

To: Far North District Council
Date: 21 December 2022
Subject: Risk Report

Purpose

The purpose of this paper is to provide FNDC with an overview of Far North Holdings Limited (FNHL) key risks, in accordance with the six-monthly reporting commitment in the Statement of Intent 2022 – 2025.

Executive Summary

This is inaugural risk report submitted to FNDC in line with additional reporting commitments within the current Statement of Intent.

This report outlines the top five risks identified through our risk identification processes, with monitoring and mitigation plans continuing to develop as new risk management processes are embedded throughout FNHL.

Background

FNHL and all wholly owned subsidiaries (the Far North Holdings Group) are committed to the application of risk management principles and processes across all business activities to support the achievement of our strategic and operating objectives. Given FNHL's increasing complexity and the current economic conditions, the Board has recently reviewed the company's risk management frameworks.

Following this review, we have formalised risk management processes and procedures to more effectively manage organisational risk, including the adoption of a Risk Management Policy in March 2022. This policy outlines the principles and approach towards managing risk at FNHL and is supported by an implementation plan over time to embed an appropriate risk management culture throughout the organisation.

Our policy supports a proactive, shared culture of risk identification, assessment, and action to ensure risk management is integrated into our operation across all levels of the organisation. This will require ongoing focus and resource, as we further develop our risk management capability and reporting within the organisation, and the Board is fully supported to this long-term commitment.

Risk Assessment – Top 5 Risks

Management has undertaken an updated assessment of risks. The top five risks include:

- Opuia Hilltop – Project Delivery / Reputation
- Debt Servicing
- Economic Conditions
- Political Risk
- Kaitaia Airport

Further detail of these top five risks and current mitigation actions underway are further detailed in Table 1 below.

Table 1: Top Five Risks

Risk Description	Mitigation Action
Project Delivery / Reputation - Opuia Hilltop: Inability to deliver contractual commitments due to inability to get access to site and / or long-term occupation with potential for increasing public opposition and brand damage for FNHL / FNDC.	Contractual remedies available due to contract frustration under consideration, and / or seek to negotiate resolution with the owner to consider alternative land use and / or disposal. Continue open and regular communication with FNDC on a "no surprises" basis.
Debt Servicing: Inability to service level of debt with interest rates impact working capital availability, financial viability of particular investments and impact profitability.	Actively maintain robust financial forecasts to identify potential exposures and allow opportunity for remedial action. Action underway to dispose of non core / under performing assets and immediate Board / mgmt action to improve working capital availability. Cheaper funding alternatives under consideration.
Economic Conditions: Internal and economic conditions impact ability to operate profitability and within budgets, impacting FNHL's ability to meet SOI commitments (including dividend payments) to FNDC.	Robust financial forecasts maintained, with regular Board reporting and visibility to ensure immediate action taken to remedy forecast impact. Regular communication with FNDC on a "no surprises" basis to ensure shareholder and Councillors remain well-informed.
Political Risk: Change in local or central Government may result in significant change in direction of FNHL and / or organisational priorities and expectations.	Engage with / brief new Council upon election, regular governance to governance workshops and regular communication and respond to expectations through informal and formal SOI processes.
Kaitaia Airport: Potential risk due to current ownership and restriction on ongoing maintenance spend.	Generally opportunity to rectify non-compliant work identified by FNHL as FNDC appointed airport managers but risk exists as the existing infrastructure continues to deteriorate. FNHL and FNDC pushing to resolve lease with the crown. FNHL Board to receive risk report in early 2023.