

Report 16.416
Date 13 September 2016
File CCAB-22-116

Committee Finance, Risk and Assurance Committee
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General Managers' report to the Finance, Risk and Assurance Committee

1. Purpose

To inform the Committee of Greater Wellington Regional Council (GWRC) activities relating to the Committee's areas of responsibility.

2. Corporate Services

2.1 Finance

2.1.1 Finance Summary

Our main priority continues to be the review of our finance, HR and asset management system. Work has focused on determining user requirements and engaging with vendors to upgrade or replace the system. A Request for Proposal (RFP) will be released in the next month. A full business case will be developed for decision towards the end of the year.

The annual 2015/16 financial statements have been successfully completed. We have worked closely with Audit NZ and no significant audit issues were identified.

A minor staff fraud was recently detected involving a Wellington Water staff member, estimated to be \$3,000. The staff member has admitted the fraud and has been dismissed, with the matter referred to the Police.

Transition to new rail operator has been successfully completed from a financial process perspective.

PwC was engaged to put in place a comprehensive tax framework to ensure rigorous governance and tax compliance standards. GWRC will adopt a conservative approach towards tax compliance. The framework outlines tax risk management strategies, responsibilities for tax issues, as well as reporting to the Committee. A high level indirect tax review (GST, Fringe Benefit Tax, PAYE, Withholding Tax) was completed as a first step with no significant issues identified.

2.1.2 ICT Summary

The successful refresh of our core datacentre hardware (Nutanix project) was completed in August. It represents a major milestone in a significant infrastructure programme that will enhance our security, reliability and capacity and speed of recovery of our key business applications.

A vendor and Procurement review is being undertaken to ensure that our vendor provided services continue to meet GWRC's needs going forward and they are value for money.

Now that the ICT team is fully resourced, training and development is a key focus of the team, with a detailed training and development programme being put in place to ensure that ICT has the capabilities to meet GWRCs needs over the next 1-3 years.

2.2 Treasury

2.2.1 Treasury Update

In June the council raised \$25 million debt from the LGFA for almost 6 years (15 April 2022).

The update of our Commercial Paper (CP) debt documentation (short term floating rate borrowing) for both council and WRC Holdings Limited to comply with the Financial Markets Conduct Act 2013 has now been completed. At the same time we increased our banking lines with ANZ and BNZ by \$10 million each to \$35 million each. This now enables us to increase our short term debt via a larger issuance of Commercial Paper. We are planning to have a \$50 million of CP for Council by the end of the financial year.

In August the Reserve Bank of New Zealand reduced the cash rate by 0.25% to 2.00%. This will assist us with our floating rate debt interest cost, however, our deposits will show lower returns later in the year as funds mature from higher rates. The movement also adversely impacts our interest rate swaps, which stand at a \$62.4 million adverse position at the end of August from \$55.4 million at year end.

Treasury re-invested \$22 million of maturing investments from our contingency funds for a medium to longer term, therefore receiving higher margins compared to term bank deposits.

There is a \$26.5 million interest free Crown Loan that is maturing in June 2017 and will have to be repaid by the council. There was some optimism that The Treasury, together with NZTA, might have forgiven some of this debt but negotiations were unfortunately unable to achieve this.

2.2.2 WRC Holdings Update

As part of improving communications of the WRC Holdings group a regular quarterly update is now provided to Council.

WRC Holdings group accounts, which include individual accounts for Port Investments Ltd, Greater Wellington Rail Ltd and WRC Holdings Ltd and CentrePort Ltd have been completed and audited, with no issues raised.

A dividend from the WRC Holdings Group amounting to \$3.578 million was declared prior to year-end and was in line with Council's budget expectations. This will be paid over to Council before 30 December 2016.

2.2.3 Insurance

We have signed a memorandum of understanding with a collective of the two Hutt Councils, Porirua City Council and Kapiti Coast District Council to purchase insurance. The initial focus is on Material Damage Business Interruption insurance, which makes up the majority of Council insurance costs.

Council extended its existing insurance arrangements to expire on 30 September 2016 to align with the timelines of the collective initiative.

It is currently proposed to buy cover to \$500 million for the collective. This intended to cover \$1.256 billion of above ground assets. Of this, GWRC's assets amount to \$540 million (43%). GWRC has elected to insure above its Maximum Probable Loss (MPL), estimated at between \$136 million and \$292 million due to the low marginal cost.

The rolling stock and the EMU depot, which was Council's second largest insurance cost, are now insured via Transdev.

The bulk purchasing of Harbour masters and Wreck removal Insurance is progressing slowly with the Harbourmasters being asked via the Special Interest Group (SIG) to provide an assessment tool to evaluate the risk and thus the level of cover required.

2.2.4 Risk Management

The Insurance Strategy will be brought to this Committee for review when there is more clarity on the Government's initiative to place greater responsibility on councils to manage their own infrastructure insurance. There has been little recent news from Government on the detailed proposal, but it appears they are looking at phasing out their 60% financial support for underground infrastructure assets over time.

2.2.5 Business Assurance (Internal Audit)

The establishment of a business assurance function is progressing well. Five potential quotes were received, one of which will be selected to assist develop this function. The function will be co-sourced, whereby GWRC staff work together with external experts.

The business assurance function will extend beyond providing assurance on compliance in accordance with policies and legislation. The function will focus on value added activities such as enhancing our processes and risk management practices and improve how we operate as an organisation.

2.3 Legal and Procurement

The Legal and Procurement department continues to be busy supporting projects and BAU activity across the Council.

We have provided direct legal assistance regarding the SLA with CentrePort regarding communications services provided from Beacon Hill signal station; a standard agreement for the loan of GWRC's events equipment; various ICT contracts; the submission on the Local Government Act (Better Local Services) Amendment Bill. We have assisted to appoint external legal advisors for the Flood Protection resource consenting project; the Treaty settlement negotiations relating to the Wairarapa Moana; the ERP project; and for Twitter breaches of the Metlink trademark.

We are involved in various procurement projects, including the rail training simulator and the ERP project. Procurement policy and associated templates are continuing to be developed, with roll-out targeted for the next quarter.

In the asset management area, we are working to make sure we have appropriate asset management information available to enable preparation of the next iteration of the Infrastructure Strategy, in the 2018/28 LTP.

2.4 Programme Management Office

The Programme Management Office (PMO) continues to develop and implement a range of processes and tools. Monthly reporting of major projects has been bedded in and is providing greater consistency and visibility across the organisation.

The PMO has been active with facilitation of workshops for risks/issues and benefits primarily aimed at major projects. The ongoing objective is to continue to provide coaching, mentoring and facilitation to continue lifting the level of project management capability and skills.

Development of a suite of templates to cover all stages of the project lifecycle has been substantially completed. A review and update of an existing Project Management Policy incorporating new processes and tools is also in progress.

Refinement on the project portfolio management to prioritise and rank new projects is also continuing. This will fit in with the current revision of the Annual Planning and the Long Term Planning process.

3. People and Customer

3.1 Human Resources

The Human Resources Department continues to work across the organisation to provide specialist knowledge and expertise to our customers, and to lead or support some major work programmes. We are working with the Communications & Marketing Department to move towards more customer focussed outcomes that link to organisational strategy (the “GW Way” work programme). Our gender diversity work programme will commence in the next few weeks, starting with information gathering from employees about perceived barriers for either gender in non-gender diverse roles.

3.2 Health and Safety

A summary of health and safety initiatives is detailed in a separate report to this Committee.

3.3 Customer Contact

The Contact Centre are now receiving all calls from across the region that were previously being handled by the various reception areas located in Masterton, Upper Hutt, Mabey Rd and Shed 39. This equates to approximately 2700 customer calls each month.

Our service levels are now being achieved consistently with over 80% of calls being answered within 20 seconds month-on-month. The Contact Centre has embraced the new “Resolve” system with all customer complaints/compliments for Rail now being captured and tracked.

In August, the Contact Centre was recognised by the Contact Centre Institute of NZ (CCINZ) in their annual awards. We had finalists in two categories – Manager of the Year (under 50 seats) and Team Leader of the Year. Rhonda Brown won the Team Leader of the Year category. She has been invited to attend the Asia Pacific Contact Centre Association Leaders (APCCAL) EXPO in Hong Kong in November.

3.4 Communications and Marketing

The Communications and Marketing Department continues to provide a wide range of services to and on behalf of our customers. We are currently focussed on improving our efficiencies against best practice.

3.4.1 Building our Customer Service capability

We are working with the Human Resources Department to build our customer service capability in the ‘GW Way’ work programme. It is designed:

- To align our culture with customer outcomes.
- To grow agility in delivering best customer solutions, in a timely manner.
- To ensure our service delivery connects with our customers’ requirements.

3.4.2 Bringing in strategic support

We are working with expert external partners, Senate SHJ to ensure that our communication with stakeholders is clear, timely, useful, and engages people

through the many changes occurring in the region, particularly for the changes happening across our public transport networks.

3.4.3 Listening and learning

We are reviewing how we gather research and customer insight. So that:

- Our decisions are aligned with customer needs.
- That we run the programme of work as cost efficiently as possible.

3.4.4 Consolidation

We are reviewing customer-facing activity and spend across the organisation. This includes events, advertising, communications and customer engagement. We seek to:

- Consolidate activity when it make sense for economies of scale
- Ensure all activity aligns with our overarching strategy and objectives

4. The decision-making process and significance

No decision is being sought in this report.

4.1 Engagement

Engagement on this matter is unnecessary.

5. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

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