

## Finance and Performance Committee

Meeting of 25 March 2026

Business Unit: People and Corporate

Date Created: 16 March 2026

### Strategic Risks Deep Dive - Local Economy and Government Reform

#### Purpose Te Aronga o te Pūrongo

To discuss two strategic risks in-depth with the Committee and consider updates, including changes in the external environment and emerging opportunities:

- Local Economy
- Government Reform

#### Recommendations Ngā Tūtohinga

That the Committee receives the 'Strategic Risks Deep Dive – Local Economy and Government Reform' report.

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## 1 Background Ngā Kōrero o Muri

- 1.1 The Council currently has seven strategic risks. These were adopted in 2024, and throughout 2025 the Audit and Risk Committee received a series of deep dive reports on these.
- 1.2 These deep dives provide the Committee with a more detailed understanding of the drivers, consequences, and controls associated with each risk, while also identifying emerging trends and opportunities.

## 2 Strategic Fit Te Tautika ki te Rautaki

- 2.1 This review supports the strategic outcome “Value for money and excellence in local government”, by ensuring that Council understands and actively manages key strategic risks that may influence its long-term sustainability and performance.

## 3 Local Economy Ōhanga ā-rohe

- 3.1 The Local Economy strategic risk refers to opportunities, downturns, or volatility in economic conditions that may affect the prosperity and resilience of the Manawatū District.
- 3.2 Economic performance influences employment, business confidence, and population trends across the district. Factors such as global economic conditions, national recessions, disruptions to trade and supply chains, and changes to immigration or land-use policy may affect economic activity locally.
- 3.3 The district’s economy has strong links to primary industries and export markets, meaning fluctuations in commodity prices or agricultural production may have local impacts. Economic downturns may reduce business resilience, tourism activity, and the vibrancy of town centres and villages.
- 3.4 Conversely, favourable economic conditions may support employment, export growth, tourism, and population growth within the district.

### **Controls and Enablers**

- 3.5 Council supports economic resilience through several mechanisms, including:
  - Monitoring economic indicators such as consenting activity and complaints.
  - Long-term and annual planning processes that consider community affordability.
  - Support of Central Economic Development Agency (CEDA) and engagement with local businesses.
  - Direct relationships with businesses, including the Development Navigator role.
  - Business continuity planning and regular economic reporting to Council.

- Engagement with key stakeholders, such as local developers (e.g., the Grow Manawatū forum).

3.6 Council is also progressing a Growth Strategy, which will help guide long-term economic development planning.

### Risk Analysis

3.7 The Local Economy risk primarily affects People & Capability and Financial & Investment, where Council’s appetite is Open and Cautious respectively:

Risk Areas	Averse	Minimalist	Cautious	Open	Ambitious
People & Capability	Open				
Service Delivery	Cautious-Open				
Reputational	Cautious				
Legal Compliance	Averse-Minimalist				
Financial & Investment	Cautious				
Health, Safety & Wellbeing	Minimalist				
Environmental	Open				
Cultural	Cautious				
Political	Open				

3.8 Many drivers of economic performance are outside Council’s control, including national economic cycles and development conditions in neighbouring areas. However, Council’s planning, infrastructure investment, and partnerships can support economic resilience within the district.

3.9 The residual risk (i.e., the risk score after accounting for controls) is assessed as **Medium**. The risk likelihood is **Possible** (25–74% chance of occurring within a 12-month period), and the risk impact levels are:

- People & Capability – Moderate
- Financial & Investment – Moderate
- Service Delivery – Minor
- Reputational – Minor

3.10 These impacts are generally considered to sit within Council’s risk appetite. The lower impact levels reflect that economic conditions are largely influenced by external factors (such as national policy and global economic trends) rather than Council decisions.

3.11 Recent international developments have contributed to increased uncertainty in global markets, with potential implications for fuel prices and broader economic conditions. Rising fuel costs may flow through to increased operating costs for Council, particularly in areas such as transport, construction, and contracted services. There may also be indirect impacts on the local economy, including cost pressures on businesses and households.

3.12 Ongoing global volatility may also influence inflation and interest rate settings, which could affect borrowing costs and overall financial affordability for both Council and the community.

## 4 Government Reform Whakahou Kāwanatanga

- 4.1 The Government Reform strategic risk refers to the impacts of legislative reform and changes in national policy direction on Council operations and long-term planning.
- 4.2 Local government operates within a national legislative framework, and policy changes may alter Council responsibilities, compliance requirements, and funding arrangements. Reform can be driven by changes of government, shifts in national priorities, or major events that prompt regulatory change.
- 4.3 Rapid or significant reform can make long-term planning more difficult and may introduce unforeseen compliance costs. In some cases, responsibilities may be transferred from central government to local authorities without corresponding funding. These pressures may also influence community perceptions of Council performance.
- 4.4 However, reform can also create opportunities. Greater collaboration between councils, shared services arrangements, or structural changes within the sector may support improved efficiency and strategic planning.

### Controls and Enablers

- 4.5 As with other strategic risks, the Council's ability to directly influence the causes of this risk are limited. However, there are mechanisms in place to bring attention to particularly problematic pieces of legislation, and early-warning indicators to allow members and staff as much time as possible to effectively respond
- 4.6 Council monitors and responds to government reform through:
- Regular reporting to elected members.
  - Monitoring emerging legislation and policy changes.
  - Participation in sector organisations such as LGNZ and Taituarā.
  - Engagement in national consultation and submission processes.
  - Internal audit programmes and responsiveness to Audit NZ recommendations.
  - Strong regional relationships developed by elected members and executive leadership.

### Risk Analysis

- 4.7 The Government Reform strategic risk is most likely to impact the areas of Financial & Investment, Service Delivery, Legal Compliance, Reputational, and People & Capability. Council's appetite levels in these areas are below:

Risk Areas	Averse	Minimalist	Cautious	Open	Ambitious
People & Capability	Open				
Service Delivery	Cautious-Open				
Reputational	Cautious				
Legal Compliance	Averse-Minimalist				
Financial & Investment	Cautious				
Health, Safety & Wellbeing	Minimalist				
Environmental	Open				
Cultural	Cautious				
Political	Open				

4.8 Legislative reform and changes in national policy direction can introduce new compliance requirements, alter service delivery models, or shift responsibilities between central and local government. These reforms may occur with limited notice and can create uncertainty for long-term planning.

4.9 Government reforms may also influence public perceptions of Council performance, particularly where reforms affect the delivery or cost of services.

4.10 The residual risk is assessed as **High**. The risk likelihood is **Possible** (25–74% chance of occurring within a 12-month period), and the risk impact levels are:

- Financial & Investment – Moderate
- Service Delivery – Moderate
- Reputational – Severe
- People & Capability – Moderate
- Legal Compliance – Minor

4.11 In this instance, the reputational impact exceeds the Council’s cautious appetite for reputational risk. This is unsurprising given the Council’s lack of influence over the pace of government reform, but it serves to highlight a key area of concern.

### Interdependencies

4.12 There are several connections between the **Local Economy** and **Government Reform** strategic risks.

4.13 Government reform can have a direct influence on economic conditions within the district. Legislative changes relating to areas such as infrastructure funding, land use planning, immigration settings, or industry regulation may affect business confidence, investment decisions, and employment opportunities. In turn, these changes may influence the performance and resilience of the local economy.

4.14 Similarly, the strength of the local economy can affect the Council’s ability to respond to reform initiatives. A strong local economy can support population growth, development activity, and investment, which may provide greater financial resilience for the Council and the community when adapting to legislative changes.

4.15 Both risks also have connections with other strategic risks. For example, government reform can influence **Financial Affordability** through new compliance requirements or funding changes, while economic conditions may affect **Growth** and development activity across the district.

4.16 These relationships highlight the importance of considering strategic risks collectively, as changes in the national policy environment or economic conditions may have cascading effects across several areas of Council activity.

## 5 Risk Assessment Te Arotake Tūraru

5.1 The risk assessments of both strategic risks are included in Section 3 (Discussion and Options Considered) of the report.

## 6 Engagement Te Whakapānga

### Significance of Decision

6.1 The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

### Māori and Cultural Engagement

6.2 There are no known cultural considerations associated with the matters addressed in this report. No specific engagement with Māori or other ethnicity groups is necessary.

### Community Engagement

6.3 There are no aspects of this report or its contents that warrant community engagement.

## 7 Operational Implications Ngā Pānga Whakahaere

7.1 There are no operational implications with this report.

## 8 Financial Implications Ngā Pānga Ahumoni

8.1 There are no financial implications with this report.

## 9 Statutory Requirements Ngā Here ā-Ture

9.1 While strategic risks are invariably impacted by government legislation, there are no statutory references specific to this report.

## 10 Next Steps Te Kokenga

10.1 Other strategic risks will be presented to the Committee in subsequent meetings.

10.2 There remain several improvement actions that staff intend to progress as time and capacity allows in 2026. These may include:

- Updating and reformatting of the Strategic Risk Profiles.
- New reporting templates, with a particular focus on trends (e.g., how the Council operates within its risk appetite over time).
- Better integration of Control Improvement Plans.
- Improved articulation of risk interconnectedness (e.g., spider mapping) in reporting (e.g., within the Strategic Risk Deep Dives).
- Greater use of graphical reporting on risks, and placing emphasis on demonstrating existing controls and control improvements

## 11 Attachments Ngā Āpiti hanga

- Strategic Risk Profile – Local Economy
- Strategic Risk Profile – Government Reform