



RISK AND ASSURANCE COMMITTEE

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Open Minutes Attachments

Meeting Date: Thursday 4 December 2025

Time: 9.30am

Venue: Small Exhibition Hall
War Memorial Centre
Marine Parade
Napier

TABLE OF CONTENTS

Item 1	Whanaungatanga and Induction
Attachment 1	20251204 Induction first meeting presentation2



Meeting #1 introductions – 2025/28 triennium

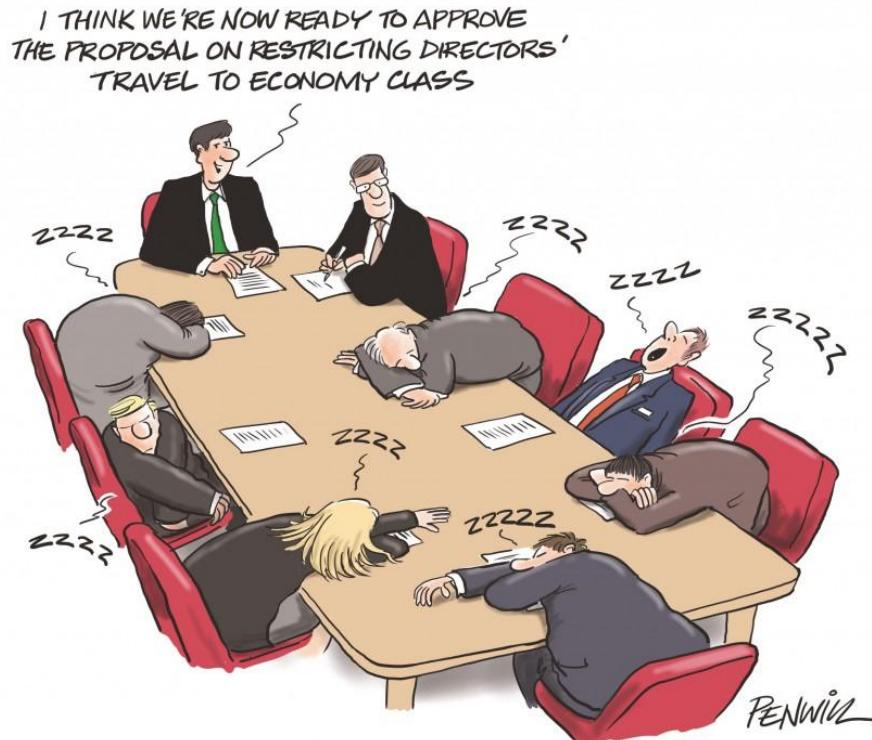
Napier City Council
03 December 2025

(With help of PPT presentations at LGNZ's New Mayor school, Waipa and Gisborne DC)





What's your impression of ARCs?





Would you associate these words with an ARC?

Key words as you implement
effective risk governance
(and management)

- Opportunity
- Value creation
- Future focus
- Foresight

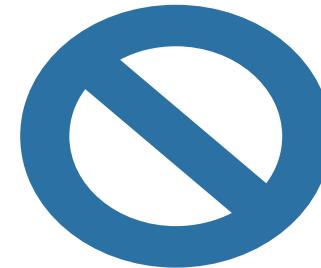
What is risk?



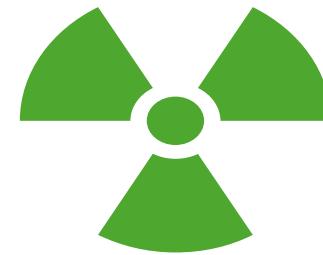
RISK OVERVIEW



Risk = effect of uncertainty on objectives



Risks are anything, internally or externally, that might stop us achieving our plans



Risk isn't just "bad things" – it's both threats and opportunities.



Today's riskscape



Broader key risks facing local Government in NZ

Council needs to consider whether any of the below create a new top risk or alter the existing risks.

Local Government NZ have identified the following key issues facing local Councils:

	Local electoral reform: Despite their crucial role in shaping communities, local elections in Aotearoa New Zealand saw only a 40% turnout in October 2022, highlighting the need for local councils to boost public engagement and ensure diverse representation for a stronger democracy.
	Funding and financing: Local councils are facing financial challenges due to an outdated funding and financing system, with costs rising faster than consumer inflation. Successive governments are introducing new roles and responsibilities, without additional funding which adds burden upon ratepayers.
	Water services: Historic under-investment in water infrastructure is being furthered pressured by climate change and extreme weather events.
	Resource management: The Government is undertaking a comprehensive resource management reform programme, which involves repealing the previous Government's reforms and designing a replacement for the RMA.
	Climate change: Local Councils require enhanced tools, resources, and a stronger voice in national climate strategies to effectively manage climate risks and implement sustainable adaptations, ensuring policies are impactful and cost-effective for communities.
	Emergency management and recovery: Local government plays a central role in civil defence and emergency management.
	Transport: Local Council current networks are facing a range of challenges, including the impact of more frequent extreme weather events, urgent maintenance needs, population growth and climate adaptation.
	Housing: Working with Central Government on National Policy Statement on Urban Development and rules that enable rapid acceleration of supply of housing in high demand areas.
	Environment: Leading and championing policy and working with central government, iwi and stakeholders to address the increasing impact of environmental issues, including climate change, the quality and quantity of New Zealand's freshwater resources, reducing waste and protecting biodiversity.

Local government risks seen across our other clients and the recent Office of the Auditor General LTP report:

Weather events risk profiling and response	Local Water Done Well implementation	RMA reforms
Community engagement	Demonstrating value for money in light of rate increases and cost of living challenges	Funding constraints and increasing debt levels
Organisational capacity and operating models reviews	AI and automation	Iwi partnership and iwi / hapu delineations
Social housing investment	Climate resilience and emissions targets	Exposure to, and reliance on, government funding for infrastructure

Common Risks Councils Face



- **People & Capability** – attracting, retaining, and supporting the workforce needed to deliver services.
- **Natural Environment** – pressures on rivers, land, and coastlines from climate change and land use.
- **Infrastructure, Assets & Service Delivery** – ageing or fragile water, roading, and community infrastructure.
- **Financial** – balancing affordability, debt, and recovery costs in a volatile funding environment.
- **Reputation** – maintaining community trust and confidence amid rising expectations.
- **Legal & Compliance** – meeting obligations across planning, health & safety, and financial rules.
- **Business Continuity** – ensuring critical services continue through disruption.
- **Treaty Commitments** – building enduring partnerships with iwi and hapū.
- **Council Strategy & Recovery** – delivering on long-term plans while navigating Gabrielle recovery.
- **Information, systems and privacy/ transparency** - Inadequate technology use; Hacking /cyber attack disrupting services; Unauthorised access; Improper use of it systems

Risk hierarchy



Risk Governance at Council



Council sets tone, priorities, appetite



Councillors = governors, not managers



Focus: strategic and enterprise risks



Audit & Risk Committee: oversight & quarterly reporting



Strategic risks and appetites refreshed each 3 years with LTP



Risk Governance

Strong risk governance enables confident decisions about LTP, rates, and investments.



Big risks that “move the dial”





The Committee's role

Govern risk by:

Identifying and monitoring of Council's risk and establishing Council's *risk appetite*; and

Monitoring the effectiveness of controls to mitigate risks

Communicating with Council on its risk profile

Note – includes health, safety and wellbeing

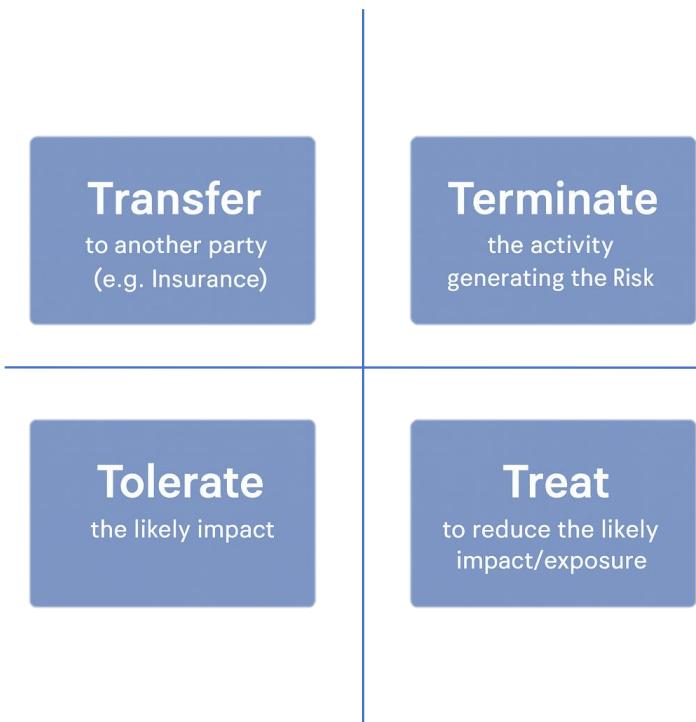
Gain assurance that risks are being managed by:

- Ensuring there is a sound assurance plan in place through an internal audit plan; and
- Monitoring effective organisational response to assurance recommendations

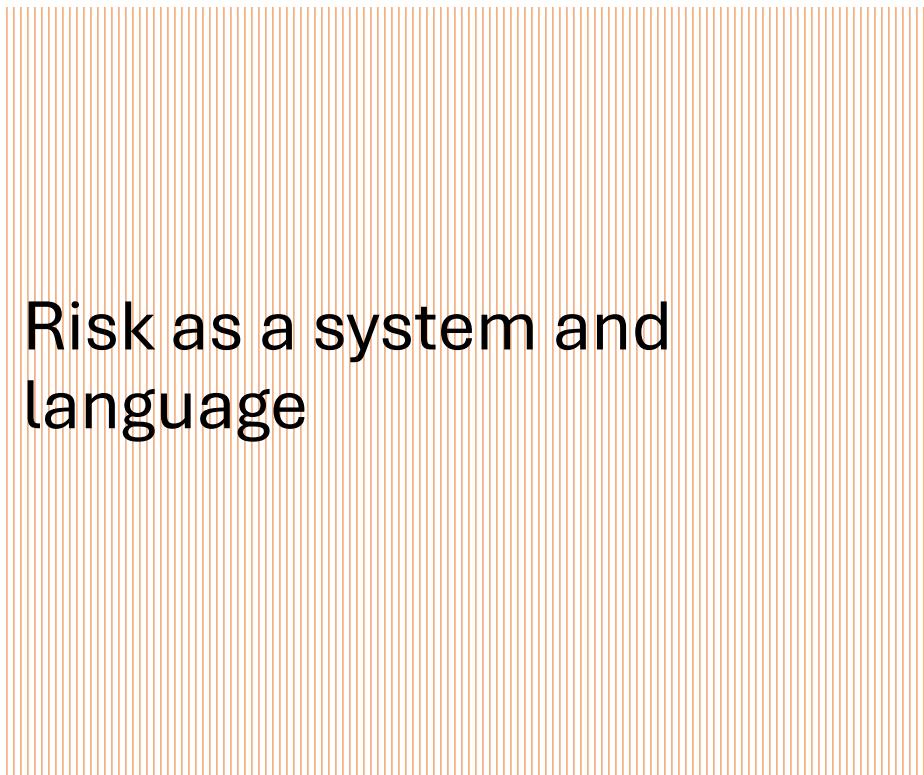
What is Risk Management?



- Something we do every day – at home and at work
- Council's way of understanding and managing uncertainty
- Helps reduce likelihood and impact of risks
- Council can manage risk by:
 - **Reducing** – e.g. stormwater upgrades to lower flood risk
 - **Eliminating** (where possible) – e.g. removing unsafe equipment
 - **Sharing/Transferring** – e.g. through insurance or joint ventures
 - **Accepting** – e.g. low-level risks that cost more to treat than to tolerate
- Good risk management = better services, better trust



Risk governance in relation to opportunity

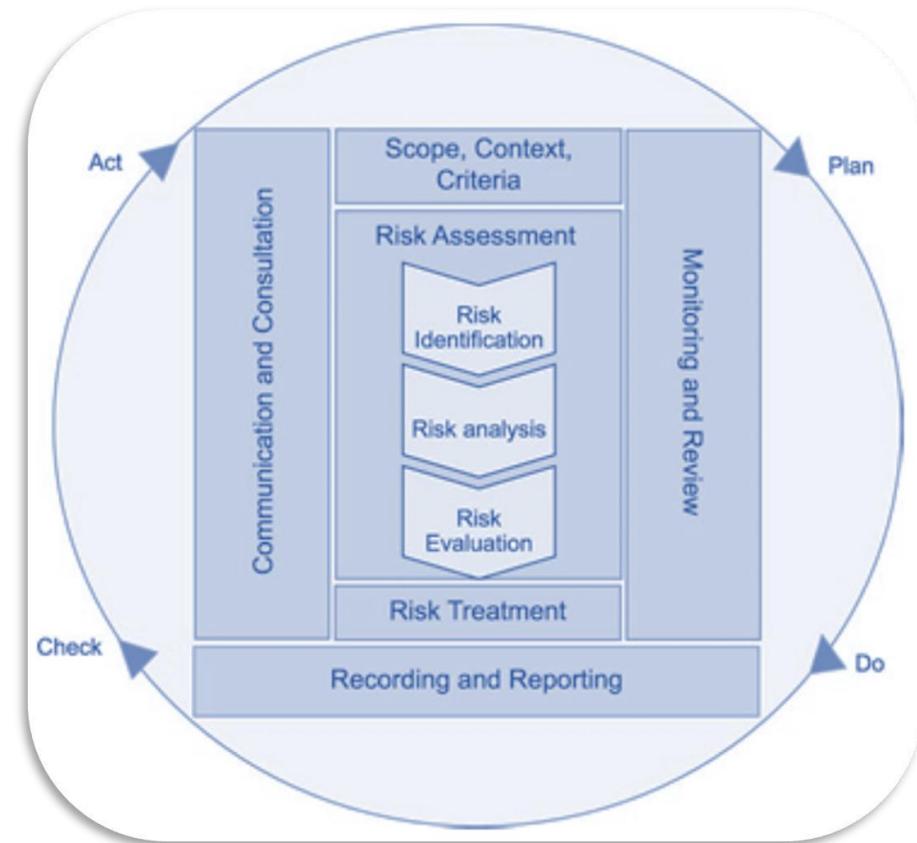


ISO Risk Management Process



The Standard we follow:

- Communicate & consult throughout
- Establish the context
- Identify → Analyse → Evaluate risks
- Treat risks
- Monitor, review, record, and report



What would you do?



Strategic/Enterprise Risk Overview (July - September 2025)			
Strategic/Enterprise Risks	Residual Risk (consequence) Level	Risk within Appetite?	Comments
Strategic Risks			
Infrastructure Asset Management (AM)	● Extreme	✗ No	Completion of assessment review follows this Committee meeting
Gabrielle Recovery (GR)	● Extreme	✗ No	Assessment review follows this Committee meeting
Natural Environment (NE)	● Extreme	✗ No	Assessment review underway – update will follow the December Committee meeting
Treaty Commitments (TC)	● Major	✗ No	Controls being embedded - progress expected by January 2026
Financial (F)	● Major	✗ No	Reassessed down from Extreme and expected to track back towards Moderate within the next 12 months through credit rating and insurance controls
People and Capability (PC)	● Moderate	✓ Yes	Stable - no change
Business Continuity (BC)	● Moderate	✓ Yes	Stable - no change [Includes IT]
Enterprise Risks			
Civil Defence and Emergency Management (CD)	● Moderate	✓ Yes	Stable - no change
Health and Safety (HS)	● Moderate	✓ Yes	Stable – no change
Legal Compliance (LC)	● Minor	✓ Yes	Stable - no change
Overall Council Strategy (3YP)	● Moderate	✓ Yes	On track - risk aligned with appetite

Accessibility: Investigate

Focus

What's your appetite?



	Rating	Philosophy	Tolerance for Uncertainty <small>Willingness to accept uncertain outcomes or variations</small>	Choice <small>Willingness to select an option that puts objectives at risk</small>	Trade-off <small>Willingness to trade off against achievement of other objectives</small>
5	Very High (Open)	Will take justified risks to harness opportunities	Fully anticipated	Will choose option(s) with highest return, accepting possibility of failure	Willing
4	High (Justified)	Will take strongly justified risks	Expect some	Will choose to put at risk, but will manage impact	Willing under right conditions
3	Moderate (Measured)	Preference for delivering expected outcome	Limited	Will accept if limited and heavily outweighed by benefits	Prefer to avoid
2	Low (Cautious)	Extremely conservative	Low	Will accept only if essential, and limited possibility/extent of failure	With extreme reluctance
1	Very Low (Averse)	Avoidance of risk is a core objective	Extremely low	Will always accept the lowest risk option	Never

Constructive tension



The ability to ask a searching question and the expectation of an honest answer



PROVIDED:



THE COMMITTEE ENVIRONMENT IS SAFE



MANAGEMENT'S ADVICE IS RESPECTED



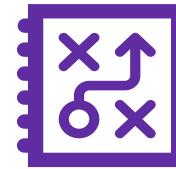
MEMBERS ARE SOLUTION FOCUSED



Closing – Your role in risk



Set Council's risk appetite and tone from the top



Focus on strategic and enterprise risks, not day-to-day



Challenge management on risks outside appetite



Centre the LTP process – your strategic priorities in the new year will directly shape Council's strategic risks



Ensure Council remains resilient and trusted



Good risk management = confident decision-making and better outcomes for Tairāwhiti.

Good governors are good risk governors





Conclusions



Other slides



“Other” roles

Develop and maintain:

- An effective relationship with the external auditors (the OAG and Audit NZ)
- Integrating their input and reporting into our external accountability and our assurance plan

Oversee our external accountability by:

- reviewing the accounting policies, the Annual Report and the Audit Report, and
- recommending the Annual Report to the Council for adopt
- being involved in any special audits or discussions on technical matters



“Other” roles

“Other”:

- review Council’s insurance programme and make recommendations to Council and/or the Commercial and Strategy Committee in relation to renewals;
- provide oversight of legal risks, claims or proceedings provided

- provide oversight of compliance with statutory responsibilities relating to financial responsibilities
- undertake work at the request of Council

Would you associate these words with an ARC?



- Opportunity
- Value creation
- Future focus
- Foresight

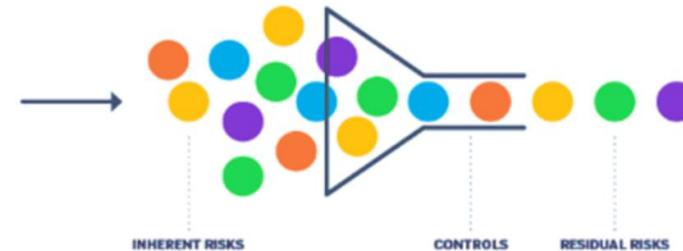
If you can't the ARC needs to change

How we assess risks

Behind the Scenes

1. **Bowtie development** with SMEs & risk owners: define threats, consequences, and existing controls.
2. **Residual risk assessment:**
 - 1) Step 1: Rate inherent (raw) risk – likelihood \times consequence.
 - 2) Step 2: Assess control effectiveness.
 - 3) Step 3: Calculate residual risk.
3. **Compare to appetite:** If residual risk is outside appetite, develop new treatments and add to control suite.

Inherent risk vs. residual risk



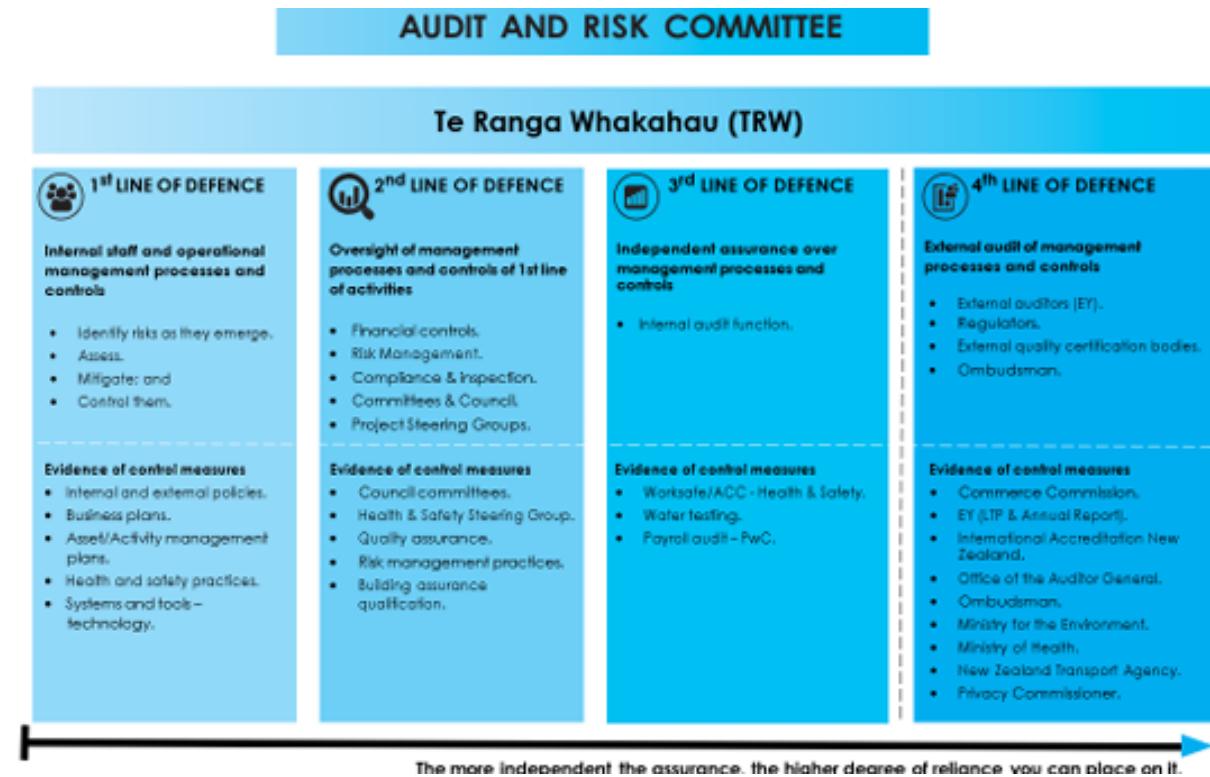
Residual risk is the risk remaining after efforts have been made to reduce the inherent risk.

Likelihood	Consequence/Impact	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Extreme
A. Almost certain	L	M	H	S	S	
B. Likely	L	M	H	S	S	
C. Possible	L	L	M	H	H	
D. Unlikely	L	L	M	M	H	
E. Rare	L	L	L	M	H	

Managing Controls, not just risks



- Key Principle:** Risk management is really about managing the controls.
- Treatments:** new or improved actions to bring risks within appetite.
- Assurance mapping:** testing our control environment.
- Lines of defence:** checking whether controls work in practice (management, oversight, audit).
- Outcome:** Identify gaps and provide assurance to Audit & Risk.



Council's Strategic Risks



- **8 Strategic Risks**
- **3 Enterprise Risks.**
- Residual risk ratings show whether they sit within or outside appetite.
- Extreme and Major risks (red/orange) are the ones Council must pay closest attention to.

Strategic/Enterprise Risks	Risk Event	Residual Risk	Risk within Appetite?
Strategic Risks			
Infrastructure Asset Management (AM)	Failure to provide sustainable, fit-for-purpose critical infrastructure services	Extreme	<input checked="" type="checkbox"/> No
Gabrielle Recovery (GR)	Failure to effectively manage Council's recovery efforts	Extreme	<input checked="" type="checkbox"/> No
Natural Environment (NE)	Failure to sustainably manage our natural environment under Council control	Extreme	<input checked="" type="checkbox"/> No
Treaty Commitments (TC)	Council does not have the appropriate policies, systems and procedures to facilitate enduring Treaty Partnerships	Major	<input checked="" type="checkbox"/> No
Financial (F)	Failure to be financially sustainable	Major	<input checked="" type="checkbox"/> No
People and Capability (PC)	Loss of organisational capability and workforce effectiveness	Moderate	Yes
Business Continuity (BC)	Council is unable to provide critical services	Moderate	Yes
Overall Council Strategy (3YP)	We don't achieve our Three-Year Plan strategic priorities' (to prioritise resilient waters, build resilient transport and enable effective regulatory functions)	Moderate	Yes
Enterprise Risks			
Civil Defence and Emergency Management (CD)	CDEM (Civil Defence Emergency Management) Group is unable to coordinate effective response and recovery operations in a Civil Defence emergency.	Moderate	Yes
Health and Safety (HS)	Inability to adequately protect Council staff and the community from hazards or events where reasonably practicable to do so	Moderate	Yes
Legal Compliance (LC)	Legal and policy non-compliance	Minor	Yes

Council's Risk Appetite



- Appetite = the **level of risk Council is prepared to accept.**
- **Major appetite:** Financial, Reputation.
- **Moderate appetite:** All other categories.
- Risks outside appetite → require treatment and Audit & Risk reporting.

