



Notice of the Ordinary meeting of

Audit and Risk Subcommittee

Kōmiti Iti mō te Tātari Kaute me te Tūraru

| | |
|-----------|--|
| Date: | Thursday 17 September 2020 |
| Time: | 9.00a.m. |
| Location: | Council Chamber, Civic House 110 Trafalgar Street, Nelson |

Agenda

Rārangi take

Chairperson

Mr John Peters

Members

Her Worship the Mayor Rachel Reese

Cr Judene Edgar

Mr John Murray

Cr Rachel Sanson

Quorum 2

**Pat Dougherty
Chief Executive**

Nelson City Council Disclaimer

Please note that the contents of these Council and Committee agendas have yet to be considered by Council and officer recommendations may be altered or changed by the Council in the process of making the formal Council decision. For enquiries call (03) 5460436

Areas of Responsibility

- Council's Treasury policies
- Council's Annual Report
- Audit processes and management of financial risk
- Monitoring organisational risks, including debtors and legal proceedings
- Internal audit
- Health and Safety
- Any matters raised by Audit New Zealand or the Office of the Auditor-General

Powers to Decide

- None

Powers to Recommend to Governance and Finance Committee

- To write off outstanding accounts receivable or remit fees and charges of amounts over the Chief Executive's delegated authority
- Any matters within the areas of responsibility or such other matters referred to it by the Council

Powers to Recommend to Council

- Adoption of Council's Annual Report

For the Terms of Reference for the Audit and Risk Subcommittee please refer to document A1437349.

1. Apologies

Nil

2. Confirmation of Order of Business

3. Interests

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

4. Public Forum

5. Confirmation of Minutes

5.1 11 August 2020

6 - 14

Document number M13044

Recommendation

That the Audit and Risk Subcommittee

- 1. Confirms the minutes of the meeting of the Audit and Risk Subcommittee, held on 11 August 2020, as a true and correct record.***

6. Chairperson's Report

7. Draft Annual Report 2019/20

15 - 20

Document number R18130

Note: the draft Annual Report 2019/20 is circulated as a separate document.

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Draft Annual Report 2019/20 (R18130) and its attachment (A2461046).***

8. Health & Safety Governance Charter Review

21 - 32

Document number R14815

Recommendation

That the Audit and Risk Subcommittee

- 1. Receives the report Health & Safety Governance Charter Review (R14815) and its attachment (A2288754).***

Recommendation to Governance and Finance Committee

That the Governance and Finance Committee

- 1. Approves the revised Health and Safety Governance Charter (A2288754).***

CONFIDENTIAL BUSINESS

9. Exclusion of the Public

Recommendation

That the Audit and Risk Subcommittee

- 1. Excludes the public from the following parts of the proceedings of this meeting.***
- 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:***

| Item | General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Particular interests protected (where applicable) |
|-------------|---|--|---|
| 1 | Audit and Risk Subcommittee Meeting - Public Excluded Minutes - 11 August 2020 | Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7. | The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person • Section 7(2)(g) To maintain legal professional privilege |

Minutes of a meeting of the Audit and Risk Subcommittee

Held in the Council Chamber, Civic House, 110 Trafalgar Street, Nelson

On Tuesday 11 August 2020, commencing at 1.03p.m.

Present: Mr J Peters (Chairperson), Mr J Murray, Councillors J Edgar and R Sanson

In Attendance: Group Manager Corporate Services (N Harrison), Group Manager Environmental Management (C Barton), Governance Adviser (J Brandt) and Governance Support (K McLean)

Apology: Her Worship the Mayor R Reese (Council business)

1. Apology

Resolved AR/2020/026

That the Audit and Risk Subcommittee

- 1. Receives and accepts the apology from Her Worship the Mayor R Reese for absence on Council business.***

Peters/Edgar Carried

2. Confirmation of Order of Business

There was no change to the order of business.

3. Interests

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 21 May 2020

Document number M9879, agenda pages 8 - 14 refer.

Resolved AR/2020/027

That the Audit and Risk Subcommittee

- 1. Confirms the minutes of the meeting of the Audit and Risk Subcommittee, held on 21 May 2020, as a true and correct record.***

Sanson/Murray

Carried

6. Chairperson's Report

Document number R18151, agenda pages 15 - 16 refer.

Mr Peters spoke about the Interim Financial report for Elected Members which was being distributed via the Councillors newsletter for the periods between the financial reporting to the Governance and Finance Committee, for the purposes of financial oversight.

Mr Peters further spoke about a webinar some Members had attended on 14 July. The webinar was hosted by the Office of the Auditor General and focused on the specific risks arising from the COVID-19 pandemic.

Nelson City Council's journey towards an embedded high level of risk intelligence was discussed.

Mr Peters subsequently made a correction to the report, noting the wrong resolution from the Council meeting on 25 June 2020 had been included, and that the correct one was the resolution below:

That the Council

- 1. Receives the report New Zealand Local Government Funding Agency Amendments (R16983); and*
- 2. Authorises the Council's entry into the documentation noted in this report.*
- 3. Authorises the Mayor and Deputy Mayor to execute the following deeds for the purposes of recommendation 2 above:*
 - (i) Amendment and Restatement Deed (Multi-issuer Deed);*
 - (ii) Amendment and Restatement Deed (Notes Subscription Agreements); and*
 - (iii) Amendment and Restatement Deed (Guarantee and Indemnity).*
- 4. Authorises the Chief Executive to execute the Chief Executive Certificate and such other documents and take*

such other steps on behalf of Council as the Chief Executive considers it is necessary to execute or take to give effect to recommendation 2 above.

Resolved AR/2020/028

That the Audit and Risk Subcommittee

- 1. Receives the report Chairperson's Report (R18151).***

Peters/Sanson

Carried

7. Audit New Zealand - Audit Engagement Letter

Document number R18115, agenda pages 17 - 31 refer.

Manager Finance, Clare Knox, presented the report and answered questions about Audit NZ fees and the timeline for signing the audit engagement letter, noting a recent change to the statutory deadline.

The Subcommittee provided some feedback, recommending that the Mayor signs the letter, subject to satisfactory conclusion of a fee structure for ensuing years.

Resolved AR/2020/029

That the Subcommittee

- 1. Receives the report Audit New Zealand - Audit Engagement Letter (R18115) and its attachment (A2409696); and***
- 2. Notes that following feedback from the Audit and Risk Subcommittee, Her Worship the Mayor will sign the Audit Engagement letter to Audit NZ.***

Edgar/Sanson

Carried

8. Annual Tax Update

Document number R14819, agenda pages 32 - 83 refer.

Manager Finance, Clare Knox, presented the report.

Resolved AR/2020/030

That the Audit and Risk Subcommittee

- 1. Receives the report Annual Tax Update (R14819) and its attachments (A2415912, A2358418 and A2417124).***

Sanson/Murray

Carried

9. Interim Audit Report for the year ending 30 June 2020

Document number R14821, agenda pages 84 - 108 refer.

Manager Finance, Clare Knox, presented the report and answered questions about the timely review of policies and NZ IFRS 16 leases.

Resolved AR/2020/031

That the Audit and Risk Subcommittee

- 1. Receives the report Interim Audit Report for the year ending 30 June 2020 (R14821) and its attachment (A2414826); and***
- 2. Notes the suggested responses to the recommendations (as per A2414826).***

Edgar/Sanson

Carried

10. Health, Safety and Wellbeing Report, January to June 2020

Document number R18135, agenda pages 109 - 126 refer.

Health and Safety Adviser, Malcolm Hughes, presented the report. He gave an update regarding security incidents in section 4.2.1. of the report, noting that library staff had identified that the extent of the liquor ban area around the Elma Turner Library was not as extensive as previously assumed and were considering action to address this.

Mr Hughes answered questions about Nelson City Council's responsibilities regarding Elected Members' role of being contractors and officers at the same time. He answered further questions about safe driving, hazards, near misses, the marina hardstand and safe work observation opportunities for Elected Members.

Attendance: Councillor Noonan joined the meeting at 1.45p.m.

Resolved AR/2020/032

That the Audit and Risk Subcommittee

- 1. Receives the report Health, Safety and Wellbeing Report, January to June 2020 (R18135) and its attachment (A2404161).***

Sanson/Edgar

Carried

The meeting was adjourned from 2.00p.m. to 2.07p.m.

11. Key Organisational Risks Report - 01 January to 30 June 2020

Document number R14813, agenda pages 127 - 158 refer.

Manager Business Improvement, Arlene Akhlaq, presented the report and answered questions about the development of a climate action framework to address environmental risks; loss of public trust in the organisation (risk 12), the effectiveness of controls in place, the review process, and the new risk software.

The Group Manager Corporate Services, Nikki Harrison, answered a question about the security of Council data stored on platforms outside of Council systems, such as Sharepoint.

Resolved AR/2020/033

That the Audit and Risk Subcommittee

- 1. Receives the report Key Organisational Risks Report - 01 January to 30 June 2020 (R14813) and its attachment (A2415845).***

Edgar/Sanson

Carried

12. New and Outstanding Significant Risk Exposures and Control Issues Identified from Internal Audits - 30 June 2020

Document number R14818, agenda pages 159 - 162 refer.

Internal Audit Analyst, Lynn Anderson, presented the report. She gave an update about the contract management system. Ms Anderson and Ms Akhlaq answered questions about the recommendations regarding water contamination prevention, timeframes regarding procurement contract management, monitoring and management of contractor performance as well as the asset management system.

Resolved AR/2020/034

That the Audit and Risk Subcommittee

- 1. Receives the report New and Outstanding Significant Risk Exposures and Control Issues Identified from Internal Audits - 30 June 2020 (R14818) and its attachment (A2417196).***

Sanson/Murray

Carried

13. Internal Audit - Quarterly Progress Report to 30 June 2020

Document number R18111, agenda pages 163 - 168 refer.

Internal Audit Analyst, Lynn Anderson, presented the report. Ms Akhlag answered questions about process management improvements, and project management templates used by different parts of the organisation. She noted that sophisticated software was being rolled out this year and that the Capital Projects team would have full access to this.

Resolved AR/2020/035

That the Audit and Risk Subcommittee

- 1. Receives the report Internal Audit - Quarterly Progress Report to 30 June 2020 (R18111) and its attachment (A2408483).***

Edgar/Sanson

Carried

14. Bad Debt Writeoff - Year Ending 30 June 2020

Document number R14820, agenda pages 169 - 171 refer.

Accounting Services Manager, Victoria Harper, presented the report and answered questions about the current year's debt compared to last year's, and the quantity of debts. Group Manager Corporate Services, Nikki Harrison, answered questions about marina fees and processes in place to recover debt in this space.

Resolved AR/2020/036

That the Audit and Risk Subcommittee

- 1. Receives the report Bad Debt Writeoff - Year Ending 30 June 2020 (R14820).***

Edgar/Sanson

Carried

Recommendation to Governance and Finance Committee AR/2020/037

That the Governance and Finance

- 1. Approves the balance of \$20,462.37 excluding GST owing by Concrete & Metals Ltd be written off as at 30 June 2020.***

Edgar/Sanson

Carried

15. Exclusion of the Public

Resolved AR/2020/038

That the Audit and Risk Subcommittee

- 1. Excludes the public from the following parts of the proceedings of this meeting.***
- 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:***

Sanson/Edgar

Carried

| Item | General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Particular interests protected (where applicable) |
|-------------|--|--|---|
| 1 | Audit and Risk Subcommittee Meeting - Public Excluded Minutes - 21 May 2020 | Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7. | The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person • Section 7(2)(g) To maintain legal professional privilege |
| 2 | Quarterly Update On Debts - 30 June 2020 | Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7 | The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person • Section 7(2)(g) To maintain legal professional privilege |
| 3 | Internal Audit Report - Transfer Station Kiosk | Section 48(1)(a) The public conduct of this matter would be likely to result in | The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, |

| Item | General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Particular interests protected (where applicable) |
|------|---|---|---|
| | | disclosure of information for which good reason exists under section 7 | including that of a deceased person |
| 4 | Quarterly update on legal proceedings | Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7 | The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(g) To maintain legal professional privilege |

The meeting went into confidential session at 3.06p.m. and resumed in public session at 4.06p.m.

RESTATEMENTS

It was resolved while the public was excluded:

| | |
|---|--|
| 1 | CONFIDENTIAL: Quarterly Update On Debts - 30 June 2020 |
| | <p><i>That the Audit and Risk Subcommittee</i></p> <p>3. <u>Agrees</u> that the Report (R18068) and its attachment (A2216183) remain confidential at this time.</p> |

| | |
|---|--|
| 2 | CONFIDENTIAL: Internal Audit Report - Transfer Station Kiosk |
| | <p><i>That the Audit and Risk Subcommittee</i></p> <p>2. <u>Agrees</u> that the report Internal Audit Report – Transfer Station Kiosk (R18139) remains confidential at this time.</p> |

| | |
|----------|---|
| 3 | CONFIDENTIAL: Quarterly update on legal proceedings |
| | <i>That the Audit and Risk Subcommittee</i> 2. <u>Agrees</u> that the Report (R18148) and its attachment (A2429002) remain confidential at this time. |

There being no further business the meeting ended at 4.06p.m.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

Draft Annual Report 2019/20

1. Purpose of Report

- 1.1 To provide a copy of the draft Annual Report 2019/20.

2. Summary

- 2.1 The draft Annual Report for the 2019/20 financial year has been prepared and is provided as Attachment 1, for information. It is in the process of being audited and there are likely to be some changes as a result of the audit process.

3. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Draft Annual Report 2019/20 (R18130) and its attachment (A2461046).***

Recommendation to Council

That the Council

- 1. Notes the draft Annual Report 2019/20 has been prepared and will be audited before being presented to Council for adoption following audit, prior to 31 December 2020.***

4. Background

- 4.1 The purpose of the Annual Report is to compare Council's actual performance against the targets as set out in year two of the Long Term Plan 2018-28. It also provides accountability to the Nelson community for the decisions made throughout the year.

5. Discussion

- 5.1 The attached draft Annual Report 2019/20 is intended to provide Council with information officers have to date. This is not the final Annual Report

for the year as it is in the process of being audited. It is likely to require modification through the auditing process.

5.2 The Local Government Act usually requires Council to adopt the final Annual Report within four months of the end of the financial year (31 October), however Central Government has amended this legislation to give a two month extension due to the impact of COVID-19. Under the COVID-19 Response (Further Management Measures) Legislation Bill (No 2), the new dates for local authorities to meet reporting timeframes are 30 November 2020 for council controlled organisations, and 31 December 2020 for councils. The extension will be repealed on 1 February 2021.

5.3 Given time constraints, it is recommended that the final audited Annual Report be presented directly to Council, rather than to the Audit and Risk Subcommittee first. The Annual Report is currently scheduled to be adopted at Council's 27 October meeting, however there is a moderate risk that Audit New Zealand may not have given its opinion by this date, in which case it will need to be adopted at a later Council meeting prior to the end of the year.

Financials

5.4 The surplus before revaluation is \$8.4 million less than budgeted. The reasons for this variance are detailed in the draft Annual Report in Note 40 but are mainly due to:

5.4.1 Development contributions being \$2.4 million better than budget.

5.4.2 Vested assets being \$4.9 million less than budget.

5.4.3 Dividend income (ordinary and special dividends) being \$554,000 less than budget.

5.4.4 Other Expenses over budget by \$2.7 million.

- The Nelson Tasman Regional Landfill Business Unit has recorded after-care provision costs to provide for future landfill closure costs (\$1.4 million over budget). This is offset by the Emissions Trading Scheme Levy being underspent by \$514,000. Unbudgeted recycling costs of \$258,000 were also incurred.
- The Building Consent and Resource Consent activities reported under budget income of \$121,000 and \$41,000 respectively. Resource consent expenditure was over budget by \$431,000, reflecting contractor and external expert service costs.
- Unbudgeted building claims expenditure of \$690,000 has been recorded in the current financial year.

5.5 The provisional infrastructure revaluation is \$133 million - \$89 million more than the budget of \$44 million. This year is the full external revaluation (with an indexing revaluation in the previous financial year)

which occurs every second year and has seen a large increase in unit pricing across the three waters assets.

- 5.5.1 The staff understanding from the valuer is that the unit pricing price rises have been driven by an incremental increase in contractor overheads (Health & Safety, compliance and traffic management) and a shortage of skilled and experienced contractors to meet the increasing backlog of three waters and infrastructure projects across New Zealand. Reliance on construction cost indices for informing changes in replacement cost values has also been problematic as these latest increases have not yet shown up in published indices.
- 5.5.2 Officers are benchmarking the revaluation against other councils and are having a peer review undertaken. This will impact depreciation rates and insurance costs going forward.
- 5.6 As at 30 June 2020 Council's borrowings, net of deposits and cash were \$86.3 million compared to the budget of \$91.7 million. This difference between actual and budget is lower than usual due to the delay in the community housing divestment.
- 5.7 For the Financial Prudence Benchmarks, Council does not meet the Debt Control Benchmark - Council's actual net debt (\$68 million) as a proportion of planned net debt (\$64 million). For the Debt Control Benchmark, **net debt** means financial liabilities less financial assets (excluding trade and other receivables). This is largely driven by a higher derivatives revaluation liability than what was budgeted. Actual debt (borrowings) is lower than budgeted as outlined above.

Rating deficit

- 5.8 The rates deficit is \$1.6 million.
 - 5.8.1 Ordinary dividend income was under budget by \$934,000.
 - 5.8.2 The Building Consent and Resource Consent activities reported under budget income of \$121,000 and \$41,000 respectively. Resource consent expenditure was over budget by \$431,000, reflecting contractor and external expert service costs. These activities were less impacted by COVID-19 in the last quarter than earlier thought.
 - 5.8.3 Rent relief was provided across the city, resulting in lease income being \$241,000 less than budget. This is close to what was estimated in a report to Council on COVID impacts on 9 April 2020 (\$235,000).
 - 5.8.4 Parking meter income and enforcement charges were suspended during the COVID-19 lockdown, contributing \$381,000 to the total rates deficit. Officers estimated the impact in the 9 April report to be \$322,000.
 - 5.8.5 Contract and programmed maintenance costs were under budget, in particular in the Parks and Active Recreation activity, reflecting delays and work stoppages during the COVID-19 lockdown.

Non-financial Performance

- 5.9 Council's non-financial performance was 66.3% achieved, which is less than the 71% achieved in 2018/19. When the 14 measures that were not achieved due to COVID-19 are removed from the calculation, the achievement level is 80.3%. More information on this is provided on pages 8-9 of Attachment 1.

6. Options

- 6.1 This report is provided for information. The Audit and Risk Subcommittee has the option to either receive or not to receive this report and attachment. It is recommended that the Subcommittee receives this report and notes the final Annual Report 2019/20, with any changes resulting from the audit process, will be presented directly to Council before 31 December 2020.

7. Conclusion

- 7.1 An Annual Report must be completed to comply with section 98 of the Local Government Act 2002.
- 7.2 The purpose of this report is to provide the Committee with a draft of the Annual Report 2019/20. A final, audited report is planned to be provided to Council for adoption before 31 December 2020.

Author: Nicky McDonald, Group Manager Strategy and Communications

Attachments

Attachment 1: A2461046 - Draft Annual Report 2019/20 (*Circulated separately*) [⇒](#)

Important considerations for decision making

1. Fit with Purpose of Local Government

The Annual Report 2019/20 is a requirement of the Local Government Act 2002 and fits the purpose of local government by providing information about Council's performance during 2019/20, thereby promoting accountability.

2. Consistency with Community Outcomes and Council Policy

The Annual Report 2019/20 contributes to all the community outcomes by measuring performance across the full range of Council activities.

3. Risk

The content of the Annual Report is prescribed by statute so there is a very low risk that it will not achieve the required outcome.

The Local Government Act 2002 requires Council to adopt the final Annual Report within four months of the end of the financial year (31 October). Under the COVID-19 Response (Further Management Measures) Legislation Bill (No 2), the new date for councils to meet reporting timeframes is 31 December 2020. There is low risk that the Annual Report will not be adopted by this date.

4. Financial impact

Preparation and publication of the Annual Report can be achieved within funding allocated in the Annual Plan.

5. Degree of significance and level of engagement

The decision to receive this report is of low significance. The final audited Annual Report will be provided to Council for adoption after the audit opinion is given, before 31 December 2020. There will be a summary Annual Report available following adoption of the final audited Annual Report, and this will also be made available to the public.

6. Inclusion of Māori in the decision making process

No engagement with Māori has been undertaken in preparing this report.

7. Delegations

The Audit and Risk Subcommittee has the following delegations to consider the Annual Report 2019/20.

Areas of Responsibility:

- *Council's Annual Report*
- *Council's financial and service performance*

Powers to Recommend:

- *Adoption of Council's Annual Report*

Powers to Decide: None

Health & Safety Governance Charter Review

1. Purpose of Report

- 1.1 To approve the review of the Health and Safety Governance Charter (Governance Charter), the peak document in Council's health and safety system.

2. Summary

- 2.1 A significant change to the Governance Charter proposed in this review is that it no longer refers to the Health and Safety Strategic Plan (Strategic Plan).
- 2.2 Other changes for this review are minor and are primarily corrections to reflect changes in the organisation since 2017.

3. Recommendation

That the Audit and Risk Subcommittee

- 1. Receives the report Health & Safety Governance Charter Review (R14815) and its attachment (A2288754).***

Recommendation to the Governance and Finance Committee

That the Governance and Finance Committee

- 1. Approves the revised Health and Safety Governance Charter (A2288754).***

4. Background

- 4.1 The Health and Safety at Work Act 2015 (HSWA) s44 outlines a duty of due diligence that applies to 'officers' (persons who hold senior leadership or governance positions in a Person Conducting a Business or Undertaking (PCBU)). The Institute of Directors (IOD) and WorkSafe published the 'Health and Safety Guide – Good Governance for Directors' in March 2016. This Good practice guide is an established standard in regard to health and safety due diligence and was referred to when reviewing the Governance Charter.

Item 8: Health & Safety Governance Charter Review

- 4.2 The Governance Charter is the peak document relating to health and safety governance in Council's Health and Safety Management System (HSMS). It defines how Council sets health and safety expectations and, in particular, sets out governance expectations in relation to health and safety. The Governance Charter was approved by Council in August 2017.

5. Discussion

- 5.1 The only significant change to the Governance Charter proposed for this review is that references to the Strategic Plan are removed. This allows the Strategic Plan to be retired from the HSMS and will be the subject of a further report to the Audit and Risk Subcommittee. It will be proposed that health and safety strategy is integrated into other documents within the HSMS and existing Council processes such as the Annual Plan.
- 5.2 The Strategic Plan is primarily a high level overview of the HSMS and the content is duplicated in the Health and Safety Manual. The Strategic Plan also includes activity schedules which are also duplicated and at times competing with emerging risk based priorities and organisational KPIs. Removing the Strategic Plan from the HSMS while ensuring important content and functionality is captured in other documents and processes will improve the operational efficiency of the HSMS. Removing reference to the Strategic Plan in the Governance Charter allows this to occur.
- 5.3 In this review there is an opportunity to rationalize the comprehensive HSMS introduced prior to the commencement of HSWA in April 2016. This is intended to improve the efficiency, effectiveness and relevance to the Council context of the peak health and safety documents.
- 5.4 Details of further minor changes made to the Health and Safety Governance Charter for this review are outlined below.
- 5.4.1 **Heading Page** – Updated to reflect this review.
- 5.4.2 **1. Purpose** - Reference to a five year Health and Safety Strategic Plan has been removed.
- 5.4.3 **2. Commitment Statement** - No change
- 5.4.4 **3. Vision** - 'Wellbeing' has been added to 'health and safety' throughout the charter to reflect an increased focus on the importance of wellbeing beyond traditional mandatory requirements.
- 5.4.5 **4. Scope** – No change
- 5.4.6 **5. Responsibilities**
- (5.1) Due Diligence**
- Corrected to include Mayor as an officer under HSWA – previously councillors.

Item 8: Health & Safety Governance Charter Review

Bullet point referring to overlapping duties now includes 'cooperate with' to better reflect wording in HSWA s34.

(5.2) Specific Leadership Responsibilities

(5.2.1) - *Health and Safety Strategic Plan* is no longer referred to as a document that Council approves.

(5.2.1) – *The Council approves the Health and Safety Governance Charter* has been changed to *The Governance and Finance Committee approves the Health and Safety Governance Charter*, this reflect the current delegations.

(5.2.2) – *The Audit and Risk Subcommittee receives quarterly health and safety performance reports* has been added.

(5.2.3) – *The Chief Executive Employment Committee sets Chief Executive KPIs including health and safety KPIs* has been added.

(5.2.4) – *Health and safety strategy* is now included in responsibilities of Chief Executive and SLT.

5.4.7 Governance Due Diligence Plan

Indicators have been updated to reflect improvements in reporting provided to the Audit and Risk Subcommittee. Objectives and actions remain the same and have been reviewed for alignment with the IOD 'Health and Safety Guide- Good Governance for Directors'.

5.4.8 Monitor and Review

No changes have been made to this section.

5.4.9 Key Documents

Health and Safety Strategic Plan (A1398549), has been removed.

Health and Safety Guide – Good Governance for Directors (A1638929), has been included as a reference document.

- 5.5 There has been engagement with Council's Workplace Health and Safety Committee on this Governance Charter review. The Workplace Health and Safety Committee includes elected health and safety representatives from workgroups across Council.

6. Options

| | |
|---|--|
| Option 1: Recommend that the Governance and Finance Committee approves the reviewed H&S Governance Charter as per the attachment (A2288754) | |
| Advantages | <ul style="list-style-type: none"> • Council demonstrates positive due diligence in relation to health and safety matters in Council workplaces. This assists in meeting elected members' obligations as officers under HSWA. • Improved efficiency in the HSMS. |
| Risks and Disadvantages | <ul style="list-style-type: none"> • That the absence of reference to a dedicated health and safety strategy document is perceived as inadequate focus on continual improvement. |
| Option 2: Recommend that the Governance and Finance Committee approves the reviewed H&S Governance Charter with references to the Health and Safety Strategic Plan restored. | |
| Advantages | <ul style="list-style-type: none"> • The HSMS includes a peak document that has a specific focus on health and safety strategy. |
| Risks and Disadvantages | <ul style="list-style-type: none"> • The approach to health and safety strategy is not well integrated with Council systems and strategic planning. • When driven by a specific health and safety strategy, the health and safety work-plan is less adaptable to emerging risks. |
| Option 3: Decline to approve the reviewed H&S Governance Charter | |
| Advantages | <ul style="list-style-type: none"> • Provide further opportunity to reconsider the overall approach to peak documents within Council's HSMS. • Further changes or improvements to the proposed Charter could be made. |
| Risks and Disadvantages | <ul style="list-style-type: none"> • Some references in the health and safety governance Charter are obsolete. • Completion of a review of this key H&S document is further delayed. |

Item 8: Health & Safety Governance Charter Review

Author: **Malcolm Hughes, Health and Safety Adviser**

Attachments

Attachment 1: A2288754 Health and Safety Governance Charter - September 2020 [↓](#)

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|---|
| <p>Important considerations for decision making</p> |
| <p>1. Fit with Purpose of Local Government</p> <p>Council has an obligation under the Health and Safety at Work Act 2015 (HSWA) because it is classed as a Person Conducting a Business or Undertaking (PCBU), and elected members and Council’s senior management have obligations as ‘Officers’ under that Act.</p> |
| <p>2. Consistency with Community Outcomes and Council Policy</p> <p>The recommendations align with the Community Outcome: <i>Our communities are healthy, safe, inclusive and resilient.</i></p> |
| <p>3. Risk</p> <p>This report aims to help elected members meet their due diligence obligations as ‘Officers’ under the Health and Safety at Work Act 2015. The likelihood of adverse consequences is assessed as low based on the current record of Council’s health and safety systems and the on-going monitoring of them. However the consequences for Council could still be significant if there were to be a serious harm incident to a Council worker, contractor or other person. These consequences could include harm to people, prosecution of the Council and/or its officers, financial penalties, and/or reputational damage.</p> |
| <p>4. Financial impact</p> <p>There are no immediate budget implications arising from this report.</p> |
| <p>5. Degree of significance and level of engagement</p> <p>This matter is of low significance in regard to community or subgroups and no engagement is required. As part of Council’s health and safety management system engagement with workers is required and has been completed through the Workplace Health and Safety Committee.</p> |
| <p>6. Climate Impact</p> <p>The matters this report relates to are unlikely to have any impact on climate change.</p> |
| <p>7. Inclusion of Māori in the decision making process</p> <p>No engagement with Māori has been undertaken in preparing this report.</p> |

8. Delegations

The Audit and Risk Subcommittee has responsibility for Health and Safety and has the power to make recommendations to Governance and Finance Committee about any matters within its areas of responsibility.



Health and Safety Governance Charter

Approved by Council: 10 August 2017

Last Review Date: September 2020

Next Review Date: April 2023

Contact: Manager Business Improvement

1. Purpose

The Health and Safety Governance Charter outlines governance responsibilities and provides a high level overview of health and safety leadership at Nelson City Council (Council).

This Governance Charter is Council's highest level statement regarding health and safety.

2. Commitment Statement

Council will establish and maintain an effective governance framework in accordance with the Health and Safety at Work Act 2015 (HSWA), other relevant legislative requirements, and established principles to ensure a thorough oversight of health and safety across the full scope of Council's activities.

This framework will be implemented and reviewed at the commencement of each triennium to ensure that Council is continuously acting in accordance with best practice for the governance of health and safety, and in order to manage Council's health and safety risks.

3. Vision

Council's health and safety vision is to create a culture of organisational wellness and safety, manage risk to a level as low as reasonably practicable, ensure continuous improvement in our systems and processes, and work together to deliver outcomes in a way that promotes, health, safety and wellbeing.

4. Scope

The requirements of Council's Health and Safety Governance Charter apply to all Council controlled activities. This includes all Council workplaces and workers (employees, contractors or volunteers) where Council acts as principal to the contract or has significant influence or control over the workers in the workplace. It shall only apply to relevant Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs) when they are used as contractors.

5. Responsibilities

5.1 Due Diligence

As officers under HSWA, the Mayor, Councillors, the Chief Executive (CE) and the Senior Leadership Team (SLT) are required to exercise due diligence, and in doing so take all reasonably practicable steps to:

- Keep up to date with health and safety matters
- Understand the nature of Council business and its hazards and risks
- Ensure that Council has appropriate resources and processes to eliminate or minimise those risks and uses them

- Ensure there are appropriate reporting and investigation processes in place
- Ensure there are processes in place for complying with any duty under HSWA
- Verify that these resources and processes are in place and being used.

(From HSWA 2015 s. 44(4))

The Council will act in good faith at all times to cooperate with and support the CE to enable him/her to ensure that he/she and Council complies with relevant health and safety legislation and best practice. This will include supporting the CE by ensuring that he/she has the appropriate resources and support to:

- Develop policy and procedures that express the Council's commitment to health, safety and wellbeing
- Identify key risks to health, safety and wellbeing to ensure that resources are allocated where they are needed most
- Manage risks to health, safety and wellbeing under the principle that workers and others should be given the highest level of protection from harm that is reasonably practicable
- Report and investigate all accidents, incidents and near misses in a timely and accurate manner
- Ensure all workers are appropriately trained and/or supervised
- Provide opportunities for all workers to engage and participate in matters of health and safety
- Establish measurable objectives to ensure continuous improvement in the management of health and safety and report appropriate health and safety lead and lag indicators to the Council
- Consult, Cooperate with and coordinate activities with all other PCBUs that have overlapping health and safety duties with Council
- Ensure the treatment, care and rehabilitation of injured workers including where possible appropriate return to work programmes.

5.2 Specific Leadership Responsibilities

5.2.1 The Governance and Finance Subcommittee approves the Health and Safety Governance Charter.

5.2.2 The Audit and Risk Subcommittee receives quarterly health and safety performance reports.

- 5.2.3 The Chief Executive Employment Committee recommends CE KPIs including health and safety KPIs to The Council. The Council approves CE KPIs.
- 5.2.4 The CE and SLT have management responsibility for setting health and safety strategy, expectations, and accountability for health and safety performance.
- 5.2.5 The CE is responsible for implementing the strategy and providing the resources to achieve the expectations set for the organisation.
- 5.2.6 The CE and SLT will maintain appropriate oversight over matters relating to health and safety.

6 Governance Due Diligence Plan

| Objectives | | Actions | Indicators |
|-------------------|--|---|---|
| Know | Keep up to date with health and safety matters | Understand Council’s health and safety management systems | Involvement in health and safety networking groups and events |
| Understand | Understand the nature of the Council business and its hazards and risks | Attend workplace visits with a focus on health and safety matters | WorkSafe interventions Notifiable events Employee survey results H&S training attendance records |
| Resource | Ensure that Council has appropriate resources & processes to eliminate or minimise risks and uses them | Attend and participate in health and safety and risk management workshops | Visible employee participation in health and safety |
| Monitor | Ensure there are appropriate reporting and investigation processes in place | Set objectives via the Chief Executive’s Employment Committee | Lost time injuries Sick leave data Accident incident and near miss data E-Road metrics |
| Comply | Ensure there are processes in place for complying with any duty under HSWA | Seek information and assurance through the Audit and Risk Subcommittee that health and safety risks are identified and managed within an appropriate frame work | External audit and review recommendations Internal audit and review recommendations H&S related employment relations grievances |
| Verify | Verify that resources and processes are in place and being used. | | |

7 Monitor and Review

The Audit and Risk Subcommittee will receive quarterly reports regarding implementation of health and safety, including progress towards delivering on the above Governance Due Diligence Plan.

This Governance Charter will be reviewed at the commencement of each triennium.

8 Key Documents

Health and Safety Policy [A115020](#)

Health and Safety Manual [A117333](#)

Health and Safety Guide, Good Governance for Directors ([A1638929](#))