent required</u> If there are insufficient details for passive fire design, Then there will be a delay in approval of Stage 6 Fitout consent, reputational damage if the overall project delayed and funding impacts.	- Changing regulatory compliance requirements - Consent reviewer may require additional compliance information over an above NZBC requirements	AHDT	Unlikely	Minor	Low	Current controls/risk treatments: - Preparing of consenting strategy - Preapplication meeting early at developed design to determine likely requirements Planned mitigation actions: - Preapplication meeting to determine likely requirements so these can be included prior to consent lodgement - Development of the design to meet current regulatory requirements - Respond to RFI's as they are raised	Unlikely	Insignificant	Low

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93	<u>Roading changes require further changes following public consultation and TSC approvals</u> If following public consultation or for transport subcommittee approvals changes are requested to the roading or carpark layout Then there may be a requirement to undertake further design and submit a further resource consent amendment.	- Public consultation to on-street parking changes - Transport Subcommittee approvals - HCC roading reviews - Integration with other planned works in the area	HCC	Unlikely	Moderate	Medium	Current controls/risk treatments: - Engagement with community leaders as design progresses - HCC roading reviews as design progresses - Consent amendment prepared in parallel to public consultation - HCC roading provide comment prior to consent lodgement Planned mitigation actions: - Ongoing co-ordination discussions with the roading team on status of other works in the area	Unlikely	Minor	Low
1	<u>Failure of the completed project to meet the requirements and expectations of the Local Community</u> If the community needs are not incorporated into the design, THEN there will be a reduction in use of facilities by local users.	- Insufficient engagement with local community - Competing interests of aquatic sports and local community - Cost pressures result in reduced scope	HCC	Unlikely	Major	Medium	Current controls/risk treatments: - Development of stakeholder management plan at project commencement - Engaging with the project stakeholders in a structured and planned way - Availability of support including stakeholder management, iwi specialist, programme review, risk management, global best practice, value management, to get stakeholder and community buy in - Consideration and integration of community context through the involvement of the town planning specialist - Formal stakeholder process for design approval gates are defined agreed with HCC with final approval confirmation to be sent to AECOM via a single point of contact - Decision from Board where there is a competing interest between local users, sports groups and community groups Planned mitigation actions: - Ongoing coordination with local community through CAG	Unlikely	Insignificant	Low
82	<u>Chemical contamination in soil</u> If soil is contaminated and is unable to be reused onsite or disposed of in regular manner, Then the contaminated land requires consenting and removal.	- Prior site usage and potential contamination of soils - Asbestos presence or contamination - Increased costs associated with transportation of contaminated soil	AHDT / BBD	Likely	Minor	Medium	Current controls/risk treatments: - Additional soil testing has been undertaken - Asbestos clearance certificates provided for site - Disposal at Silverstream landfill has been approved Planned mitigation actions:	Possible	Insignificant	Low

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22	<u>Inadequate soft handover and training of staff for operation prior to full operation</u> IF sufficient operational training is not provided for staff during handover and staff cannot properly operate the facility, THEN there will be poor performance, poor safety, poor operation and financial impact and well as a loss of confidence from the community.	- Lack of time - Poor management - Pressure to open - Failure to identify appropriate staff / recruit - Availability to participate	HCC	Possible	Major	High	Current controls/risk treatments: - Involved in commissioning - Early identification of team and need to recruit - training of op staff - Staff involved during design stage - HCC to agree on operation model - Capabilities of employed ICA Planned mitigation actions: - Regular engagement with operational team regarding the design - establishment of 'transition to operations' project team	Unlikely	Minor	Low
78	<u>Additional existing services found or buried infrastructure not removed during demolition and/or excavation</u> IF there are additional existing services found or locations different than expected found during demolition and/or excavation. Or there is buried infrastructure not removed during demolition, THEN there will be programme and cost implications.	- Services and infrastructure varies from as-built information and there are unexpected discoveries - Existing infrastructure difficult to remove	AHDT / Apollo Projects	Unlikely	Moderate	Medium	Current controls/risk treatments: - Early services identification - Service identification requirements included in demolition specification - Supervision during excavations Planned mitigation actions: - Early services identification - Supervision during excavations	Unlikely	Minor	Low
37	<u>Delay due to code compliance certificate</u> If the code compliance is not filed or granted on time, Then there will be delays to pool opening	- Contractor planning/performance	Apollo Projects	Unlikely	Moderate	Medium	Current controls/risk treatments: - Early engagement with HCC regulatory team and contractor planning - Contingency in programme - External sources to complete works - Civil works with AECOM Planned mitigation actions: - Identification of all requirements and tracking of completion - Temporary Certificate of Public Use (CPU)	Unlikely	Minor	Low

Our Reference

TO: Chair and Members
Audit and Risk Subcommittee

FROM: Vanessa Gilmour

DATE: 09 February 2024

SUBJECT: AUDIT AND RISK SUBCOMMITTEE FORWARD
PROGRAMME 2024

Purpose of Memorandum

1. To provide the Audit and Risk Subcommittee (the subcommittee) with a Forward Programme of work planned for the subcommittee for 2024.

Recommendation

That the Subcommittee receives and notes the Forward Programme for 2024 attached as Appendix 1 to the memorandum.

Background

2. The Terms of Reference for the subcommittee require the subcommittee to have a monitoring and advisory role in reviewing the effectiveness of the manner in which Council discharges its responsibilities with respect to governance, risk management and internal control.
3. The Forward Programme for 2024 provides a planning tool for both members and officers to co-ordinate programmes of work for the year. The forward programme is attached as Appendix 1 to the memorandum.

Forward Programme

4. The Forward Programme is a working document and is subject to change on a regular basis.

Appendices

No.	Title	Page
1	Appendix 1 - Subcommittee Forward Work Programme 2024	50

Author: Vanessa Gilmour, Democracy Advisor

Reviewed By: Kate Glanville, Senior Democracy Advisor

Approved By: Kathryn Stannard, Head of Democratic Services

Audit and Risk Subcommittee Forward Work Programme 2024

Description	Team	Cycle 2 30 Apr 2024	Cycle 3 25 Jun 2024	Cycle 4 27 Aug 2024	Annual Report	Cycle 5 26 Nov 2024	Pending
Subcommittee Forward Work Programme	Democracy Advisor	✓	✓	✓		✓	
Tupua Horo Nuku / Eastern Bays Shared Pathway Project Update	Transport	✓		✓		✓	
RiverLink Project Update	RiverLink Project	✓		✓		✓	
Naenae Projects Update	Naenae Projects	✓	✓	✓		✓	
Water Services Reform Update	Strategic Projects	✓	✓	✓		✓	
Audit of Long Term Plan	Finance	✓					
Risk Management and Assurance Update	Finance	✓		✓		✓	
Sensitive Expenditure Disclosures	Finance	✓	✓			✓	
Holidays Act Remediation Project	Finance	✓		✓			
ComplyWith: Legal Compliance	Legal Services	✓					
External Audit Update - Hutt City Council	Finance		✓	✓		✓	
External Audit Update - Seaview Marina Limited	Finance		✓			✓	
External Audit Update - Urban Plus Limited	Finance		✓			✓	
Insurance renewal update	Finance			✓			
Hutt City Council Group Annual Report	Finance				✓		
Tax Risk Governance Framework (annual update)	Finance					✓	
Future of Local Government	Strategic Projects						✓