ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua

Kaupapataka

Agenda

NOTICE OF A MEETING

OF

AUDIT AND RISK COMMITTEE

Date: **Wednesday 26 August 2026**

Time: **9.30am**

Venue: **Council Chamber**

MEMBERSHIP

Chair	Mr Timmer

Members

Deputy Mayor Kai Fong (Deputy Chair)
Mayor Tapsell
Cr Barker
Cr Brown
Cr Lee
Cr Maxwell
Cr Paterson
Cr Raukawa-Tait
Cr Sandford
Cr Temara-Benfell
Cr Wang

Quorum	7

Andrew Moraes
Chief Executive

KOMITI AROTAKE ME TE HAUMARU
AUDIT AND RISK COMMITTEE

Committee Name	Audit and Risk Committee
Committee Type	Standing Committee
Chair	Independent Chair
Legislative Basis	Schedule 7 s30 (1) (A), Local Government Act 2002 Committee delegated powers by the Council as per Schedule 7, s32, Local Governme Act 2002
Membership	All Elected Members Deputy Chair is an Elected Member Independent Chair The Independent Chair will be appointed for an initial term of no more than three years that aligns with the triennial elections, after which the incumbent maybe eligible for extension or reappointment. The Independent Chair's contract is to be reviewed and assessed no later than tw months after each triennial election to allow for transition and continuity.
Meeting Frequency	The Committee shall meet at least four (4) times per year, with additional meetings required. One meeting will be aligned to the Annual Report and external audit process
Quorum	7
Subordinate to	Council
Standing Items	• Enterprise risk overview • Health, safety and wellbeing • Treasury update
Purpose	The purpose of the Audit and Risk Committee is to: • Provide independent assurance and governance oversight of Council's: ○ Financial reporting and audit processes ○ Risk management framework ○ Major projects and programmes ○ Internal controls and assurance systems ○ Compliance with policies and legislation ○ Controls to safeguard the Councils financial and non-financial assets ○ Health, safety and wellbeing governance ○ Treasury, systems, reporting and compliance • Provide assurance that: ○ Key risks to Council's objectives are identified and appropriately managed ○ Effective systems of control and assurance are in place
Role	The Committee: • Provides governance-level oversight and assurance • Advises and makes recommendations to Council • Maintains a strategic and forward-looking perspective Supports measures and processes to improve management performance and internal controls

	The Committee: • Make recommendations to council on matters within the purpose of this committee.
Delegations	Financial Reporting and External Audit • Engage with the external auditors • Review annual financial statements • Consider key accounting policies, estimates, and judgements • Review external audit plans, engagement letters and management reports • Monitor management responses to audit findings • Recommend adoption of the Annual Report to Council • Recommend the terms and arrangements of external audit to Council Internal Audit and Assurance • Approve the internal assurance programme with the CE • Monitor delivery and key findings of the internal assurance and reviews • Approve the Council's internal audit charter • Review management responses and action progress • Maintain oversight of the overall assurance framework Risk Management • Monitor key enterprise risks and trends • Review strategic and emerging risks facing Council • Oversee and approve the risk management framework • Assess alignment with Council approved risk appetite • Seek assurance that risks are appropriately managed • Monitor CCO's risks • Monitor Business Continuity preparedness Major Projects and Programmes • Review framework and policies • Receive assurance reporting on major programmes • Focus on risk, controls, and delivery confidence • Seek assurance that governance arrangements are effective Compliance, Integrity and Internal Controls • Oversee and Monitor Corporate Policies Including but not limited to: o Fraud and protected disclosures o Conflicts of interest and sensitive expenditure o Procurement o Business continuity o Delegations o Legislative compliance • Legislative compliance attestation reporting o Litigation Updates Health, Safety and Wellbeing • Receive governance-level reporting and update from the CE. • Monitor critical risks, incidents, and trends and any external reviews • Gain assurance that Council is meeting its statutory obligations

Back to Index

	Treasury • Review the Treasury Policy • Compliance with Treasury Policy limits • Compliance with LGFA/Bank covenants • Treasury Reporting, Debt, Investments, Forecasts • Rating Agency reports • Finance Strategy Controls to safeguard the Councils financial and non-financial assets • Councils Insurance arrangements and residual risk • Treasury Policy including Investments
Work Programme	The Committee operates under an annual work programme that: • Aligns with key risks and assurance priorities • Ensures statutory and audit responsibilities are met • Includes a mix of: ○ Standing assurance items (each meeting) ○ Scheduled items ○ Risk and Major project deep dives
Meetings and Reporting	• Standing Orders may be suspended in some instances to allow members to speak on particular topics • Recommendations recorded in minutes and reported to Council • Matters requiring decision or escalation referred to Council
Review	The Committee will periodically review: • Its Terms of Reference • Its work programme • Its effectiveness

Order of Business

1 KARAKIA WHAKAPUAKI – OPENING KARAKIA

Tūtawa Mai	**Tūtawa Mai**
Tūtawa mai i runga	I summon from above
Tūtawa mai i raro	I summon from below
Tūtawa mai i roto	I summon from within
Tūtawa mai i waho	I summon the surrounding environment
Kia tau ai te mauri tū	The universal vitality and energy to infuse and enrich all present
Te mauri ora, ki te katoa	
Hāumi e. Hui e. Tāiki e!	Enriched, unified and blessed

2 NGĀ WHAKAPĀHA – APOLOGIES

The Chair invites notice from members of:

1. Leave of absence for future meetings of the Audit and Risk Committee; or
2. Apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

3 WHAKAPUAKITANGA WHAIPĀNGA – DECLARATIONS OF INTEREST

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.

4 NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE - URGENT ITEMS NOT ON THE AGENDA

Items of business not on the agenda which cannot be delayed

The Chair will give notice of items not on the agenda as follows:
Matters Requiring Urgent Attention as Determined by Resolution of Rotorua Lakes Council
The Chair shall state to the meeting.

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Rotorua Lakes Council.
s.46A (7), LGOIMA

Discussion of minor matters not on the agenda.

Minor Matters relating to the General Business of the Rotorua Lakes Council.
The Chair shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Rotorua Lakes Council for further discussion
s.46A (7), LGOIMA

5 TE WHAKAŪ I NGĀ MENETI - CONFIRMATION OF MINUTES

5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 17 JUNE 2026

RECOMMENDATION

That the minutes of the Audit and Risk Committee Meeting held 17 June 2026 be confirmed as a true and correct record.

Back to Index

Minutes (Draft)

Audit and Risk Committee meeting
held Wednesday 17 June 2026 at 1:30 pm
Council Chamber, Rotorua Lakes Council

MEMBERS PRESENT:	Mr Timmer (Chair) Deputy Mayor Kai Fong (Deputy Chair), Mayor Tapsell, Cr Barker, Cr Brown, Cr Lee, Cr Maxwell, Cr Paterson, Cr Sandford, Cr Temara-Benfell, Cr Wang and Cr Raukawa-Tait via Zoom
APOLOGIES:	None
IN ATTENDANCE:	René van Zyl, Audit Director, Audit NZ (via Zoom)
STAFF PRESENT:	A Moraes, Chief Executive; S Fellows, Group Manager - Organisational Performance & Innovation; C Pattison, Risk and Compliance Lead; D Jensen, Chief Financial Officer; C Brickhill, Chief People Officer; M Overbeek, Manager – Finance & Business Performance; J Jarlov, Health, Safety & Wellbeing Manager; H Leef, General Counsel; G Kieck, Manager - Governance, Strategy & Compliance; N Michael, Executive of Communications – Mayor's Office; G Konara, Governance & Democracy Advisor;

The meeting opened at 1.33pm.

1 KARAKIA WHAKAPUAKI – OPENING KARAKIA

Deputy Mayor Kai Fong opened the meeting with a Karakia.

2 NGĀ WHAKAPĀHA – APOLOGIES

None

3 WHAKAPUAKITANGA WHAIPĀNGA – DECLARATIONS OF INTEREST

None

4 NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE – URGENT ITEMS NOT ON THE AGENDA

Minor Matters

- Cr Paterson sought clarification regarding the process for advising councillors of the outcome of intended notices of motions.
- Greg Kieck, Manager - Governance, Strategy & Compliance, advised that Cr Lee, as the councillor who had lodged the notices of motions, had been informed of the outcome and the reasons for decline. Mr Kieck also noted that, in future, all Councillors will be informed of the outcome.

5 TE WHAKAŪ I NGĀ MENETI - CONFIRMATION OF MINUTES

5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 17 APRIL 2026

RESOLVED AR 26/06-016

Moved: Deputy Mayor Kai Fong
Seconded: Cr Wang

1. That the minutes of the Audit and Risk Committee Meeting held 17 April 2026 be confirmed as a true and correct record.

CARRIED

6 NGĀ TĀPAETANGA - PRESENTATIONS

Nil

7 PŪRONGO KAIMAHI – STAFF REPORTS

7.1 AUDIT & RISK COMMITTEE WORK PROGRAMME

RESOLVED AR 26/06-017

Moved: Deputy Mayor Kai Fong
Seconded: Cr Sandford

1. That the report ‘Audit & Risk Committee Work Programme’ be received.

CARRIED

Greg Kieck overviewed the report.

Action Point

- The Chair noted that a line titled "Items completed but not scheduled" will be added to the work programme to keep a record of items covered at meetings.

7.2 ACTIONS REGISTER OF AUDIT & RISK COMMITTEE FOR THE 2ND QUARTER 2026

RESOLVED AR 26/06-018

Moved: Cr Sandford
Seconded: Cr Barker

1. That the report 'Actions Register of Audit & Risk Committee for the 2nd Quarter 2026' be received.

CARRIED

Greg Kieck overviewed the report.

Action Points

- The Chair requested that due dates be added to the 3 action points related to the "Annual Report Review".

David Jensen, Chief Financial Officer, noted he is working with Governance team to arrange a workshop to review the Treasury Policy.

The Chair noted that he is working with Mr Jensen to bring forward a different report on "Quarterly Treasury Reporting".

7.3 AUDIT NEW ZEALAND - 2026 INTERIM REPORT TO COUNCIL

RESOLVED AR 26/06-019

Moved: Cr Barker
Seconded: Cr Wang

1. That the report 'Audit New Zealand - 2026 Interim Report to Council' be received.

CARRIED

David Jensen and René van Zyl (Audit NZ) overviewed the report.

7.4 HEAD START REFORM PROGRAMME – GOVERNANCE, EVALUATION FRAMEWORK AND STRATEGIC RISK OVERSIGHT

RESOLVED AR 26/06-020

Moved: Mayor Tapsell
Seconded: Deputy Mayor Kai Fong

1. **That the report 'Head Start Reform Programme – Governance, Evaluation Framework and Strategic Risk Oversight' be received.**

CARRIED

Sam Fellows and Craig Pattison overviewed the report.

Attendance: Cr Wang left the meeting at 2.11pm and re-joined at 2.17pm.

Action Point

- A workshop to be scheduled prior to the final decision making on 29 July to identify risk appetite and tolerance on the Head Start and Back Stop options.

7.5 ENTERPRISE RISK AND EMERGING RISK UPDATE

RESOLVED AR 26/06-021

Moved: Deputy Mayor Kai Fong
Seconded: Cr Barker

1. **That the report 'Enterprise Risk and Emerging Risk Update' be received.**

CARRIED

Craig Pattison overviewed the report.

Action Point

- A workshop to be scheduled to identify risk appetite and risk tolerance on the overall enterprise related risks prior to the next Audit and Risk Committee Meeting.

7.6 HEALTH, SAFETY AND WELLBEING PERFORMANCE FOR THE PERIOD 1 MARCH 2026 TO 27 MAY 2026

RESOLVED AR 26/06-022

Moved: Mayor Tapsell
Seconded: Cr Wang

1. **That the report 'Health, Safety and Wellbeing Performance for the period 1 March 2026 to 27 May 2026' be received.**

CARRIED

Clint Brickhill and Jesse Jarlov overviewed the reports under agenda items 7.6 and 7.7 together.

RESOLVED AR 26/06-023

Moved: Mayor Tapsell
Seconded: Cr Wang

2. **That the Committee notes that no notifiable incidents to WorkSafe New Zealand occurred during the reporting period involving RLC employees.**
3. **That the Committee notes that one notifiable incident to WorkSafe New Zealand occurred during the reporting period involving a contract worker.**
4. **That the Committee notes the ongoing delivery of the Health & Safety Implementation Plan and Assurance Programme.**

CARRIED

7.7 SAFEPLUS HEALTH & SAFETY ASSESSMENT AND HEALTH & SAFETY IMPLEMENTATION PLAN

RESOLVED AR 26/06-024

Moved: Cr Barker
Seconded: Cr Wang

1. **That the report 'SafePlus Health & Safety Assessment and Health & Safety Implementation Plan' be received.**

CARRIED

7.8 INTERNAL CONTROLS ASSURANCE OVER KEY COUNCIL POLICIES

RESOLVED AR 26/06-025

Moved: Cr Brown
Seconded: Cr Raukawa-Tait

1. **That the report 'Internal Controls Assurance Over Key Council Policies' be received.**

CARRIED

Greg Kieck overviewed the report.

7.9 INTERNAL REVIEW WORK PLAN

RESOLVED AR 26/06-026

Moved: Mayor Tapsell
Seconded: Cr Wang

1. **That the report 'Internal Review Work Plan' be received.**

CARRIED

David Jensen overviewed the report.

RESOLVED AR 26/06-027

Moved: Cr Wang
Seconded: Cr Barker

2. **That the Committee endorses the proposed risk-based Internal Review Plan through August 2028, including the use of external expertise where appropriate, with a focus on value for money, control effectiveness, and risk reduction.**

CARRIED

7.10 TREASURY UPDATE - MAY 2026

RESOLVED AR 26/06-028

Moved: Cr Brown
Seconded: Cr Barker

1. That the report 'Treasury Update - May 2026' be received.

CARRIED

David Jensen overviewed the report.

The Chair moved the following motion;

RESOLVED AR 26/06-029

Moved: Mr Timmer
Seconded: Deputy Mayor Kai Fong

2. That the committee notes the breach of the Council's Treasury Policy with investment funds with Kiwibank being above prescribed counterparty limit and recommends to Council that is approved and will be corrected when the investment funds mature on 31st December this year.

3. That the Committee recommends that any breaches of the Council's Treasury Policy, once discovered, are reported immediately to the Chair of the Audit and Risk committee.

CARRIED

8 HE WHAKATAUNGA KIA HURI ATU TE ARONGA O TE HUI KI TE HUI TŪMATAITI – RESOLUTION TO MOVE INTO PUBLIC EXCLUDED (TO CONSIDER AND ADOPT CONFIDENTIAL ITEMS)

RESOLVED AR 26/06-030

Moved: Cr Wang
Seconded: Mayor Tapsell

1. That Audit and Risk Committee resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution

8.1 - Confidential Minutes of the Audit and Risk Committee Meeting held on 17 April 2026	Please refer to the relevant clause/s in the open meeting minutes.	Good reason for withholding exists under Section 48(1)(a).
8.2 - Legislative Compliance, Litigation and LGOIMA Report	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - 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 would exist under section 6 or section 7
Plain English	The information relates to legal matters.	

CARRIED

The meeting moved into Public Excluded session at 3.13pm and adjourned for a break.

The meeting resumed at 3.28pm in public excluded session.

CLOSED SESSION

The meeting moved out of Public Excluded session at 4.12pm.

OPEN SESSION

11 TE KARAKIA WHAKAMUTUNGA – CLOSING KARAKIA

Mayor Tapsell closed the meeting with a Karakia.

The Meeting closed at 4.12pm.

To be confirmed at the Audit and Risk Committee meeting on 26 August 2026.

Rotorua Lakes Council is the operating name of Rotorua District Council

6 NGĀ TĀPAETANGA - PRESENTATIONS

Nil

7 PŪRONGO KAIMAHI – STAFF REPORTS

7.1 AUDIT & RISK COMMITTEE WORK PROGRAMME

Prepared by:	**Gomathi Konara, Governance and Democracy Advisor**
Approved by:	**Sam Fellows, Group Manager - Organisational Performance & Innovation**
Attachments:	**Attachments: Nil**

1. TE PŪTAKE
PURPOSE

The purpose of this report is to receive an update on the Audit and Risk Committee work programme for the 3rd Quarter 2026.

HE TŪTOHUNGA
RECOMMENDATION

1. **That the report 'Audit & Risk Committee Work Programme' be received.**

Back to Index

Audit and Risk Committee Work Programme for 3rd Quarter 2026

Key				
Scheduled	1			
Rescheduled	1			
Scheduled and completed	√			
Scheduled and Included in this agenda	√			
Unscheduled but completed	√			
Scheduled but to be completed	1			

Audit and Risk Committee Work Programme	Q1	Q2	Q3	Q4
Risk				
Strategic / Emerging	√	√		
Top 10 & Changes		1	√	1
Deep Dive			√	
Special Topic - eg. CCO Risks / Controls / Risk Appetite				1
Business Continuity Preparedness				1
GM Risk Presentations - TBA				
Health & Safety				
Quarterly Report on H&S- Incidents, Critical Risks	√	√	√	1
Special Topics on H&S (Improvement Plans)		√		1
CEO Update with H&S focus			1	1
Treasury Compliance				
LGFA Covenants & TMP Compliance	√	√	√	1
Strategy / Advisors visit / Rating Agency / Finance Strategy / Reform impacts	√			
External Audit				
Planning - YE Audit- LTP	√			
Annual Report / External Audit Visit			1	1
Accounting Policies / Estimates Judgements	√			
Management Letter / Audit Points	√			1

	Q1	Q2	Q3	Q4
Internal Audit				
Programme status / Plans / Audit Charter / Audit Reports / Action items / LTNZ		√		1
Informal Audits - Internal reviews	1		1	
Policies/ Internal Control				
Status Report on all policy reviews / updates				1
Policies for Review / Endorsement		√		
Legal & Legislative Compliance				
Compliance reporting		√		
Litigation Update (Dependant on issues)	1		√	1
Councillors Expenditure / Gifts / Conflicts			1	1
Insurance				
Pre-renewal Annual programme update			1	
Special items - Insurance Strategy- Risk Exposure		1	√ 1	
Major Projects & Programmes				
Policy / Process / Framework			√	
Major Projects / Risks			√	
Post Audit Review - Process Review			√	
Committee Operations				
Actions register	1	√	√	1
ToR Review	√			1
Professional Development / Committee Performance				1
Work Programme				
This is a Dynamic document forms part of the order papers as does the ToR	√	√	√	1

Back to Index

	Q1	Q2	Q3	Q4
Unscheduled but Completed (added as required by the Chair at the meeting held on 17.06.2026)				
Computer Software Asset Impairment	√			
Rotorua Lakes Council Liability Claims in Progress	√			
Audit New Zealand - 2026 Interim Report to Council		√		
Head Start Reform Programme – Governance, Evaluation Framework and Strategic Risk Oversight		√		

Back to Index

7.2 AUDIT & RISK COMMITTEE ACTIONS REGISTER FOR THE 3RD QUARTER 2026 ON REPORTS IN PUBLIC SESSION

Prepared by:	**Gomathi Konara, Governance and Democracy Advisor**
Approved by:	**Sam Fellows, Group Manager - Organisational Performance & Innovation**
Attachments:	**Attachments: Nil**

1. TE PŪTAKE
PURPOSE

The purpose of this report is to receive the Actions Register of Audit and Risk Committee for the 3rd Quarter 2026.

HE TŪTOHUNGA
RECOMMENDATION

1. That the report ‘Audit & Risk Committee Actions Register for the 3rd Quarter 2026 on Reports in Public Session ’ be received.

Back to Index

Audit and Risk Committee Actions Register for 3rd Quarter 2026 on Reports in Public Session

ACTION	MEETING	COUNCILLOR	REQUIRES ACTION FROM	STATUS
Audit & Risk Committee Work Programme • The Chair noted that a line titled “Items completed but not scheduled” will be added to the work programme to keep a record of items covered at meetings.	17 June 2026	Chair	Manager, Governance, Strategy & Compliance	**Completed**
Actions Register of Audit & Risk Committee for the 2nd Quarter 2026 • The Chair requested that due dates be added to the 3 action points related to Annual report Review	17 June 2026	Chair	Chief Financial Officer	**Ongoing**
Annual Report Review – Management Response to Recommendations **1.** Discuss with auditors the possibility for receiving technical update training from audit team or identification of existing resources to assist. There may be scope for any training provided to be leveraged across more than one local Council. The Office of the Auditor General may also be able to assist in this area. **2**. The A&R Committee to discuss and agree with the auditors issue escalation protocols so that any issue escalation process is as effective as possible.	18 June 2025	Chair	Executive Team	Potential dates to be brought to the next Audit and Risk Committee Meeting Council notes this recommendation and the action point for members of the A&R Committee to agree this

Back to Index

ACTION	MEETING	COUNCILLOR	REQUIRES ACTION FROM	STATUS
3. Provide Council governance training regarding the audit process. The aim is to assist Councillors to better understand the audit process and what they as governors should expect as regards interactions with the auditors and good practice. This will also assist Council as governing body ensure that they are extracting the most value from their mandatory statutory audit process. Councillors must understand the core documents being Audit Report, Engagement & Arrangements letters, and Audit Management Letters. The Office of the Auditor General may also be able to assist in this education process.				recommendation with Council's auditors. Potential dates to be brought to the next Audit and Risk Committee Meeting
Head Start Reform Programme – Governance, Evaluation Framework and Strategic Risk Oversight • A workshop to be scheduled prior to the final decision making on 29 July to identify risk appetite and tolerance on the Head Start and Back Stop options.	17 June 2026	Chair	Group Manager - Organisational Performance & Innovation	**Completed** Workshop held on 8th July 2026
Enterprise Risk and Emerging Risk Update • A workshop to be scheduled to identify risk appetite and risk tolerance on the overall enterprise related risks prior to the next Audit and Risk Committee Meeting.	17 June 2026	Chair	Risk and Compliance Lead	**Ongoing** A workshop will be organised as part of the Long-term Plan workshops.

Back to Index

ACTION	MEETING	COUNCILLOR	REQUIRES ACTION FROM	STATUS
Treasury Reporting - Committee workshop to be scheduled for deep dive into Treasury Reporting.	14 November 2024	Deputy Chair	Chief Financial Officer	**Ongoing** Workshop is scheduled for 27th October 2026
Long-term Plan 2024-2034 – Supporting Information - Quarterly treasury reporting to be brought to the Committee.	25 March 2024	Chair	Chief Financial Officer	**Completed** Already underway
Actions Register report - Chair requested that the work plan (included in previous meeting agenda) be a living document and be included as a regular item in the agenda for future meetings.	20 September 2023	Chair	Group Manager - Organisational Performance & Innovation	**Completed** The work programme is a reoccurring report in the agenda.

7.3 TREASURY UPDATE - JULY 2026

Prepared by: **David Jensen, Chief Financial Officer**

Approved by: **Andrew Moraes, Chief Executive**

Attachments:
1. **PwC Treasury Dashboard - July 2026 (under separate cover)**
2. **Fitch Ratings - 2026 RLC (under separate cover)**

1. TE PŪTAKE
PURPOSE

This report provides an update on Council's treasury position and compliance with the Treasury Policy as at 31 July 2026. The report also provides a forward-looking assessment of Council's covenant position, hedging strategy, refinancing programme, funding requirements, and credit rating considerations.

2. TE TUHINGA WHAKARĀPOPOTOTANGA
EXECUTIVE SUMMARY

Council remains compliant with all Treasury Policy and LGFA covenant requirements as at 31 July 2026 and is forecast to remain compliant through June 2027.

Council's Key Performance Indicators as at 31 July 2026 are:

	Council KPI Result	June 2027 Forecast	Council Limit
Net Debt / Total Revenue	232%	218%	<250%
Net Interest / Total Revenue	8%	10%	<20%
Net Interest / Annual Rates Income	14%	13%	<30%
Liquidity	114%	117%	>110%
Credit Rating	AA- (Fitch)	AA- (Fitch)	

While current compliance remains strong, Council's treasury management focus is increasingly on preserving financial flexibility and managing future risks rather than simply maintaining compliance with policy limits.

Council's June 2027 forecasts indicate continued covenant headroom. Forecast Net Debt to Revenue remains 32 percentage points below Council's Financial Strategy limit, while liquidity remains above policy requirements. This provides capacity to manage planned capital investment and funding requirements while maintaining prudent debt levels.
Council's AA- credit rating was reaffirmed by Fitch Ratings during 2026. Fitch identified Council's revenue robustness, financial flexibility, liquidity management and treasury governance framework as key strengths supporting the rating. The Fitch report is attached for elected member information and should be considered alongside treasury reporting as an independent assessment of Council's financial resilience.

Back to Index

Looking ahead, Council’s treasury strategy is focused on four key areas:

- Maintaining covenant headroom under the 2027–2037 Long-Term Plan.
- Managing approximately $68 million of debt maturing in April 2027.
- Supporting approximately $35 million of planned new borrowing contained within the 2026/27 Annual Plan.
- Continuing to smooth historically concentrated debt maturities and proactively manage interest rate risk.

Council has already commenced prefunding activities ahead of the April 2027 maturities and will continue to evaluate refinancing opportunities to reduce concentration risk and improve maturity diversification.

Potential future changes to local government funding settings, including proposed rates-capping arrangements, are emerging strategic risks. Such changes could reduce Council’s revenue flexibility and may affect future debt metrics and credit rating assessments. These risks will continue to be monitored through treasury and Long-Term Plan processes.

HE TŪTOHUNGA
RECOMMENDATION

1. That the report ‘Treasury Update - July 2026’ be received.

3. TE MATAPAKI ME NGĀ KŌWHIRINGA
DISCUSSION AND OPTIONS

Council maintains an active treasury management programme supported by PwC as treasury advisors. Treasury performance is monitored monthly and reported regularly to management, Council and the Audit and Risk Committee.

The focus of treasury reporting is evolving from historic compliance monitoring toward a forward-looking assessment of financial flexibility, refinancing requirements, covenant resilience and credit-rating outcomes.

3.1 Interest Rate Risk

Interest rate risk remains one of Council’s most significant financial risks.

While market interest rates have eased from recent peaks, uncertainty remains regarding the future interest rate environment. Council therefore continues to maintain a balanced mix of fixed and floating debt in accordance with Treasury Policy requirements.

Back to Index

During 2026 Council increased its interest-rate hedging programme through additional swap transactions. This has increased certainty around future borrowing costs and reduced exposure to further interest-rate volatility.

Council currently remains fully compliant with all interest-rate hedging requirements.

Forward Outlook

Council reviews monthly treasury projections prepared through the PwC treasury model to assess future hedge positions and forecast policy compliance over a rolling 12-month period. Scans of the interest rate positions through to the end of June 2027 indicate a need for additional hedging to be put into place, especially as the operating environments have shifted towards price certainty under the prospective rate capping legislation.

The objective is to ensure hedging decisions are made proactively and strategically rather than in response to approaching policy breaches.

Over the next 12 months Council will continue to evaluate:
- Future debt raising requirements.
- Interest-rate market expectations.
- Forecast covenant headroom.
- The balance between fixed-rate certainty and floating-rate flexibility.
- Opportunities to lock in favourable long-term borrowing costs.

Management will continue to work with PwC to identify opportunities to improve interest-cost certainty while preserving flexibility to benefit from lower future interest rates where appropriate.

3.2 Funding and Liquidity Risk

Funding and liquidity risk is the risk that Council is unable to meet its obligations as they fall due.

As at 31 July 2026 Council’s liquidity ratio was 114%, exceeding the minimum policy requirement of 110%. Council continues to maintain adequate cash reserves, committed banking facilities and access to LGFA funding markets.

Forward Outlook

A key treasury focus is the refinancing of debt maturing during April 2027.

Council currently has approximately $68 million of existing debt maturing during April 2027. Management has already commenced prefunding activities to reduce refinancing risk and minimise exposure to adverse market conditions at maturity. In addition, the 2026/27 Annual Plan includes approximately $35 million of new borrowing requirements to support Council’s capital programme. The combination of refinancing existing debt and funding new borrowing requirements makes the next 12 months an important period for treasury planning.

Back to Index

Council's refinancing strategy is focused on:

- Maintaining strong liquidity.
- Reducing refinancing concentration risk.
- Smoothing historically lumpy maturity profiles.
- Diversifying funding maturities across multiple years.
- Preserving flexibility to respond to changing market conditions.

This approach is intended to reduce the risk of large debt concentrations requiring refinancing within a single financial year.

Council remains fully compliant with all funding and liquidity requirements.

3.3 Foreign Exchange Risk

Foreign exchange risk is the risk that unfavourable movements in foreign currency exchange rates could increase the cost to Council of purchases or contracts denominated in foreign currencies. This risk remains minimal, as Council conducts the vast majority of its transactions in New Zealand dollars and has not entered into any significant foreign currency contracts. Should any material foreign exchange exposures arise, Council would utilise appropriate hedging instruments in line with the Treasury Policy, but as at July 2026 no such hedges are required due to the low level of this risk.

3.4 Credit Rating & Financial Flexibility

Council's AA- Fitch credit rating remains an important component of its treasury framework. The rating supports Council's access to funding markets and contributes to investor confidence in Council's long-term financial position.

Fitch's assessment highlighted:

- Strong and stable revenue sources.
- Sound treasury management practices.
- Access to diversified funding sources.
- Adequate liquidity and financial flexibility.
- A sustainable long-term financial profile.

Fitch also identified debt affordability and revenue flexibility as key considerations for future rating outcomes.

Forward Outlook

Potential future changes to local government funding settings, including rates-capping proposals, could affect Council's revenue flexibility. Revenue flexibility is an important factor considered by credit-rating agencies when assessing local authority financial strength.

Should future legislative changes constrain Council's ability to adjust revenue to meet cost pressures, this may influence future debt metrics, financial flexibility assessments and rating outcomes. Management will continue to monitor these developments and incorporate potential impacts into future Long-Term Plan modelling and treasury reporting.

Back to Index

The Fitch report is attached to this agenda to provide elected members with greater visibility of the independent assessment supporting Council's current AA- rating.

3.5 Counterparty Credit Risk

Counterparty Credit Risk is the risk of losses occurring as a result of a counterparty default. Council manages this risk by placing limits on the proportion of financial exposure held by external parties, and by placing minimum credit ratings on the external parties Council gives exposure to.

While Council had a breach of the Counterparty Limits in the June Committee meeting, this has corrected in July. Temporary exceedances arising from seasonal cash balances and prefunding activities continue to be actively monitored and are expected to reduce as funds are applied to debt repayments and planned expenditure. Council operating procedures have been changed to require all counterparty limits to be checked and included in recommendations for all future investments and term deposits to ensure ongoing compliance with counterparty limits.

4. TE TINO AROMATAWAI
ASSESSMENT OF SIGNIFICANCE

This report is considered to be of low significance in accordance with Council's Significance and Engagement Policy.

5. HE WHAIWHAKAARO
CONSIDERATIONS

5.1. Mahere Pūtea
Financial/Budget Considerations

There are no financial or budget considerations within this report.

5.2. Kaupapa Here Me Ngā Hiraunga Whakariterite
Policy and Planning Implications

There are no policy and planning implications within this report.

5.3. Te Aromatawai Whakapātanga Ki Te Tāngata Whenua
Tāngata Whenua Impact Assessment

There is no impact on Tāngata Whenua within this report.

Back to Index

5.4. Tūraru Risks

There are no risks associated with this report.

5.5. Te Whaimana Authority

This report is presented for information to the Audit & Risk Committee.

Back to Index

7.4 HEALTH, SAFETY AND WELLBEING PERFORMANCE FOR THE PERIOD 1 JUNE 2026 TO 31 JULY 2026

Prepared by:	**Jesse Jarlov, Health, Safety & Wellbeing Manager**
Approved by:	**Clint Brickhill, Chief People Officer - People & Culture**
Attachments:	**1. Health & Safety Management System Annual Review 2025/26 (under separate cover)**

1. TE PŪTAKE
PURPOSE

This report provides the Audit & Risk Committee with assurance that the organisation is meeting its health and safety obligations. It summarises key performance information, emerging trends, and improvement actions for the reporting period.

The report supports Elected Members in fulfilling their governance and oversight responsibilities under the Health and Safety at Work Act 2015, as outlined in section 2 of the report.

HE TŪTOHUNGA
RECOMMENDATION

1. **That the report 'Health, Safety and Wellbeing Performance for the period 1 June 2026 to 31 July 2026' be received.**

2. **That the Committee notes the Health & Safety Management System Annual Review 2025/26 (Attachment 1).**

3. **That the Committee notes that no notifiable incidents to WorkSafe New Zealand occurred during the reporting period involving RLC employees.**

4. **That the Committee notes the ongoing delivery of the Health & Safety Implementation Plan and Assurance Programme.**

2. TE TĀHUHU
BACKGROUND

Rotorua Lakes Council delivers health, safety and wellbeing through its organisational framework that is designed to prevent harm, support worker wellbeing, and manage risk across all council activities. This framework gives effect to the Health and Safety at Work Act 2015 by embedding health and safety into governance, leadership, operational planning, and day-to-day work practices.

Back to Index

Health and safety delivery extends beyond incident response and compliance activity and includes a wide range of proactive and preventative controls. These include critical risk identification and management, safe systems of work, standard operating procedures, contractor health and safety management, worker engagement and representation, training and competency development, occupational health monitoring, emergency management planning, wellbeing committee and programmes, incident and near-miss reporting and investigation. Together, these activities support a safe and healthy work environment for employees, contractors, and the public.

A key mechanism for ensuring these systems are operating effectively is the Health & Safety Assurance Programme. The programme provides structured, risk-based verification that health and safety controls are in place and working as intended across both council-controlled and contractor-delivered activities. It includes a combination of:

- Contractor health and safety audits and monitoring
- General safety audits focused on safe systems of work and risk controls
- Critical control audits targeting high-risk operational activities with the potential for serious harm

Whilst elected members cannot be prosecuted under HSWA, they nevertheless have a duty to exercise due diligence as, technically, they would come under the definition in s18 of persons exercising significant influence over the management of the business or undertaking. This means in practice that elected members should be aware of the processes and resources applied in relation to health and safety, but do not need to take a hands-on approach. Officers must exercise due diligence to ensure that the organisation:

- Has appropriate systems to manage health and safety risks.
- Monitors the effectiveness of those systems.
- Responds to incidents and emerging risks.

Management is responsible for operational delivery. This report provides assurance that systems and processes are functioning as intended.

3. TE MATAPAKI ME NGĀ KŌWHIRINGA
DISCUSSION AND OPTIONS

3.1 Lead Indicators (Proactive Measures)

Health & Safety Assurance Programme

The Health & Safety Assurance Programme provides structured assurance that health and safety requirements and controls are being applied effectively across council and contractor work activities.

Audits include contractor audits, general safety audits and critical control audits. The audits are used to verify compliance, assess the effectiveness of controls, and identify improvement opportunities. Findings are recorded in Vault Check, with corrective actions tracked to completion to support continuous improvement and provide assurance to management and governance.

Back to Index

The assurance programme is being progressively developed to provide systematic and structured oversight of health and safety risk management across the organisation. Over time, the plan will strengthen governance, enhance visibility of H&S performance, and provide leadership with increased confidence in the effectiveness and sustainability of the organisation's health and safety management framework.

As shown in Figure 1, delivery against assurance activities was strong during the reporting period, with all targets being achieved.

Figure 1 – H&S Assurance Audits

3.2 Lag Indicators

Employee Incidents

One Lost Time Injury (LTI) was recorded during the reporting period. An employee in the Cleaning Services department sustained minor injuries when a road sweeper vehicle rolled on its side after the operator took evasive action to avoid an animal crossing the road. No other vehicles were involved in the incident. Consideration was given to whether the event met the notification threshold under the Health and Safety at Work Act (HSWA); however, it was determined that the incident did not meet the criteria for a notifiable work-related injury or notifiable incident. A formal investigation found that driver training and familiarisation sessions had not adequately reinforced rollover risks. As a result, corrective actions included establishing a safe operating speed for road travel to ensure operators can maintain control of the sweeper when responding to unexpected hazards. In addition, the road sweeper fuel refilling location was relocated to minimise the amount of travel required.

Notifiable Incidents

RLC recorded zero notifiable incidents in the reporting period and prior 12 months to 31 July 2026.

Back to Index

Contractor and Third-Party Incidents

RLC recorded zero notifiable contractor incidents in the reporting period. However, RLC was issued an improvement notice by WorkSafe in relation to its system for managing work at height. The notice was issued following a contractor being observed walking on the roof of a council building while undertaking a routine visual inspection. During the inspection, the contractor momentarily stepped beyond the safety barrier and monkeytoe walkway. The contractor was under the supervision of an RLC employee at the time.

The Improvement Notice requires RLC to review its current working at height management system and implement any necessary improvements to ensure the system is effective, including requirements relating to training, supervision, and contractor management. Actions to ensure full compliance with the notice are underway at the time of the report. The notice is due to be complied with by 24 September 2026. An Improvement Notice is the lowest level of enforcement action available to WorkSafe and is used to require corrective action where improvements are needed to achieve compliance.

3.3 Continuous Improvement and Key Programmes

Health & Safety Implementation Plan

An independent external Health & Safety assessment completed in June 2025 identified 33 recommendations, with a detailed deep dive report on the assessment and progress against the subsequent Health & Safety Implementation Plan. Progress to date includes:

- Twelve priority recommendations fully implemented.
- Twenty-one recommendations currently underway with targeted total completion dates as below;
  - 10 by the end of Q4 2025/26 – Completed
  - 17 by the end of Q1 2026/27
  - 20 by the end of Q2 2026/27
  - 28 by the end of Q3 2026/27
  - 33 (100%) by the end of Q4 2026/27

Delivery is managed through structured 100-day action sprints reported to the Executive Team.

Health & Safety Management System Annual Review 2025/26

An internal review of RLC’s Health & Safety Management System (HSMS) has been completed as part of the organisation's annual management review process to assess compliance, performance, and opportunities for improvement. The review (attached as ‘Health & Safety Management System Annual Review 2025/26’) assessed the effectiveness of Rotorua Lakes Council’s Health and Safety Management System against its strategic objectives, SafePlus recommendations, legislative requirements, and operational performance measures. The review also evaluated incident and injury trends, risk management activities, assurance programmes, contractor performance, worker engagement, training, wellbeing, emergency preparedness, and governance arrangements to determine how effectively health and safety risks are being managed across the organisation.

The review found that the HSMS continues to mature, with strong progress in governance, assurance, risk management and reporting, evidenced by zero notifiable incidents, improving injury performance, achievement of all assurance targets, and ongoing implementation of SafePlus improvement actions. While overall system effectiveness was rated as Developing/Performing, the review identified further opportunities to further strengthen critical risk management, investigation quality, contractor oversight, psychosocial risk management, data quality, and accountability measures to support continued improvement.

Looking ahead, priority actions include strengthening critical risk management through Bowtie analysis and critical control verification, improving investigation quality and event closure performance, enhancing contractor management and accountability, implementing a wellbeing roadmap to address psychosocial risks, improving incident data and investigation, completing emergency management and induction procedures, and further embedding leadership ownership of health and safety activities across the organisation.

HSWA Amendment Act – Critical Risk and Compliance Review

The Health and Safety at Work Amendment Act 2026 received Royal Assent in July 2026 and will come into force on 1 April 2027. The amendments introduce significant changes to New Zealand's health and safety framework, including a greater focus on the identification and prioritisation of critical risks, clarification of officer due diligence obligations, and strengthened recognition of Approved Codes of Practice. For large employers such as RLC, the changes reinforce the need for robust risk management systems, clear governance oversight, and documented assurance processes to demonstrate compliance.

In preparation, RLC will review its risk management framework to ensure alignment with the new legislative requirements. This includes reassessing critical risks, key controls, governance frameworks, and reporting to support effective oversight and ongoing compliance across our operations. A summary of review findings, including any identified gaps and recommended actions, will be provided to the Audit & Risk Committee through upcoming meetings, ensuring the Committee has sufficient time to consider and oversee any required improvements well in advance of the Act coming into force on 1 April 2027.

4. TE TINO AROMATAWAI
ASSESSMENT OF SIGNIFICANCE

No new or increased strategic health and safety risks have been identified during the reporting period.

Back to Index

5. NGĀ KŌRERA O TE HAPORI ME TE WHAKATAIRANGA COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

No community consultation or external stakeholder engagement was required or undertaken.

The information contained in this report is primarily intended to support governance assurance and statutory due diligence obligations under the Health and Safety at Work Act 2015.

6. HE WHAIWHAKAARO CONSIDERATIONS

6.1. Mahere Pūtea Financial/Budget Considerations

There are no unbudgeted financial implications arising from this report. Health and safety initiatives are being delivered within approved budgets and work programmes.

This report demonstrates active governance oversight and supports Elected Members in meeting their due diligence obligations under the Health and Safety at Work Act 2015. No compliance breaches have been identified.

6.2. Kaupapa Here Me Ngā Hiraunga Whakariterite Policy and Planning Implications

This report is consistent with Council’s existing policies, strategies, and plans, including the Long-term Plan and Annual Plan, which recognise the importance of effective health, safety, and wellbeing management to support the delivery of services and community outcomes.

6.3. Te Aromatawai Whakapātanga Ki Te Tāngata Whenua Tāngata Whenua Impact Assessment

This section is not applicable for this report.

6.4. Tūraru Risks

This report has been assessed for risk, and no significant risks have been identified.

6.5. Te Whaimana Authority

Audit & Risk Committee has the authority to receive this report under the Committee delegations.

Back to Index

7.5 INTRODUCTION TO CAPITAL DELIVERY TEAM, PROJECT MANAGEMENT FRAMEWORK AND RISK MANAGEMENT APPROACH

Prepared by:	**Elrond McCarthy, Manager, Capital Delivery**
Approved by:	**Sam Fellows, Group Manager - Organisational Performance & Innovation**
Attachments:	**1. Introduction to Capital Delivery Team, Project Management Framework and Risk Management Approach**

1. TE PŪTAKE
PURPOSE

The purpose of this report is for the Capital Delivery team to provide an update to the Audit and Risk Committee on project management framework and risk management approach.

HE TŪTOHUNGA
RECOMMENDATION

1. **That the report ‘Introduction to Capital Delivery Team, Project Management Framework and Risk Management Approach**

Back to Index

Audit & Risk Committee

Introduction to Capital Delivery Team, Project Management Framework and Risk Management Approach

Wednesday 26th August 2026

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL

Capital Delivery Team

CDT provides integrated delivery and controls across Council's critical capital programme, covering major infrastructure, community assets, and growth programmes.

Responsible for:
- Delivery of Council's critical projects
- Establishing and maintaining the Project Management Framework
- Portfolio level reporting and performance visibility
- Driving consistency and capability across Council Projects
- Provides a clear link between strategy, funding, and delivery

Museum Programme

- Structural Restoration
- Exhibition Development
- Operational Enablement

Wastewater Programme

- Wastewater Treatment Plant Upgrade
- Tarawera Stage 2
- Recovered Water Solution

Stormwater Programme

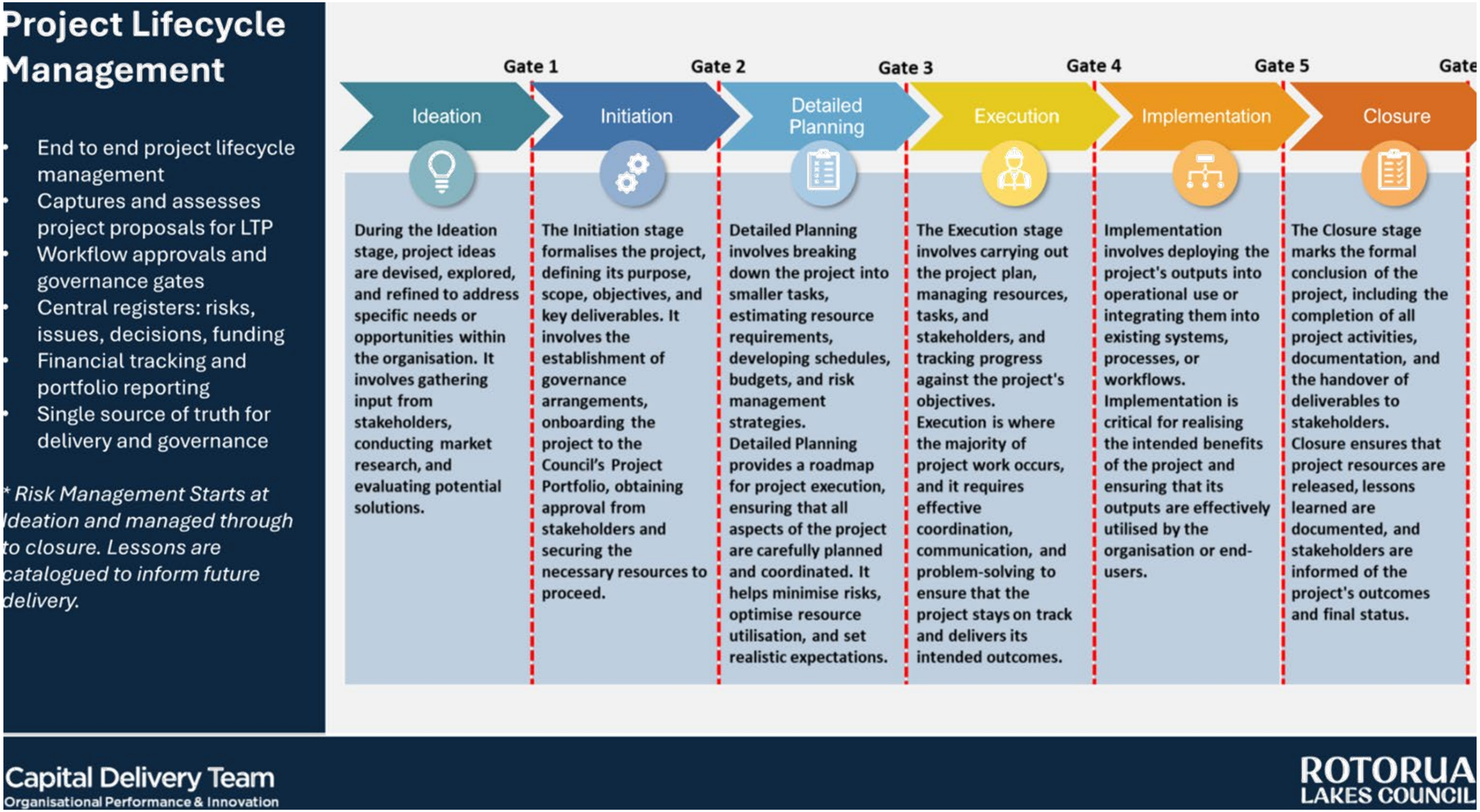
- Linton Dam Spillway
- PC2 Area
- Cent 4 Sheaf Park
- Cent 5/6 Racecourse
- West 06 Waikite Sports Ground
- West 07 Smallbone Park
- Utuhina Channel

Capital Controls

- Portfolio planning, insights and performance monitoring
- Financial tracking and forecasting
- Governance support and assurance
- Continuous improvement of frameworks
- Organisation wide capability uplift and training

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL



Project Lifecycle Management

- End to end project lifecycle management
- Captures and assesses project proposals for LTP
- Workflow approvals and governance gates
- Central registers: risks, issues, decisions, funding
- Financial tracking and portfolio reporting
- Single source of truth for delivery and governance

** Risk Management Starts at Ideation and managed through to closure. Lessons are catalogued to inform future delivery.*

Ideation

During the Ideation stage, project ideas are devised, explored, and refined to address specific needs or opportunities within the organisation. It involves gathering input from stakeholders, conducting market research, and evaluating potential solutions.

Initiation

The Initiation stage formalises the project, defining its purpose, scope, objectives, and key deliverables. It involves the establishment of governance arrangements, onboarding the project to the Council's Project Portfolio, obtaining approval from stakeholders and securing the necessary resources to proceed.

Detailed Planning

Detailed Planning involves breaking down the project into smaller tasks, estimating resource requirements, developing schedules, budgets, and risk management strategies. Detailed Planning provides a roadmap for project execution, ensuring that all aspects of the project are carefully planned and coordinated. It helps minimise risks, optimise resource utilisation, and set realistic expectations.

Execution

The Execution stage involves carrying out the project plan, managing resources, tasks, and stakeholders, and tracking progress against the project's objectives. Execution is where the majority of project work occurs, and it requires effective coordination, communication, and problem-solving to ensure that the project stays on track and delivers its intended outcomes.

Implementation

Implementation involves deploying the project's outputs into operational use or integrating them into existing systems, processes, or workflows. Implementation is critical for realising the intended benefits of the project and ensuring that its outputs are effectively utilised by the organisation or end-users.

Closure

The Closure stage marks the formal conclusion of the project, including the completion of all project activities, documentation, and the handover of deliverables to stakeholders. Closure ensures that project resources are released, lessons learned are documented, and stakeholders are informed of the project's outcomes and final status.

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL

Post Project Reviews

These activities for part of the Councils Project Management Framework and are applied across the Project Lifecycle.

Capital Delivery continuously mproves its project management framework by embedding lessons learned from completed projects nto future delivery.

POST PROJECT REVIEWS

Every significant project concludes with a structured Post Project Review to evaluate delivery performance, confirm benefits realisation, and identify lessons that strengthen future project delivery.

WHAT IS REVIEWED?

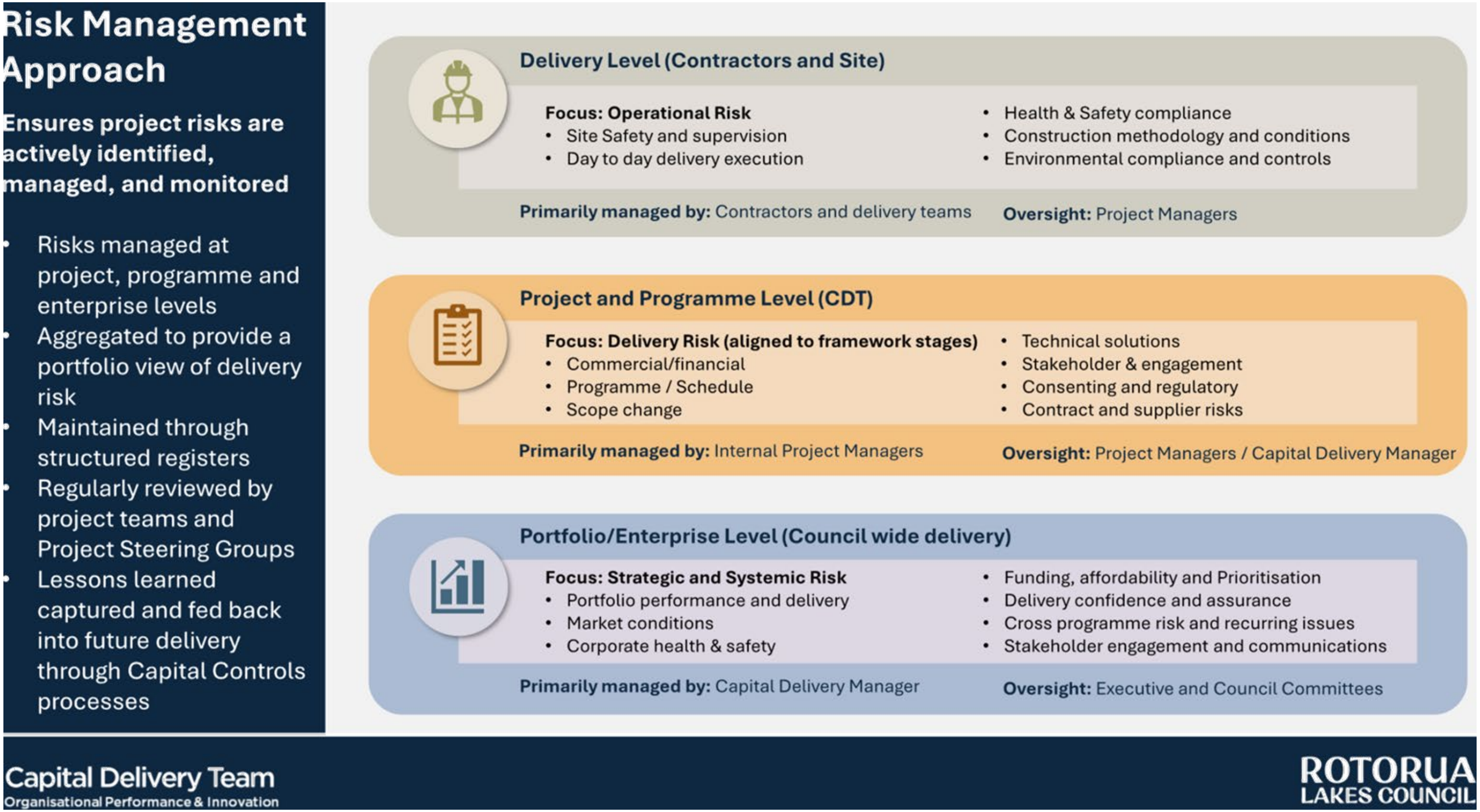
- Delivery against approved scope, budget and programme
- Achievement of intended outcomes and benefits
- Effectiveness of governance and decision making
- Review of project risks and how they were managed
- Contractor and consultant performance
- Stakeholder engagement and communication
- Health and Safety performance
- Operational readiness, transition and handover

OUTPUTS

- Lessons Learned Report
- Improvement Actions
- Updates to frameworks, templates and guidance
- Knowledge shared across future programmes

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL



Risk Management Approach

Ensures project risks are actively identified, managed, and monitored

- Risks managed at project, programme and enterprise levels
- Aggregated to provide a portfolio view of delivery risk
- Maintained through structured registers
- Regularly reviewed by project teams and Project Steering Groups
- Lessons learned captured and fed back into future delivery through Capital Controls processes

Delivery Level (Contractors and Site)

Focus: Operational Risk
- Site Safety and supervision
- Day to day delivery execution
- Health & Safety compliance
- Construction methodology and conditions
- Environmental compliance and controls

Primarily managed by: Contractors and delivery teams

Oversight: Project Managers

Project and Programme Level (CDT)

Focus: Delivery Risk (aligned to framework stages)
- Commercial/financial
- Programme / Schedule
- Scope change
- Technical solutions
- Stakeholder & engagement
- Consenting and regulatory
- Contract and supplier risks

Primarily managed by: Internal Project Managers

Oversight: Project Managers / Capital Delivery Manager

Portfolio/Enterprise Level (Council wide delivery)

Focus: Strategic and Systemic Risk
- Portfolio performance and delivery
- Market conditions
- Corporate health & safety
- Funding, affordability and Prioritisation
- Delivery confidence and assurance
- Cross programme risk and recurring issues
- Stakeholder engagement and communications

Primarily managed by: Capital Delivery Manager

Oversight: Executive and Council Committees

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL

Project Risk Assessment Framework

Ensures project risks are actively identified, managed, and monitored

- Risks managed at project, programme and portfolio levels
- Aggregated to provide a portfolio view of delivery risk
- Maintained through structured registers in PLM
- Regularly reviewed by project teams and Project Steering Groups
- Lessons learned captured and fed back into future delivery

1. Risk Identification

- Define the risk clearly
  - Cause | Event | Impact
- Record in the risk register
- Assign risk owner
- Categorise risk

2. Inherent Risk Assessment (Pre-Mitigation)

- Score before any controls
  - Likelihood (1–5)
  - Consequence (1–5)
  - Inherent Risk Rating = L × C

3. Existing Controls Review

- Identify what is already in place
  - Preventative controls
  - Detective controls
  - Governance controls
- Assess control effectiveness

4. Residual Risk Assessment (Post-Mitigation)

- Re-score after controls
  - Updated Likelihood
  - Updated Consequence
  - Residual Risk Rating

5. Risk Evaluation

- Compare residual risk to tolerance
  - Accept
  - Treat further
  - Escalate

6. Additional Treatment Actions (if required)

- Define actions to reduce risk further
  - Owner
  - Timeframe
  - Expected impact

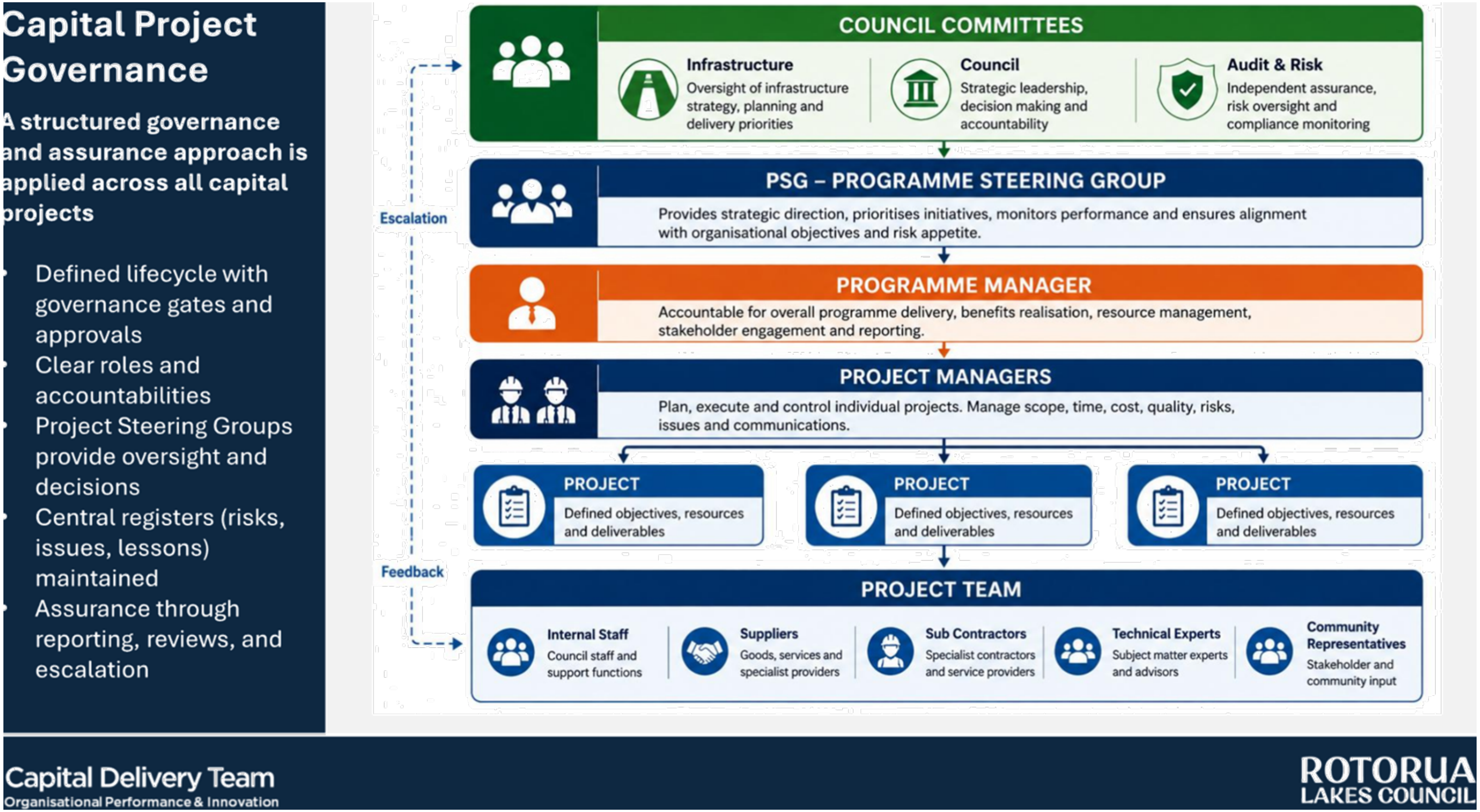
7. Monitoring and Reporting

- Regular review cycle
- Movement tracking (Inherent → Residual → Target)
- Escalation triggers
- Reporting to PSG
- Updates to risk register
- Lessons learned and continuous improvement

* Comprehensive Project Risk Management Framework attached to this report

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL



Capital Project Governance

A structured governance and assurance approach is applied across all capital projects

- Defined lifecycle with governance gates and approvals
- Clear roles and accountabilities
- Project Steering Groups provide oversight and decisions
- Central registers (risks, issues, lessons) maintained
- Assurance through reporting, reviews, and escalation

Escalation

Feedback

COUNCIL COMMITTEES

Infrastructure
Oversight of infrastructure strategy, planning and delivery priorities

Council
Strategic leadership, decision making and accountability

Audit & Risk
Independent assurance, risk oversight and compliance monitoring

PSG – PROGRAMME STEERING GROUP

Provides strategic direction, prioritises initiatives, monitors performance and ensures alignment with organisational objectives and risk appetite.

PROGRAMME MANAGER

Accountable for overall programme delivery, benefits realisation, resource management, stakeholder engagement and reporting.

PROJECT MANAGERS

Plan, execute and control individual projects. Manage scope, time, cost, quality, risks, issues and communications.

PROJECT
Defined objectives, resources and deliverables

PROJECT
Defined objectives, resources and deliverables

PROJECT
Defined objectives, resources and deliverables

PROJECT TEAM

Internal Staff
Council staff and support functions

Suppliers
Goods, services and specialist providers

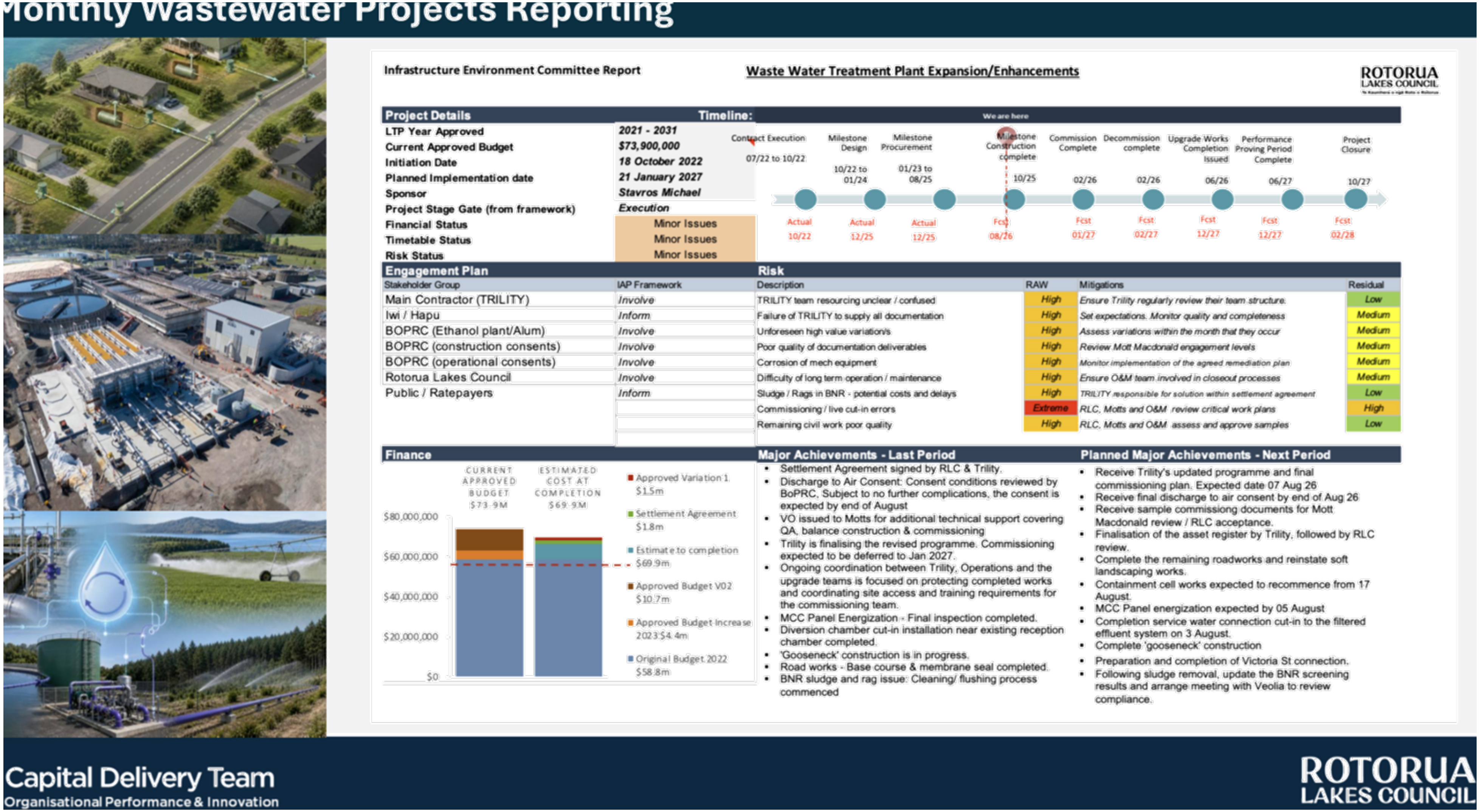
Sub Contractors
Specialist contractors and service providers

Technical Experts
Subject matter experts and advisors

Community Representatives
Stakeholder and community input

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL



Monthly Wastewater Projects Reporting

Infrastructure Environment Committee Report

Waste Water Treatment Plant Expansion/Enhancements

ROTORUA LAKES COUNCIL

Project Details

LTP Year Approved	*2021 - 2031*
Current Approved Budget	*$73,900,000*
Initiation Date	*18 October 2022*
Planned Implementation date	*21 January 2027*
Sponsor	*Stavros Michael*
Project Stage Gate (from framework)	*Execution*
Financial Status	Minor Issues
Timetable Status	Minor Issues
Risk Status	Minor Issues

Timeline:

We are here

Contract Execution	07/22 to 10/22	Actual 10/22
Milestone Design	10/22 to 01/24	Actual 12/25
Milestone Procurement	01/23 to 08/25	Actual 12/25
Milestone Construction complete	10/25	Fcst 08/26
Commission Complete	02/26	Fcst 01/27
Decommission complete	02/26	Fcst 02/27
Upgrade Works Completion Issued	06/26	Fcst 12/27
Performance Proving Period Complete	06/27	Fcst 12/27
Project Closure	10/27	Fcst 02/28

Engagement Plan

Stakeholder Group	IAP Framework
Main Contractor (TRILITY)	*Involve*
Iwi / Hapu	*Inform*
BOPRC (Ethanol plant/Alum)	*Involve*
BOPRC (construction consents)	*Involve*
BOPRC (operational consents)	*Involve*
Rotorua Lakes Council	*Involve*
Public / Ratepayers	*Inform*

Risk

Description	RAW	Mitigations	Residual
TRILITY team resourcing unclear / confused	*High*	*Ensure Trility regularly review their team structure.*	*Low*
Failure of TRILITY to supply all documentation	*High*	*Set expectations. Monitor quality and completeness*	*Medium*
Unforeseen high value variation/s	*High*	*Assess variations within the month that they occur*	*Medium*
Poor quality of documentation deliverables	*High*	*Review Mott Macdonald engagement levels*	*Medium*
Corrosion of mech equipment	*High*	*Monitor implementation of the agreed remediation plan*	*Medium*
Difficulty of long term operation / maintenance	*High*	*Ensure O&M team involved in closeout processes*	*Medium*
Sludge / Rags in BNR - potential costs and delays	*High*	*TRILITY responsible for solution within settlement agreement*	*Low*
Commissioning / live cut-in errors	*Extreme*	*RLC, Motts and O&M review critical work plans*	*High*
Remaining civil work poor quality	*High*	*RLC, Motts and O&M assess and approve samples*	*Low*

Finance

Major Achievements - Last Period

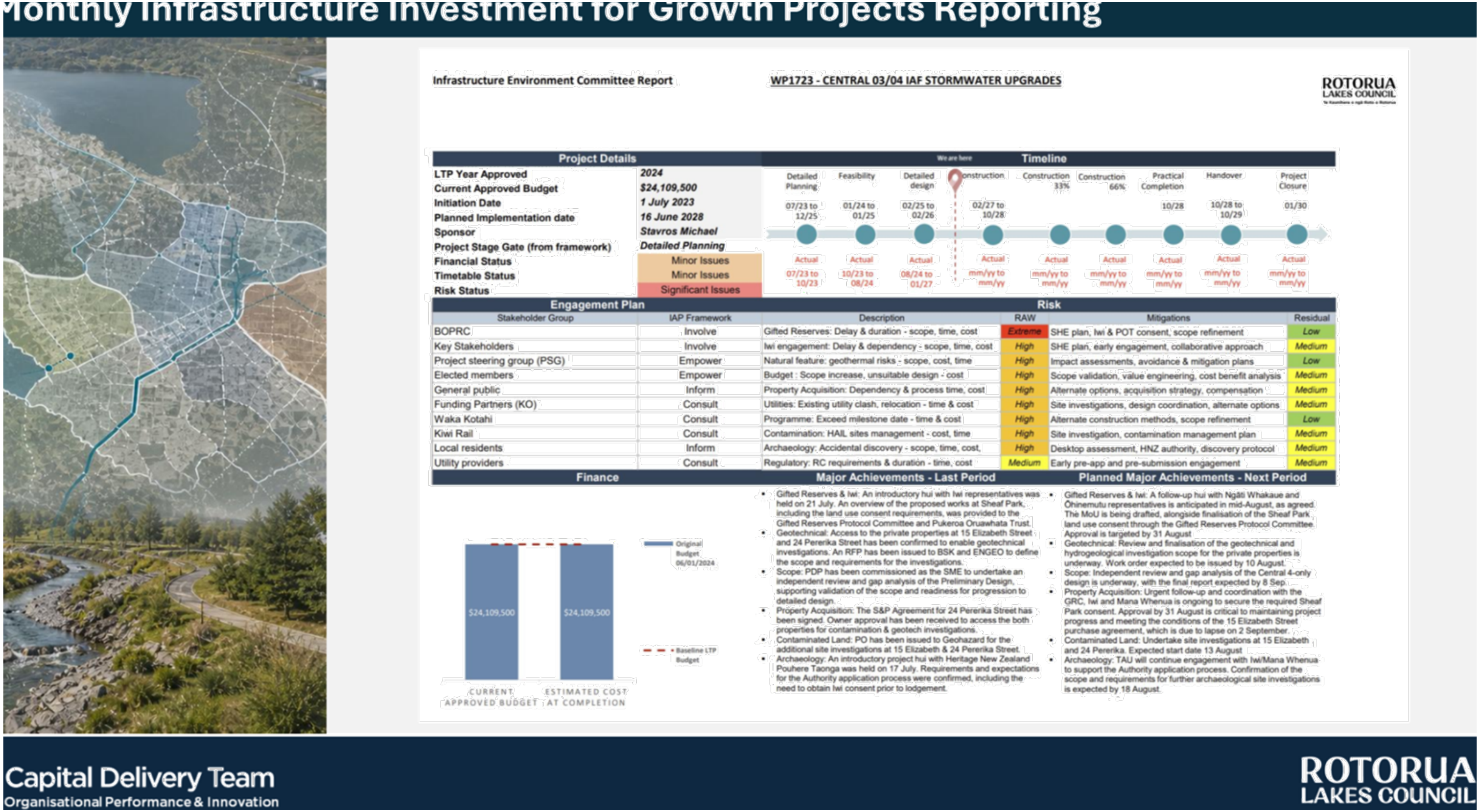
- Settlement Agreement signed by RLC & Trility.
- Discharge to Air Consent: Consent conditions reviewed by BoPRC. Subject to no further complications, the consent is expected by end of August
- VO issued to Motts for additional technical support covering QA, balance construction & commissioning
- Trility is finalising the revised programme. Commissioning expected to be deferred to Jan 2027.
- Ongoing coordination between Trility, Operations and the upgrade teams is focused on protecting completed works and coordinating site access and training requirements for the commissioning team.
- MCC Panel Energization - Final inspection completed.
- Diversion chamber cut-in installation near existing reception chamber completed.
- 'Gooseneck' construction is in progress.
- Road works - Base course & membrane seal completed.
- BNR sludge and rag issue: Cleaning/ flushing process commenced

Planned Major Achievements - Next Period

- Receive Trility's updated programme and final commissioning plan. Expected date 07 Aug 26
- Receive final discharge to air consent by end of Aug 26
- Receive sample commissiong documents for Mott Macdonald review / RLC acceptance.
- Finalisation of the asset register by Trility, followed by RLC review.
- Complete the remaining roadworks and reinstate soft landscaping works.
- Containment cell works expected to recommence from 17 August.
- MCC Panel energization expected by 05 August
- Completion service water connection cut-in to the filtered effluent system on 3 August.
- Complete 'gooseneck' construction
- Preparation and completion of Victoria St connection.
- Following sludge removal, update the BNR screening results and arrange meeting with Veolia to review compliance.

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL



onthly Infrastructure Investment for Growth Projects Reporting

Infrastructure Environment Committee Report

WP1723 - CENTRAL 03/04 IAF STORMWATER UPGRADES

ROTORUA LAKES COUNCIL

Project Details

LTP Year Approved	***2024***
Current Approved Budget	***$24,109,500***
Initiation Date	***1 July 2023***
Planned Implementation date	***16 June 2028***
Sponsor	***Stavros Michael***
Project Stage Gate (from framework)	***Detailed Planning***
Financial Status	Minor Issues
Timetable Status	Minor Issues
Risk Status	Significant Issues

Timeline

We are here

Detailed Planning	Feasibility	Detailed design	onstruction	Construction 33%	Construction 66%	Practical Completion	Handover	Project Closure
07/23 to 12/25	01/24 to 01/25	02/25 to 02/26	02/27 to 10/28			10/28	10/28 to 10/29	01/30
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
07/23 to 10/23	10/23 to 08/24	08/24 to 01/27	mm/yy to mm/yy	mm/yy to mm/yy	mm/yy to mm/yy	mm/yy to mm/yy	mm/yy to mm/yy	mm/yy to mm/yy

Engagement Plan

Stakeholder Group	IAP Framework
BOPRC	Involve
Key Stakeholders	Involve
Project steering group (PSG)	Empower
Elected members	Empower
General public	Inform
Funding Partners (KO)	Consult
Waka Kotahi	Consult
Kiwi Rail	Consult
Local residents	Inform
Utility providers	Consult

Risk

Description	RAW	Mitigations	Residual
Gifted Reserves: Delay & duration - scope, time, cost	*Extreme*	SHE plan, Iwi & POT consent, scope refinement	*Low*
Iwi engagement: Delay & dependency - scope, time, cost	*High*	SHE plan, early engagement, collaborative approach	*Medium*
Natural feature: geothermal risks - scope, cost, time	*High*	Impact assessments, avoidance & mitigation plans	*Low*
Budget : Scope increase, unsuitable design - cost	*High*	Scope validation, value engineering, cost benefit analysis	*Medium*
Property Acquisition: Dependency & process time, cost	*High*	Alternate options, acquisition strategy, compensation	*Medium*
Utilities: Existing utility clash, relocation - time & cost	*High*	Site investigations, design coordination, alternate options	*Medium*
Programme: Exceed milestone date - time & cost	*High*	Alternate construction methods, scope refinement	*Low*
Contamination: HAIL sites management - cost, time	*High*	Site investigation, contamination management plan	*Medium*
Archaeology: Accidental discovery - scope, time, cost,	*High*	Desktop assessment, HNZ authority, discovery protocol	*Medium*
Regulatory: RC requirements & duration - time, cost	*Medium*	Early pre-app and pre-submission engagement	*Medium*

Finance

Major Achievements - Last Period

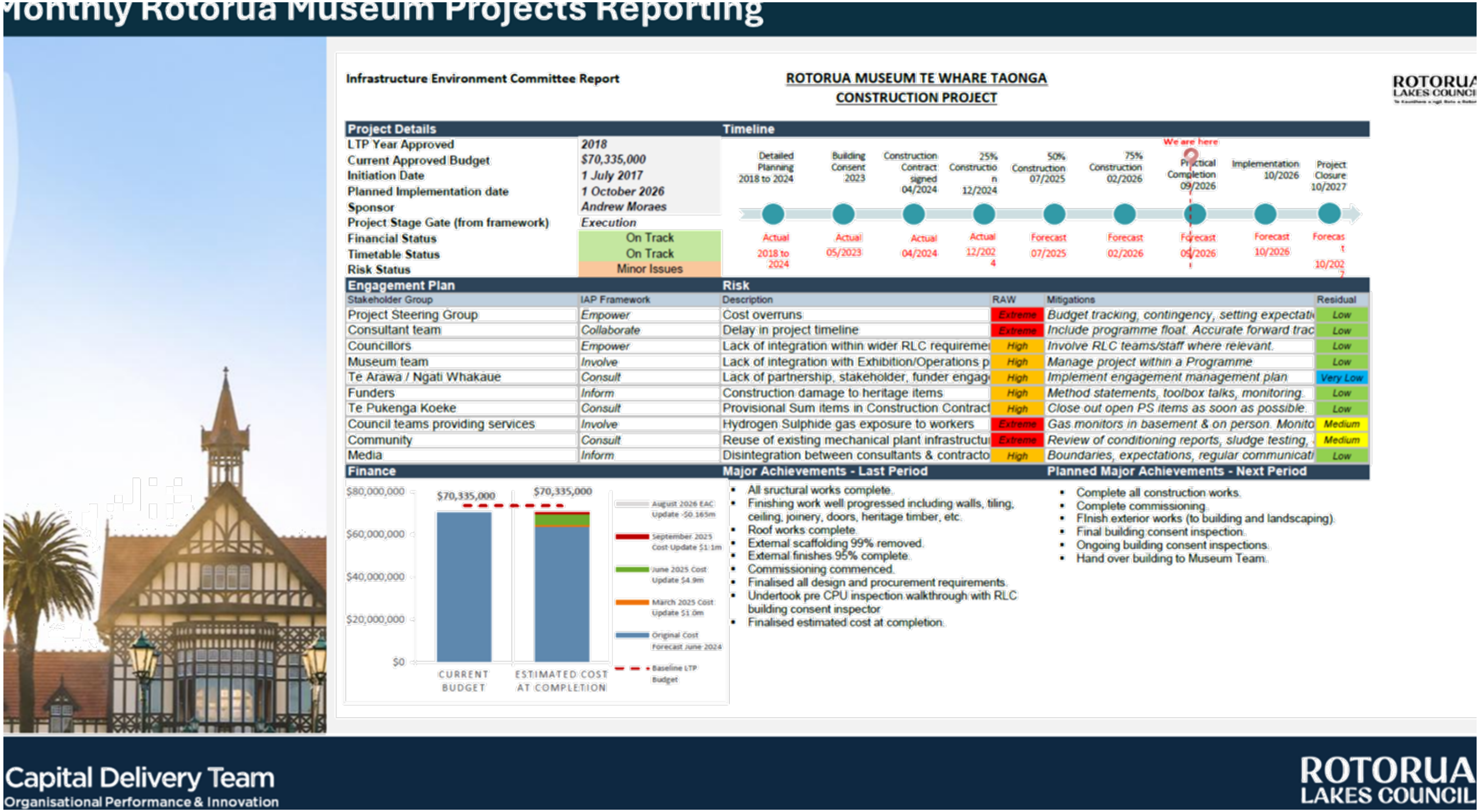
- Gifted Reserves & Iwi: An introductory hui with Iwi representatives was held on 21 July. An overview of the proposed works at Sheaf Park, including the land use consent requirements, was provided to the Gifted Reserves Protocol Committee and Pukeroa Oruawhata Trust.
- Geotechnical: Access to the private properties at 15 Elizabeth Street and 24 Pererika Street has been confirmed to enable geotechnical investigations. An RFP has been issued to BSK and ENGEO to define the scope and requirements for the investigations.
- Scope: PDP has been commissioned as the SME to undertake an independent review and gap analysis of the Preliminary Design, supporting validation of the scope and readiness for progression to detailed design.
- Property Acquisition: The S&P Agreement for 24 Pererika Street has been signed. Owner approval has been received to access the both properties for contamination & geotech investigations.
- Contaminated Land: PO has been issued to Geohazard for the additional site investigations at 15 Elizabeth & 24 Pererika Street.
- Archaeology: An introductory project hui with Heritage New Zealand Pouhere Taonga was held on 17 July. Requirements and expectations for the Authority application process were confirmed, including the need to obtain Iwi consent prior to lodgement.

Planned Major Achievements - Next Period

- Gifted Reserves & Iwi: A follow-up hui with Ngāti Whakaue and Ōhinemutu representatives is anticipated in mid-August, as agreed. The MoU is being drafted, alongside finalisation of the Sheaf Park land use consent through the Gifted Reserves Protocol Committee. Approval is targeted by 31 August
- Geotechnical: Review and finalisation of the geotechnical and hydrogeological investigation scope for the private properties is underway. Work order expected to be issued by 10 August.
- Scope: Independent review and gap analysis of the Central 4-only design is underway, with the final report expected by 8 Sep.
- Property Acquisition: Urgent follow-up and coordination with the GRC, Iwi and Mana Whenua is ongoing to secure the required Sheaf Park consent. Approval by 31 August is critical to maintaining project progress and meeting the conditions of the 15 Elizabeth Street purchase agreement, which is due to lapse on 2 September.
- Contaminated Land: Undertake site investigations at 15 Elizabeth and 24 Pererika. Expected start date 13 August
- Archaeology: TAU will continue engagement with Iwi/Mana Whenua to support the Authority application process. Confirmation of the scope and requirements for further archaeological site investigations is expected by 18 August.

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL



Monthly Rotorua Museum Projects Reporting

Infrastructure Environment Committee Report

ROTORUA MUSEUM TE WHARE TAONGA
CONSTRUCTION PROJECT

Project Details

LTP Year Approved	*2018*
Current Approved Budget	*$70,335,000*
Initiation Date	*1 July 2017*
Planned Implementation date	*1 October 2026*
Sponsor	*Andrew Moraes*
Project Stage Gate (from framework)	*Execution*
Financial Status	On Track
Timetable Status	On Track
Risk Status	Minor Issues

Timeline

We are here

Detailed Planning 2018 to 2024	Actual	2018 to 2024
Building Consent 2023	Actual	05/2023
Construction Contract signed 04/2024	Actual	04/2024
25% Construction 12/2024	Actual	12/2024
50% Construction 07/2025	Forecast	07/2025
75% Construction 02/2026	Forecast	02/2026
Practical Completion 09/2026	Forecast	09/2026
Implementation 10/2026	Forecast	10/2026
Project Closure 10/2027	Forecast	10/2027

Engagement Plan

Stakeholder Group	IAP Framework
Project Steering Group	*Empower*
Consultant team	*Collaborate*
Councillors	*Empower*
Museum team	*Involve*
Te Arawa / Ngati Whakaue	*Consult*
Funders	*Inform*
Te Pukenga Koeke	*Consult*
Council teams providing services	*Involve*
Community	*Consult*
Media	*Inform*

Risk

Description	RAW	Mitigations	Residual
Cost overruns	*Extreme*	*Budget tracking, contingency, setting expectati*	*Low*
Delay in project timeline	*Extreme*	*Include programme float. Accurate forward trac*	*Low*
Lack of integration within wider RLC requireme	*High*	*Involve RLC teams/staff where relevant.*	*Low*
Lack of integration with Exhibition/Operations p	*High*	*Manage project within a Programme*	*Low*
Lack of partnership, stakeholder, funder engag	*High*	*Implement engagement management plan*	*Very Low*
Construction damage to heritage items	*High*	*Method statements, toolbox talks, monitoring.*	*Low*
Provisional Sum items in Construction Contract	*High*	*Close out open PS items as soon as possible.*	*Low*
Hydrogen Sulphide gas exposure to workers	*Extreme*	*Gas monitors in basement & on person. Monito*	*Medium*
Reuse of existing mechanical plant infrastructu	*Extreme*	*Review of conditioning reports, sludge testing,*	*Medium*
Disintegration between consultants & contracto	*High*	*Boundaries, expectations, regular communicati*	*Low*

Finance

Major Achievements - Last Period

- All sructural works complete.
- Finishing work well progressed including walls, tiling, ceiling, joinery, doors, heritage timber, etc.
- Roof works complete.
- External scaffolding 99% removed.
- External finishes 95% complete.
- Commissioning commenced.
- Finalised all design and procurement requirements.
- Undertook pre CPU inspection walkthrough with RLC building consent inspector
- Finalised estimated cost at completion.

Planned Major Achievements - Next Period

- Complete all construction works.
- Complete commissioning.
- FInish exterior works (to building and landscaping).
- Final building consent inspection.
- Ongoing building consent inspections.
- Hand over building to Museum Team.

Capital Delivery Team
Organisational Performance & Innovation

Capital Delivery Enterprise Risk Profile

RISK APPETITE

Open	Receptive	Neutral	Cautious	Averse

Capital Project Delivery	12
Financial Management	3
Service Delivery	2
Health & Safety	2
Staff Retention & Capability	2
Legal & Compliance	2
Stakeholder Relationships & Reputation	2
Natural Hazards	1

High Risks
12
(Raw Risk)

Medium Risks
1
(Raw Risk)

RISKS CATEGORY

26
Total Risks

Risks by Category

Capital Project Delivery	12
Financial Management	3
Health & Safety	2
Legal & Compliance	2
Service Delivery	2
Staff Retention & Capability	2
Stakeholder Relationships & Reputation	2
Natural Hazards	1

RISK MATRIX - RAW RISK

Likelihood	High Risk	Medium Risk
Likely	3	-
Possible	9	1
Total	12	1

High Risk: 12 | Medium Risk: 1

RISK MATRIX - RESIDUAL RISK

Likelihood	Medium Risk	Low Risk
Possible	1	-
Unlikely	6	-
Rare	5	1
Total	12	1

Medium Risk: 12 | Low Risk: 1

Raw Risk reflects inherent risk before controls. Residual Risk reflects risk after existing controls and treatments.
Detailed Enterprise Risk Register for Capital Delivery Team attached to this report

Likelihood table	Probability of occurrence	Description
Almost Certain	80% - 100% to occur during the life of the project	The risk is occurring or can be expected to occur
Likely	50% - 80% to occur during the life of the project	The risk will quite commonly occur
Possible	30% - 50% to occur during the life of the project	The risk may occur occasionally
Unlikely	5% - 30% to occur during the life of the project	The risk could infrequently occur
Rare	0-5% to occur during the life of the project	The threat may occur in exceptional circumstances

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA
LAKES COUNCIL

Continuous mprovement

Capital Delivery continuously mproves its project management framework by embedding lessons learned from completed projects into future delivery via the team's Controls function.

OUR CONTINUOUS IMPROVEMENT CYCLE

1. PROJECT DELIVERY
Projects delivered in accordance with framework

2. MONTHLY MONITORING
Risks, issues and performance reviewed monthly

3. POST PROJECT REVIEW
Structured review at project close

4. LESSONS LEARNED
Insights captured and documented

5. FRAMEWORK & TEMPLATE UPDATES
Processes, tools and templates refined

6. TRAINING & CAPABILITY DEVELOPMENT
Knowledge shared and capability uplifted

7. IMPROVED FUTURE PROJECTS
Stronger planning, better decisions, better outcomes

8. STRONGER COMMUNITY OUTCOMES
Reliable assets and services for Rotorua

A culture of learning today delivers better outcomes tomorrow

HOW WE IMPROVE

Lessons learned captured throughout the project lifecycle and formally reviewed at project close.

Framework improvement
Project Management Framework, templates and guidance updated where improvements are identified.

Reporting & governance refinement
Standard reporting and governance refined to improve visibility and decision making.

Training & capability
Training and coaching provided to Project Managers and delivery teams.

Systemic improvement
Common issues analysed across programmes to identify systemic improvements.

Organisation wide uplift
Capital Controls provides organisation wide consistency and continuous capability uplift.

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA LAKES COUNCIL

PĀTAI?

KIA ORA, HE PĀTAI ANŌ?

We welcome your questions and feedback.

Capital Delivery Team
Organisational Performance & Innovation

ROTORUA
LAKES COUNCIL

7.6 INSURANCE STRATEGY

Prepared by: **David Jensen, Chief Financial Officer**

Approved by: **Andrew Moraes, Chief Executive**

Attachments: **1. Infrastructure Insurance Guide 2025/26 (under separate cover)**

1. TE PŪTAKE PURPOSE

The purpose of this report is to confirm Council's insurance strategy for infrastructure and other critical assets.

Council's strategy is to maintain external insurance cover for critical assets rather than rely on self-insurance. This reflects Council's high level of debt and the need to avoid exposing Council's balance sheet, borrowing capacity and service delivery obligations to major unfunded losses following a natural hazard or severe weather event.

This report confirms the existing strategy rather than proposing a new strategy. It also records the rationale for the approach, including the role of the local government 60/40 recovery funding framework, the 40% insurance contribution provided through infrastructure insurance, and the use of Aon loss modelling to inform the adequacy of insurance limits

2. TE TUHINGA WHAKARĀPOPOTOTANGA EXECUTIVE SUMMARY

Council owns and manages critical infrastructure and community assets that are exposed to natural hazard risks, including severe weather, flooding, landslip, earthquake and other catastrophe-related damage. The Local Authority Infrastructure Insurance Policy provides cover for direct physical loss or damage to infrastructure assets, and for specified business interruption costs, caused by covered natural catastrophe events, subject to policy terms, exclusions, sums insured, sub-limits, Council sub-limits and the overall limit of liability.

The national recovery funding framework does not remove the need for Council to maintain insurance. The Aon guide states that the maximum Government contribution for eligible damaged essential infrastructure is generally limited to 60% of rebuild or repair cost above the relevant threshold, and that eligibility depends on the local authority having adequately protected itself through asset and risk management, proper maintenance, reserve funds and/or effective insurance.

The infrastructure insurance programme complements that framework by providing up to a 40% insurance contribution for eligible insured costs above the deductible, subject to policy limits, conditions and exclusions. Council must still fund deductibles, uninsured losses, ineligible costs, and any residual costs not met by insurance or Government support.

Given Council's high debt position, a strategy of broad self-insurance would not be financially prudent. A major uninsured event could require substantial additional borrowing, reduce financial flexibility, place pressure on rates and capital programmes, and compromise timely restoration of critical services. The preferred and existing approach is therefore to insure critical assets where loss consequences are high, while retaining only those risks that are appropriate to hold through deductibles, exclusions, reserves, and normal operational budgets. Practically, this also means that

Council's annual review process relies on up to date asset information, replacement costs and scenario modelling to ensure the maximum possible cover is obtained.

There is a clear trade-off inherent in this strategy. Maintaining external insurance cover results in higher ongoing operating expenditure through insurance premiums. However, this is considered an acceptable and prudent cost when compared with the financial risk of a major uninsured loss. The premium represents a known and budgeted cost, whereas self-insurance would expose Council to potentially significant and unplanned costs that could materially impact debt levels, rates, and service delivery.

The strategy should be considered through a total cost of risk lens. Insurance premiums are a visible operating expense, but they are only one component of Council's overall risk cost. Council must also consider deductibles, retained losses, uninsured assets, resilience investment, claims preparation costs, recovery borrowing requirements and service disruption risks. Aon has undertaken Council-specific loss modelling to quantify the potential impact of severe weather events on Council's insured infrastructure portfolio. Council has been advised that Aon's modelling indicates Council's current insurance arrangements are sufficient to respond to losses arising from a 1-in-1000-year weather event.

Council's insurance strategy sits within a broader risk financing framework that combines resilience investment, insurance, government recovery funding, prudent borrowing capacity and retained risk management. Insurance is only one component of Council's total cost of risk. Council also invests in asset resilience, maintenance, renewal and strengthening programmes to reduce the likelihood and consequence of future losses. Examples include seismic strengthening and restoration of Te Whare Taonga o Te Arawa Rotorua Museum, stormwater network improvements designed to reduce the impacts of heavy rainfall events, and wastewater treatment upgrades that improve network resilience and service continuity.

Council participates in the BOPLASS infrastructure insurance collective. Under the current programme, Rotorua Lakes Council has approximately $1.13 billion of declared infrastructure values insured within a shared programme limit of $600 million, with a Council-specific sub-limit of $250 million for any one event. This collective purchasing approach provides access to insurance capacity that would be difficult and more expensive to secure independently.

Aon has undertaken Council-specific and collective loss modelling to support the insurance programme. Council has been advised that the current programme remains sufficient to respond to a modelled 1-in-1000-year weather event. Group modelling indicates a Value at Risk (VaR) of approximately $324.3 million and a Tail Value at Risk (TVaR) of approximately $562.5 million, both within the current $600 million programme limit. Aon has further advised that Rotorua Lakes Council's modelled loss exposure remains within the Council's $250 million sub-limit. While this provides confidence that the contractual insurance response is robust, Council retains residual risk through deductibles, uninsured assets, exclusions, claims costs, amounts above policy limits, betterment costs, and any shortfall between insurance recoveries and government recovery funding.

The strategy will continue to be supported by an annual insurance roadmap and continuous improvement approach. This will include regular review of asset data, reinstatement valuations, insurance limits, Council sub-limits, coverage sub-limits, deductibles, retained risk, market capacity, affordability, loss modelling outputs, and Council's risk appetite.

HE TŪTOHUNGA
RECOMMENDATION

1. **That the report 'Insurance Strategy' be received.**

2. **That the Committee endorses Council's insurance strategy of maximising external insurance cover for critical assets rather than relying primarily on self-insurance.**
3. **That the Committee notes that Council's high level of debt means that material reliance on self-insurance would expose Council to unacceptable financial risk following a major natural hazard or severe weather event.**
4. **That the Committee notes that the strategy involves higher ongoing operating expenditure through insurance premiums, which is accepted as the cost of reducing exposure to large, unplanned financial losses.**

3. TE TĀHUHU
BACKGROUND

Council has responsibility for critical infrastructure and community assets that support essential services, public safety, economic activity and community wellbeing. These assets include infrastructure networks and associated assets that may be exposed to natural catastrophe events such as flooding, landslip, earthquake, severe weather and other hazard events.

Infrastructure assets typically insured under the policy include three waters assets, river management and flood protection assets, other below-ground and linear infrastructure, and some ancillary or legacy assets where councils elect to include them. Infrastructure can be both above-ground and below-ground, and councils must determine which policy best matches the primary risk profile of each asset.

The local government infrastructure insurance framework sits alongside the national 60/40 recovery funding framework. The maximum Government contribution for eligible damaged essential infrastructure is generally limited to 60% of the rebuild or repair cost above the relevant threshold. Eligibility for the 60% contribution is subject to the local authority having adequately protected itself through asset and risk management, proper maintenance, or sound financial provisions such as reserve funds and/or effective insurance. The infrastructure insurance programme is intended to provide the complementary 40% funding contribution through insurance settlements, subject to policy terms. Council must fund any remaining or ineligible costs itself.

Council's financial position is central to the insurance strategy. Council has high levels of debt. That debt position limits Council's ability to absorb a major uninsured event without placing pressure on borrowing limits, liquidity, rates, capital programme delivery, and service restoration. For that reason, Council's existing strategy is to insure critical assets rather than rely primarily on self-insurance.

The effectiveness of Council's insurance programme depends on accurate and current asset information. Council's accounting policies require key infrastructure asset classes to be revalued on a rolling three-year cycle, with annual assessments undertaken where appropriate to ensure carrying

values remain materially correct. Recent infrastructure revaluations have included water, wastewater, stormwater, roading, reserves and landfill asset classes.
For insurance purposes, declared values are reviewed annually as part of the insurance renewal process. This review considers current asset information, replacement costs, inflation impacts, reinstatement assumptions and changes in Council's asset portfolio. The combination of periodic formal valuations and annual insurance review processes assists in reducing underinsurance risk and improving claims outcomes.

Accurate asset data, appropriate reinstatement valuations, and risk quantification are important to the strategy. Aon’s guide states that accurate and comprehensive asset data is fundamental to designing an appropriate insurance programme and achieving successful claims outcomes. It also states that omitted assets are generally treated as uninsured or intentionally retained, and remain potential liabilities on Council’s balance sheet.

Asset valuations should reflect insurance reinstatement costs rather than accounting book values. Inadequate or out-of-date valuations can lead to underinsurance, distort loss modelling and limit selection, and complicate negotiations with underwriters and adjusters.

Council’s Financial Baseline

Council's financial position remains a key determinant of insurance strategy. As at July 2026, Council remained compliant with Treasury Policy and Local Government Funding Agency covenant requirements. Net debt to total revenue was 232% against Council's policy limit of 250%, and liquidity was 114% against the policy minimum of 110%.

Council's treasury dashboard reported approximately $55 million of undrawn banking facilities and $16.1 million of liquid assets. While these resources provide operational liquidity and emergency funding flexibility, they would not be sufficient to absorb the financial consequences of a major uninsured infrastructure loss. This reinforces the importance of maintaining external insurance cover for high-consequence risks.

4. TE MATAPAKI ME NGĀ KŌWHIRINGA DISCUSSION AND OPTIONS

Preferred option: Maximise external insurance

The preferred option is to continue Council’s existing strategy of securing external insurance for critical assets. This recognises that Council is not seeking to insure every possible loss. Rather, Council is seeking to transfer high-consequence risks where a loss could materially affect financial resilience, infrastructure recovery, and the ability to maintain essential services.

The overall limit of liability is the programme’s maximum insurance capacity for any one event, stated in 100% terms. Each participating council has a Council sub-limit that caps the maximum amount payable for that council’s losses in any one event. Coverage-specific sub-limits also apply to items such as Additional Increased Cost of Working, Enablement Costs, Extra Expense, Expediting Costs, Automatic Acquisitions, Unspecified Items and Claims Preparation Costs.

This option is appropriate because it:

- reduces Council’s exposure to major unfunded losses;
- supports recovery of critical services after a natural hazard event;

- aligns with the expectation that councils will not rely solely on Central Government recovery funding;
- recognises Council’s debt position and limited capacity to self-fund major event losses;
- uses loss modelling to inform the adequacy of limits and sub-limits; and
- results in higher ongoing operating expenditure through insurance premiums, representing the cost of transferring high-consequence risk away from Council’s balance sheet.

This trade-off — higher predictable OPEX versus lower exposure to large, volatile capital shocks — is considered appropriate given Council’s high debt position and limited capacity to absorb major losses.

Strategic risk financing framework and total cost of risk

Council's insurance strategy forms part of a broader risk financing framework designed to protect essential services while maintaining long-term financial sustainability. The framework combines:

- resilience investment through asset design, strengthening, maintenance and renewal;
- risk transfer through insurance and the national infrastructure recovery funding framework;
- risk retention through deductibles, reserves and balance sheet capacity; and
- prudent treasury management to ensure adequate liquidity following an event.

The objective is not to insure every possible loss, nor to maximise self-insurance, but to minimise Council's total cost of risk over time.

For Rotorua, Council’s high debt position is a key factor in determining the balance between risk transfer and risk retention. While self-insurance may reduce annual insurance premiums, it would significantly increase Council’s exposure to large and unpredictable losses following a major natural hazard event. Such losses could require substantial additional borrowing, reduce financial flexibility, delay recovery activities and place pressure on future rates. The current strategy therefore deliberately accepts higher operating expenditure through insurance premiums in exchange for greater certainty of financial outcomes and protection against major balance sheet shocks.

Insurance does not eliminate all financial risk. The infrastructure insurance programme is intended to provide the 40% local authority funding contribution contemplated within the national infrastructure recovery framework. However, Council remains exposed to a range of residual risks, including:

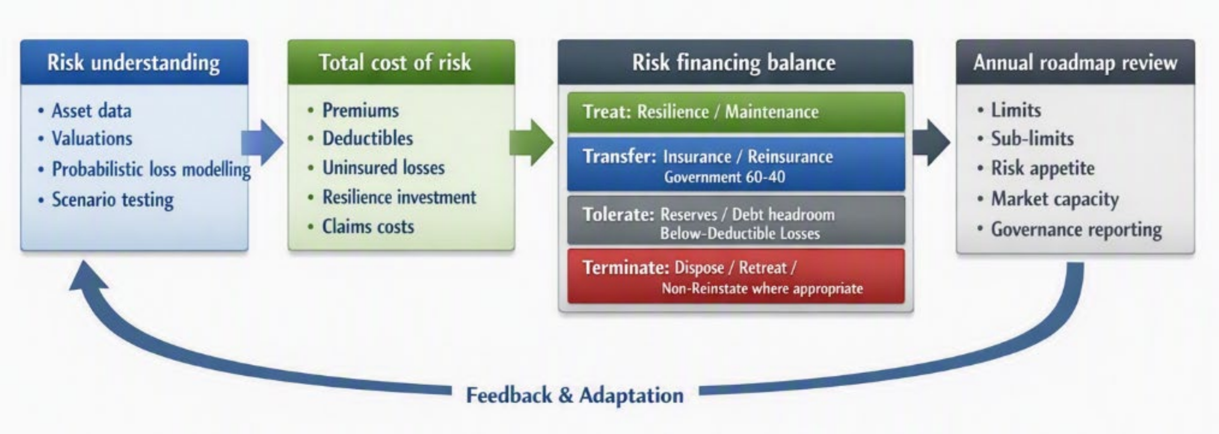
- deductibles and self-insured layers;
- losses exceeding Council sub-limits or programme limits;
- assets intentionally retained or uninsured;
- policy exclusions;
- claims preparation and recovery costs;
- betterment or resilience upgrades beyond eligible reinstatement costs;
- timing differences between expenditure and insurance recovery; and
- uncertainty associated with government recovery funding decisions.

Insurance is governed by contractual terms and provides certainty where losses fall within policy coverage. Government recovery funding is discretionary and subject to event-specific decisions, eligibility criteria and thresholds. Council therefore cannot rely solely on future government assistance as a risk financing strategy.

Insurance roadmap and continuous improvement

Confirmation of the current strategy does not imply that insurance arrangements should remain static. Council will continue to adopt a continuous improvement approach to insurance management through an annual insurance roadmap. The roadmap will support regular review of:

- asset schedules and insured asset exclusions;
- reinstatement valuations and inflation assumptions;
- insurance limits, Council sub-limits and coverage sub-limits;
- deductible levels and retained-risk exposure;
- market capacity, premium movement and affordability;
- loss modelling outputs and changes in hazard understanding;
- claims preparedness, cost coding and recoverability;
- resilience investment opportunities;
- asset prioritisation and potential de-selection where reinstatement would not be appropriate; and
- Council's overall risk appetite.



This approach supports the existing Rotorua strategy by ensuring Council continues to purchase insurance based on current exposure, current values, current market conditions and current risk appetite, rather than relying on historic renewal settings.

Role of loss modelling and risk quantification

Aon has undertaken Council-specific loss modelling to support the current insurance programme. Aon's guide describes loss modelling as a decision-making tool that uses data and computer-assisted calculations to estimate potential losses for a range of events, inform appropriate Council sub-limits and the overall limit of liability, and support cost-benefit analysis of different insurance structures.

Council has been advised that Aon's modelling indicates Council's insurance arrangements are sufficient to respond to losses arising from a 1-in-1000-year weather event. This provides assurance that the current strategy is based on quantified exposure analysis rather than historic premium settings alone.

Loss modelling should continue to be used as a governance and decision-support tool, not merely as an insurance renewal input. Modelling assists Council to understand the scale and probability of potential losses, test the adequacy of limits and sub-limits, assess the level of retained risk, and identify whether resilience investment or asset prioritisation may reduce future exposure.

Back to Index

For Rotorua, future modelling should continue to focus on hazards relevant to the district, including severe weather, flooding, landslip, geothermal and other natural hazard exposures. Modelling outputs should inform risk appetite, insurance limits, Council sub-limits, resilience investment, asset prioritisation and long-term financial planning.

Asset data and valuation management

The effectiveness of Council's insurance programme depends on the quality of its asset information. Accurate asset registers, reliable location data and current insurance reinstatement valuations are essential to:

- ensure appropriate insurance limits are purchased;
- avoid underinsurance;
- support robust loss modelling;
- improve claims outcomes;
- support underwriting confidence; and
- provide confidence in Council's risk financing decisions.

Aon's guide states that underwriters need to understand what is being insured, where it is located, and its reinstatement value. It also states that anything omitted from the Schedule of Values is generally treated as uninsured or intentionally retained by Council. Aon's guide also states that asset valuations should reflect insurance reinstatement costs, not accounting book values, and that inadequate or out-of-date valuations can lead to underinsurance, distort loss modelling and limit selection, and complicate negotiations with underwriters and adjusters.

Council will continue to review asset information and insurance valuations as part of normal asset management, insurance renewal and annual roadmap processes.

Alternative option: increased self-insurance or reserve-based funding

An alternative option would be for Council to reduce external insurance and rely more heavily on reserves, borrowing, or post-event reprioritisation.

This option is not recommended.

A greater self-insurance approach may be appropriate for low-value, predictable losses that fall within normal deductibles or operating budgets. However, it is not appropriate as the primary funding strategy for critical assets exposed to severe natural hazard events. Given Council's high level of debt, this alternative would transfer too much volatility to Council's balance sheet and is not financially prudent.

Future risk financing options

The insurance market continues to evolve, and local authorities are increasingly considering alternative risk financing mechanisms, including captive insurers, catastrophe bonds and other forms of risk transfer.

These mechanisms are not currently recommended for Rotorua Lakes Council as part of this report. The current strategy is to maintain conventional insurance cover for critical assets, supported by loss modelling, asset data quality, appropriate limits and sub-limits, and clear retained-risk funding discipline.

For Rotorua, these options should remain future monitoring items only. They may become relevant if insurance market capacity, affordability, Council's financial position or risk appetite materially changes.

5. TE TINO AROMATAWAI ASSESSMENT OF SIGNIFICANCE

The decisions or matters of this report are not considered significant in accordance with Council's Significance and Engagement Policy.

6. NGĀ KŌRERA O TE HAPORI ME TE WHAKATAIRANGA COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

Consultation on this matter is not being undertaken.

The report confirms an existing financial risk management approach and does not propose a change to levels of service, ownership of assets, or a new policy direction requiring community consultation. The approach supports Council's ability to restore critical services after a major event and is therefore a prudent internal risk management matter.

No specific publicity is proposed. If external communication is required, it should emphasise prudent financial management, resilience of essential services, and Council's responsibility to protect critical infrastructure in a financially sustainable way.

7. HE WHAIWHAKAARO CONSIDERATIONS

7.1. Mahere Pūtea Financial/Budget Considerations

The financial implication of this report is the continuation of Council's existing approach to insurance purchasing, including ongoing operating expenditure for insurance premiums and associated risk management activities. Council currently maintains insurance cover over approximately $2.1 billion of insured assets, including approximately $1.13 billion of infrastructure assets participating in collective insurance arrangements. While premiums represent a significant and visible operating cost, they provide protection against potentially material balance sheet impacts arising from major natural hazard events.

Council currently has approximately $55 million of undrawn banking facilities and $16.1 million of liquid assets available to support liquidity requirements. However, these resources would not eliminate the financial impact of a major uninsured event. Consequently, maintaining external insurance remains the most prudent strategy given Council's current debt position and limited capacity to absorb significant uninsured losses

This creates a deliberate trade-off. Insurance premiums increase annual OPEX; however, they provide protection against potentially significant and unplanned capital costs arising from major events. For a highly leveraged Council, this trade-off is financially prudent. Premium costs are predictable and can be budgeted, whereas uninsured losses would likely require additional borrowing, reprioritisation of

Back to Index

capital expenditure, or increases in rates. The strategy therefore reflects a shift from uncertain, high-impact financial risk to a known and manageable operating cost.

This report does not seek additional unbudgeted funding. It confirms the rationale for maintaining the existing insurance strategy within approved financial planning and renewal processes.

7.2. Kaupapa Here Me Ngā Hiraunga Whakariterite
Policy and Planning Implications

The report is consistent with prudent financial management, infrastructure resilience, asset management and risk management practice. Maintaining external insurance for critical assets aligns with the expectation that councils adequately protect themselves through asset and risk management, proper maintenance, reserve funds and/or effective insurance, and do not rely solely on Central Government to fund infrastructure recovery

7.3. Te Aromatawai Whakapātanga Ki Te Tāngata Whenua
Tāngata Whenua Impact Assessment

This report does not identify a direct impact on tāngata whenua that is different from, or more intensive than, the impact on the wider community.

7.4. Tūraru
Risks

Risk	Comment	Mitigation
Underinsurance	Inadequate declared values, sub-limits or programme limits could leave Council exposed to uninsured loss. Aon notes that inadequate or out-of-date valuations can lead to underinsurance and distort loss modelling and limit selection.	Maintain regular reinstatement valuation reviews, asset data updates and insurance renewal analysis.
Asset data risk	Assets omitted from the Schedule of Values are generally treated as uninsured or intentionally retained and remain potential liabilities on Council's balance sheet.	Maintain accurate asset registers, location data and Schedule of Values alignment.
Deductible and retained risk	Deductibles apply in 100% terms and operate as a self-insured layer, meaning many small and medium-sized events may fall wholly within them.	Budget for retained risk and model deductible exposure through Annual Plan and Long-Term Plan processes.
Limit and sub-limit adequacy	The overall limit, Council sub-limits and coverage sub-limits constrain the maximum insurance response. Aon recommends that programme, policy and sub-limits be reviewed prior to renewal to ensure they remain adequate.	Review limits, sub-limits and coverage structure annually using modelling, market feedback and risk appetite.

Reliance on Government support	Government support is discretionary and differs from contractual insurance cover; not all insured costs will qualify for Government support and not all Government-supported costs will necessarily be insured.	Maintain insurance and do not rely solely on Government recovery funding.
Affordability / OPEX pressure	Insurance premiums increase operating expenditure and may rise due to market conditions.	Apply a total cost of risk lens and regularly review deductibles, limits, sub-limits, market capacity and affordability.
Total cost of risk not visible	If premium cost is considered in isolation, Council may understate the cost of deductibles, retained losses, uninsured assets, claims costs, resilience investment and post-event borrowing impacts.	Report insurance strategy through a total cost of risk lens, including premiums, deductibles, retained risk, uninsured exposure and resilience investment.
Roadmap delivery and data quality	Insurance settings may become misaligned if asset data, valuations, modelling outputs, hazard information or market assumptions are not kept current. Aon states that loss modelling should be reviewed at least every three years, or more often if exposure, valuations or hazard understanding materially change.	Maintain an annual insurance roadmap covering data, valuations, modelling, limits, sub-limits, deductibles, retained risk and market testing.
Modelling uncertainty	Loss modelling is a decision-support tool, not a prediction of exact outcomes. Aon modelling material notes that loss estimates are an input to limit decisions, but not the sole factor, and that uncertainty and additional cost factors should be considered.	Use modelling alongside risk appetite, affordability, market capacity, asset values, sub-limits, resilience investment and governance judgement.
Alternative risk transfer distraction	Captives and catastrophe bonds may be relevant in some circumstances, but premature pursuit could divert effort from core insurance renewal, data quality and retained-risk funding disciplines.	Monitor alternative risk transfer options only as future horizon-scanning unless market capacity, affordability, financial position or risk appetite materially changes.

7.5. Te Whaimana Authority

The Audit and Risk Committee has authority to receive this report and confirm the strategic direction for Council’s insurance and financial risk management approach.

Implementation of the insurance strategy, including annual renewal processes, policy placement, deductibles, sub-limits, retained-risk analysis, asset data review, loss modelling, roadmap reporting and operational engagement with brokers and insurers, will continue to be managed through normal approved budgets and delegations.

Back to Index

8 HE WHAKATAUNGA KIA HURI ATU TE ARONGA O TE HUI KI TE HUI TŪMATAITI – RESOLUTION TO MOVE INTO PUBLIC EXCLUDED (TO CONSIDER AND ADOPT CONFIDENTIAL ITEMS)

PUBLIC EXCLUDED

1. Exclusion of the Public
2. 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:

RECOMMENDATION

That Audit and Risk Committee resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
8.1 - Confidential Minutes of the Audit and Risk Committee Meeting held on 17 June 2026	Please refer to the relevant clause/s in the open meeting minutes.	Good reason for withholding exists under Section 48(1)(a).
8.2 - Organisational Agility and Resilience - Community Experience Group and Te Amorangi Unit	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - 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 would exist under section 6 or section 7
8.3 - Council's Quarterly Enterprise Risk Assessment - Financial Deep Dive	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - 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 would exist under section 6 or section 7
8.4 - Quarterly Risk Report	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to

Back to Index

	officers or employees of any local authority	result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
8.5 - Legislative Compliance, Litigation and LGOIMA	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - 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 would exist under section 6 or section 7
8.6 - Audit & Risk Committee Actions Register for the 3rd Quarter 2026 on Reports in Public Excluded Session	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - 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 would exist under section 6 or section 7
Plain English	Withholding of the information is necessary; • to carry out commercial activities without prejudice or disadvantage • to protect privacy of persons • maintain legal professional privilege • to express free and frank opinions to members of the local authority	

Consideration has been given to public interest in these matters and officers' advice is that the above reasons for confidentiality outweigh the public interest in these matters.

Back to Index

9 TE KARAKIA WHAKAMUTUNGA – CLOSING KARAKIA

Kia whakairia te tapu	Restrictions are moved aside
Kia wātea ai te ara	So the pathway is clear
Kia turuki whakataha ai	To return to every day activities
Kia turuki whakataha ai	To return to every day activities
Hāumi e. Hui e. Tāiki e!	Allied, enriched, unified, and blessed