If calling, please ask for Democratic Services

Finance, Risk and Assurance Committee

Tuesday 16 February 2021, 9.30am

Council Chamber, Greater Wellington Regional Council,
100 Cuba Street, Te Aro, Wellington

Members

Martin Matthews (Chair)

Cr Kirk-Burnnand (Deputy Chair)

Cr Blakeley

Cr Connelly

Cr Hughes

Cr Lamason

Recommendations in reports are not to be construed as Council policy until adopted by Council

Finance, Risk and Assurance Committee

Tuesday 16 February 2021, 9.30am

Council Chamber, Greater Wellington Regional Council,
100 Cuba Street, Te Aro, Wellington

Public Business

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Public Excluded Business

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Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 16 February 2021.

Report 20.484

Public minutes of the Finance, Risk and Assurance Committee meeting on 26 November 2020

Council Chamber, Greater Wellington Regional Council
Level 2, 15 Walter Street, Te Aro, Wellington at 1.03pm.

Members Present

Martin Matthews (Chair)
Councillor Kirk-Burnnand (Deputy Chair)
Councillor Blakeley
Councillor Connelly
Councillor Hughes
Councillor Lamason

Karakia timatanga

The Committee Chair invited Councillor Connelly to open the meeting with a karakia timatanga.

Public Business

The Committee Chair advised that meeting proceedings would differ from the published agenda. Item 7 on the agenda would be taken last to accommodate an external speaker, and an additional item, an oral item from Wellington Water Limited, would be discussed in accordance with Standing Order 3.5.6.

1 Apologies

There were no apologies.

2 Declarations of conflicts of interest

There were no declarations of conflict of interest.

3 Public participation

There was no public participation.

4 Confirmation of the Public minutes of 20 October 2020 – Report 20.409

Moved: Cr Blakeley / Cr Lamason

That the Committee confirms the Public minutes of 20 October 2020 – Report 20.409.

The motion was **carried.**

5 Confirmation of the Public Excluded minutes of 20 October 2020 – Report PE20.411

Moved: Cr Lamason / Cr Hughes

That the Committee confirms the Public Excluded minutes of 20 October 2020 – Report PE20.411.

The motion was **carried.**

6 Business Assurance update – November 2020 – Report 20.445

Mike Timmer, Treasurer, spoke to the report.

Moved: Cr Lamason / Cr Blakeley

That the Committee approves the proposed timing and reorganised Internal Audit Plan.

The motion was **carried.**

7 Health, Safety and Wellbeing Update – Report 20.429 [For information]

Julie Barber, Manager, Health and Safety spoke to the report.

8 Harbour Management – Compliance and Risk Update (November 2020) – Report 20.456 [For information]

Grant Nalder, Manager, Harbours (Harbourmaster), spoke to the report.

9 Wellington Water Risk Presentation – Oral Report

Tonia Haskell, General Manager, Development and Delivery, Garry Butler, Senior Business Assurance Advisor, Jeremy McKibbin, General Manager, Network Management and Fraser Clark, Principal Advisor, Strategy, from Wellington Water Limited, spoke to their presentation and provided the Committee with an update on operational risks.

The five key operational risks for Wellington Water were outlined as:

- Ability to deliver safe and healthy water now
- Ability to deliver safe and healthy water in the future
- Shortage of capability and capacity in the region to deliver water services
- COVID-19
- Environmental impact of aging wastewater network.

The speakers provided an update to the Committee on tools and methods being utilised by Wellington Water to manage and mitigate risk.

10 Draft 2019/20 Annual Report – Report 20.461

Alison Trustrum-Rainey, Chief Financial Officer, introduced the report and introduced Clint Ramoo, Audit Director, AuditNZ, who spoke to the report.

Mr Ramoo advised the Committee on the progress of the audits of Greater Wellington Rail, WRC Holdings and Greater Wellington. Mr Ramoo addressed the matters which are currently being considered for the finalisation of the audits.

Moved: Cr Lamason / Cr Hughes

That the Committee:

1 Notes that the audit is yet to be completed and that changes to the Annual Report may be required once the audit processes have been completed.

2 Recommends that Council:

- Adopts the Annual Report for the year ended 30 June 2020, subject to any changes required once the audit process has been completed.
- Authorises the Council Chair and Chief Executive to make minor changes that may arise as part of finalising the audited Annual Report for the year ended 30 June 2020.

The motion was **carried.**

Noted: The Committee Chair requested that workshops be organised in 2021 for the Committee to input thinking around each of the main areas of the Committee's brief – Finance, Risk and Assurance.

Karakia whakamutunga

The Committee Chair invited Cr Connelly to close the meeting with a karakia whakamutunga.

The public part of the meeting closed at 3.12pm.

Martin Matthews
Chair

Date:

Finance, Risk and Assurance Committee
16 February 2021
Report 21.14

For Information

UPDATE ON PROGRESS OF ACTION ITEMS FROM PREVIOUS FINANCE, RISK AND ASSURANCE COMMITTEE MEETINGS – FEBRUARY 2021

Te take mō te pūrongo
Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) on the progress of action items arising from previous Committee meetings.

Te horopaki
Context

2. Items raised at Committee meetings, that require actions from officers, are listed in the table of action items from previous Council meetings (**Attachment 1** – Action items from previous Finance Risk and Assurance Committee meetings – February 2021). All action items include an outline of the current status and a brief comment.

Ngā hua ahumoni
Financial implications

3. There are no financial implications from this report, but there may be implications arising from the actions listed.

Ngā tūāoma e whai ake nei
Next steps

4. Completed items will be removed from the action items table for the next report. Items not completed will continue to be progressed and reported. Any new items will be added to the table following this Committee meeting and circulated to the relevant business group/s for action.

Ngā āpitihanga
Attachment

Number	Title
1	Action items from previous Finance Risk and Assurance Committee meetings – February 2021

Ngā kaiwaitohu
Signatories

Writers	Samantha Gain – General Manager Corporate Services

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference The action items are of an administrative nature and support the functioning of the Committee.
Implications for Māori There are no direct implications for Māori arising from this report.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies Action items contribute to Council's and Greater Wellington's related strategies, policies and plans to the extent identified in **Attachment 1**.
Internal consultation There was no internal consultation.
Risks and impacts - legal / health and safety etc. There are no known risks.

Attachment 1 to Report 21.14

Action items from previous Finance, Risk and Assurance Committee Meetings – February 2021

Meeting date	**Action**	**Status and comment**
26 November 2020	**Draft 2019/20 Annual Report – Report 20.461** **Noted** The Committee Chair requested that workshops be organised in 2021 for the Committee to input thinking around each of the main areas of the Committee's brief – Finance, Risk and Assurance.	**Status** Completed **Comment:** GM Corporate Services and Committee Chair agreed to have three workshops in the 2021 calendar year. First will be Public Transport focussed. Future topics to be discussed at the February 2021 meeting. Dates are yet to be confirmed.

Finance Risk and Assurance Committee
16 February 2021
Report 21.36

For Information

QUARTERLY FINANCE UPDATE – QUARTER 2

Te take mō te pūrongo
Purpose

1. To provide the Finance, Risk and Assurance Committee (the Committee) with Greater Wellington Regional Council's financial reports for the quarter ended 31 December 2020.

Te tāhū kōrero
Background

2. This report provides a review of the financial performance of Greater Wellington Regional Council's activities for the first six months of the 2020/21 financial year. The year-to-date operating position is $12.6 million favourable to budget.

Te tātaritanga
Analysis

3. The finance report is for the six months ended 31 December 2020 (**Attachment 1**). The key results are:

   - Revenue was $25.4 million lower than budget.
   - Operational expenditure was $38.1 million lower than budget.
   - This gave an operational surplus of $4.6 million, $12.6 million better than budget.
   - Capital expenditure was underspent by $11.9 million.

4. Further commentary is provided in the report itself.

Ngā tūāoma e whai ake nei
Next steps

5. A further update (for Quarter 3) will be provided at the Committee's meeting on 4 May 2021.

6.

Ngā āpitihanga
Attachment

Number	Title
1	Financial Report – 31 December 2020

Ngā kaiwaitohu
Signatories

Writers	Robert Glennie – Accounting Services Manager Alison Trustrum-Rainey – Chief Financial Officer
Approver	Samantha Gain – General Manager Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Council's roles or with Committee's terms of reference The Committee's specific responsibilities include to "review the robustness of the organisation's financial performance".
Implications for Māori There are no known implications for Maori.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The report reviews performance against the financial statements in Council's Annual Plan 2020/21.
Internal consultation All business groups contribute to Greater Wellington's financial performance.
Risks and impacts - legal / health and safety etc. There are no risks arising from this report.

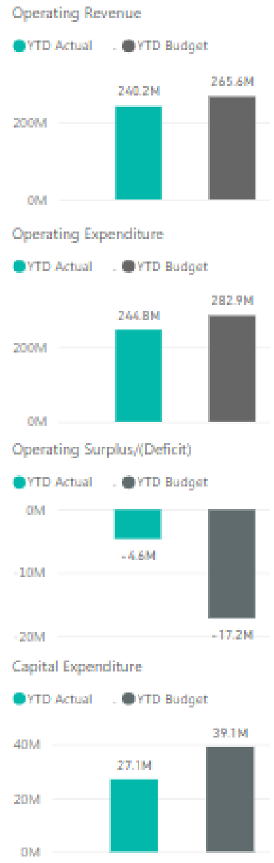
Attachment 1 to Report 21.36

Financial Report – 31 December 2020

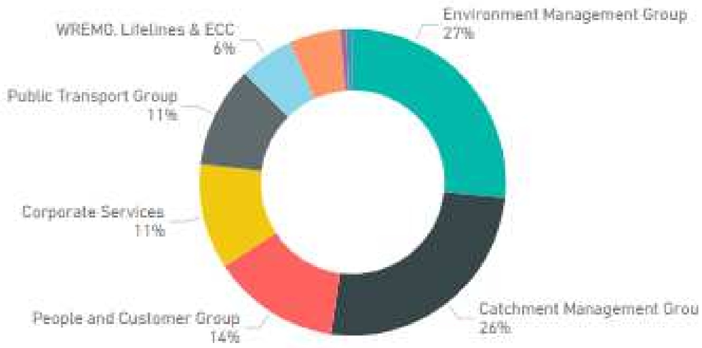
Council Financial Summary – 31 December 2020

Funding Summary

Total1	YTD Actual	YTD Budget	YTD Budget Variance
Operating surplus/(deficit)			
Operating Revenue			
Rates	90,175K	89,911K	263K
Grants & Subs	91,592K	108,382K	-16,790K
Fees charges & other	58,428K	67,343K	-8,915K
Total	**240,194K**	**265,636K**	**-25,442K**
Operating Costs			
Personnel	-29,767K	-28,370K	-1,397K
Materials,Supplies & Services	-53,478K	-83,472K	29,995K
Contractor & Consultants	-31,923K	-35,014K	3,091K
Grants and Subsidies Expenditure	-100,713K	-106,579K	5,866K
Other	-3,903K	-3,629K	-274K
Interest	-10,768K	-10,754K	-14K
Depreciation	-14,309K	-15,142K	833K
Gain/Loss on Assets	37K	80K	-42K
Total	**-244,823K**	**-282,881K**	**38,058K**
Total	**-4,629K**	**-17,245K**	**12,616K**
Other Funding			
Other Funding			
Valuation adjustments	10,650K		10,650K
Net Capital expenditure	-26,954K	-38,813K	11,859K
Debt Repayment	0K	10,444K	-10,444K
Investment additions	-65,783K	-12,072K	-53,711K
Loan Funding	61,160K	37,510K	23,651K
Capital grants & subs	2,012K	5,067K	-3,055K
Reserve Movements	1,202K	47K	1,156K
Non Cash Items	3,621K	15,062K	-11,441K
Total	**-14,091K**	**17,245K**	**-31,335K**
Total	**-14,091K**	**17,245K**	**-31,335K**
Total	**-18,719K**	**0K**	**-18,719K**



Staffing



Attachment 1 to Report 21.36

Financial Report – 31 December 2020

Summary of Key Issues & Forecast Update

Key Issues

- Waka Kotahi NZ Transport Agency (Waka Kotahi) has underwritten 100 percent of lost Public Transport revenue caused by lower patronage levels due to COVID-19 to 28 February 2021. Fare revenue is currently running at approximately 80 percent of budgeted levels. The impact of this as at 31 December 2020 is $10.8 million which is recognised in the accounts as recoverable from Waka Kotahi.
- Discussions will continue with Waka Kotahi in relation to continuing the COVID-19 revenue subsidies for 01 March to 30 June 2021.
- Personnel costs currently running ahead of budget mainly due to unbudgeted temp staff and recruitment costs, this has been offset by savings in contractors
- Public Transport capital projects are behind schedule, work is expected to pick up in the second half of the year the remaining will be rebudgeted into the next financial year.
- Water capital expenditure is below budget mainly due to the deferral of the Croass Harbour Pipeline and delay at design stage of Kaitoke Flume Bridge.

Forecast Update

For areas funded by the general rate and the river management rate we are largely on track with the budget.

Flood protection is forecasting revenue to be favourable to budget due to Government funding of Shovel ready projects.

For areas funded by the public transport rate there are a number of expenses that are currently underspent but we expect these to catch up before year end with the exception of the rolling stock business case which we expect to be delayed until next financial year.

These underspends were partially offset by increased personnel and contractor spend.

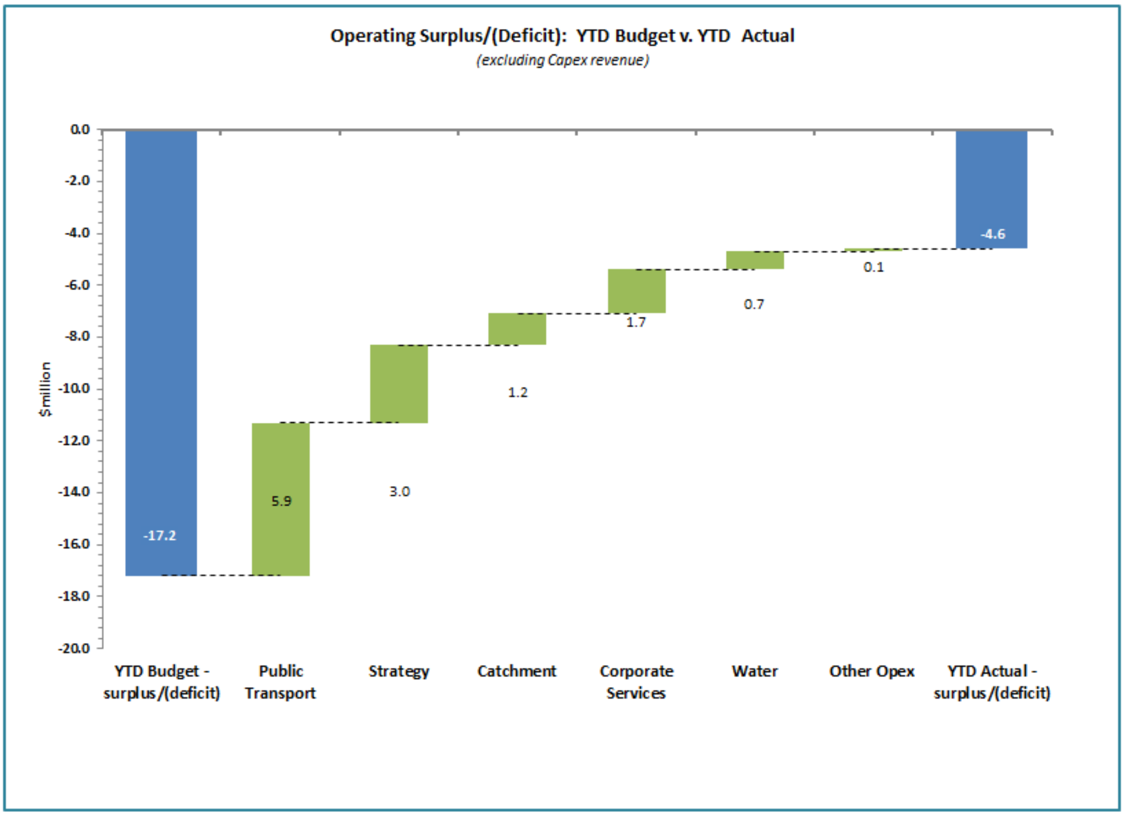
Flood Protection Capex is expected to be over budget due to Riverlink property purchases and unbudgeted Shovel Ready projects.

A further forecast update will be completed in Q1 2021.

Attachment 1 to Report 21.36

Financial Report – 31 December 2020

Operating Surplus



Operating Surplus Variance

Public Transport – lower patronage fare revenue due to COVID-19 is 100 percent recoverable from Waka Kotahi until 28 February 2021. Operating costs are under budget due to delays in Rail network renewals; Bus shelter cleaning, minor fleet works and civils which is timing only.

Strategy – mainly due to not drawing down on Low Carbon fund, and timing for LGWM and RLTP expenditure.

Catchment – mainly due to increased revenue in Akura nursery, Riverlink property rents and reduced expenditure on hill country erosion program and river maintenance.

Corporate Services – expenditure lower than expected due to Project Optimus timing.

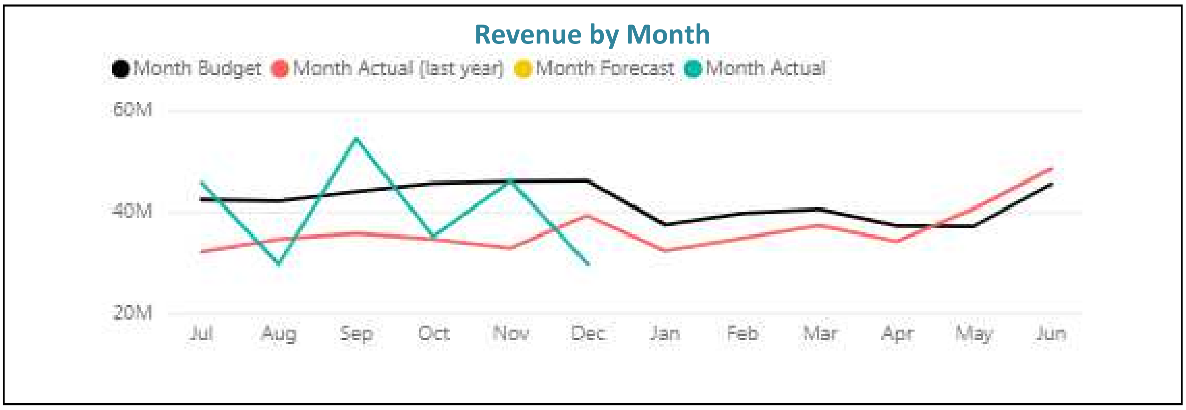
Water - underspend mainly due to delays in Capex programs resulting in savings on financial costs.

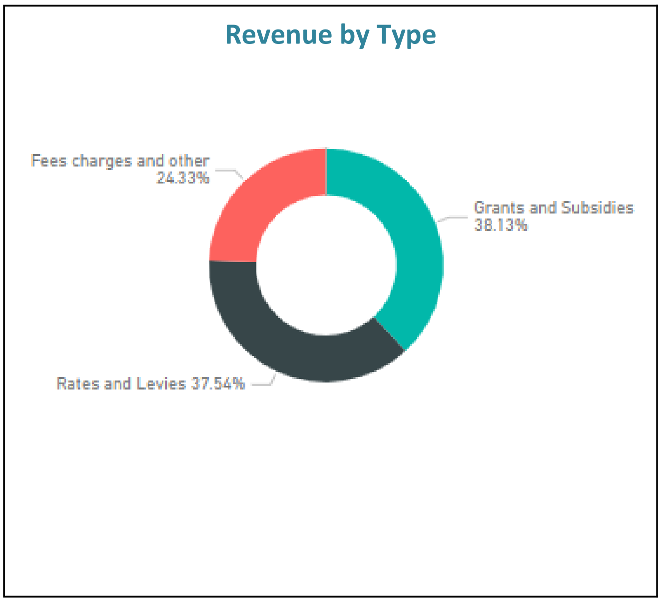
Attachment 1 to Report 21.36

Financial Report – 31 December 2020

Operating Revenue

-240,193,973	-265,635,809	25,441,835
YTD Actual	YTD Budget	YTD Budget Variance





Revenue Key Variances

$26.3m KiwiRail pass-through payment, fully offset by higher expenditure

$0.9m Catchment – RiverLink property rents, Akura internal sales higher than expected, and predator free Wellington

Attachment 1 to Report 21.36

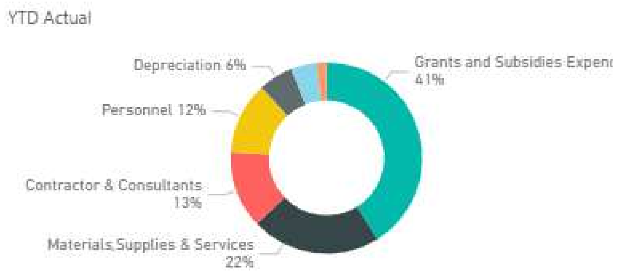
Financial Report – 31 December 2020

Operating Expenditure

244,822,759	282,880,507	-38,057,748
YTD Actual	YTD Budget	YTD Budget Variance

Expense by Month

Expenditure by Type



Expenditure Variance by Group

Expense Key Variances

$26.3m Public Transport **-** Higher rail pass-through costs to KiwiRail (all offset by revenue)

$2.9m Public Transport – Rail network renewals and business cases

$2.9m Strategy – LGWM and low carbon fund initiatives - timing

$1.8m Bus shelter cleaning and minor fleet works – timing

$1.7m Public Transport – rolling stock business case - timing

$1.3m Corporate Services – timing of Ngatahi spend

$1.2m Environment – mainly due to timing of surface water and groundwater monitoring programmes, SMap, and Ruamahanga Aerial Survey.

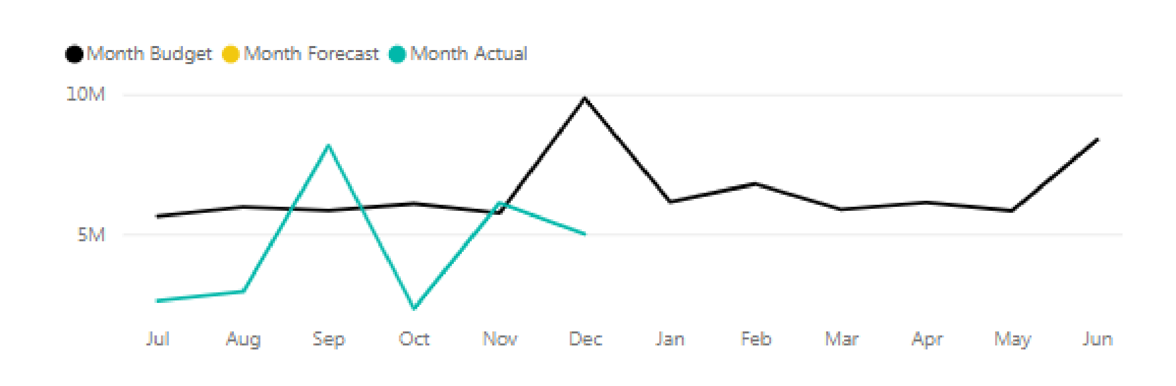
Attachment 1 to Report 21.36

Financial Report – 31 December 2020

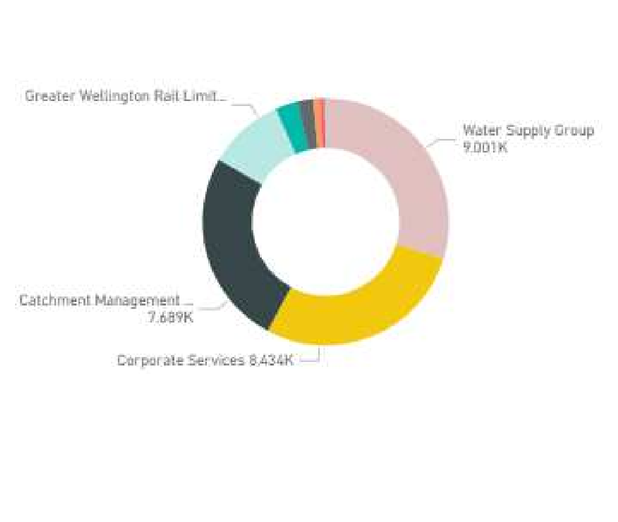
Capital Expenditure

27,119,078	39,117,689	-11,998,611
YTD Actual	YTD Budget	YTD Budget Variance

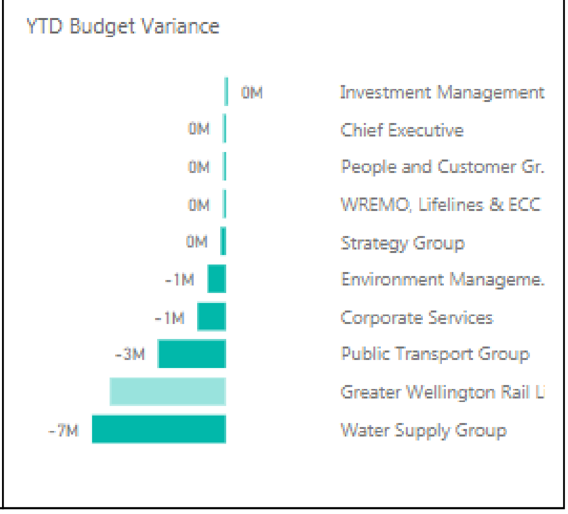
Capital Expenditure by Month



Capital Expenditure by Group



Capital Expenditure Variance by Group



Capital Expenditure Key Variances

$6.4m Water Supply – timing of various capex programs including Cross Harbour Pipeline and Kaitoke Flume Bridge.

$2.6m Public Transport – RTI 2.0 waiting on Waka Kotahi approval.

$1.0m Corporate Services – mainly due to timing of property spend on Masterton fitout.

$3.5m Catchment – mainly River Link ahead of budget due to property acquisitions progressing faster than anticipated.

Attachment 1 to Report 21.36

Financial Report – 31 December 2020

GWRC – Statement of Financial Position

Greater Wellington Regional Council
Statement of Financial Position
As at 31 December 2020

	Council Actual 2021 $'000	Council Actual 2020 $'000
ASSETS		
Current assets		
Cash and cash equivalents	26,201	9,338
Trade and other receivables	33,256	89,711
Other financial assets	195,805	83,114
Inventories	3,132	3,134
Total current assets	258,394	185,297
Non-current assets		
Other financial assets	21,762	69,723
Property, plant and equipment	1,264,691	1,251,469
Intangible assets	12,289	12,710
Investment in subsidiaries	286,145	286,295
Derivatives	962	1,293
Total non-current assets	1,585,849	1,621,490
Total assets	1,844,243	1,806,787
LIABILITIES		
Current liabilities		
Derivatives	438	871
Trade and other payables	44,609	65,882
Interest bearing liabilities	201,607	119,655
Employee benefits liabilities and provisions	4,420	4,700
Total current liabilities	251,074	191,108
Non-current liabilities		
Interest bearing liabilities	380,000	400,000
Derivatives	73,946	84,496
Employee benefits liabilities and provisions	-	152
Service concession liability	27,101	27,893
Total non-current liabilities	481,047	512,541
Total liabilities	732,121	703,649
Net assets	1,112,122	1,103,138
EQUITY		
Retained earnings	293,583	283,071
Other reserves	818,539	820,067
Total equity	1,112,122	1,103,138

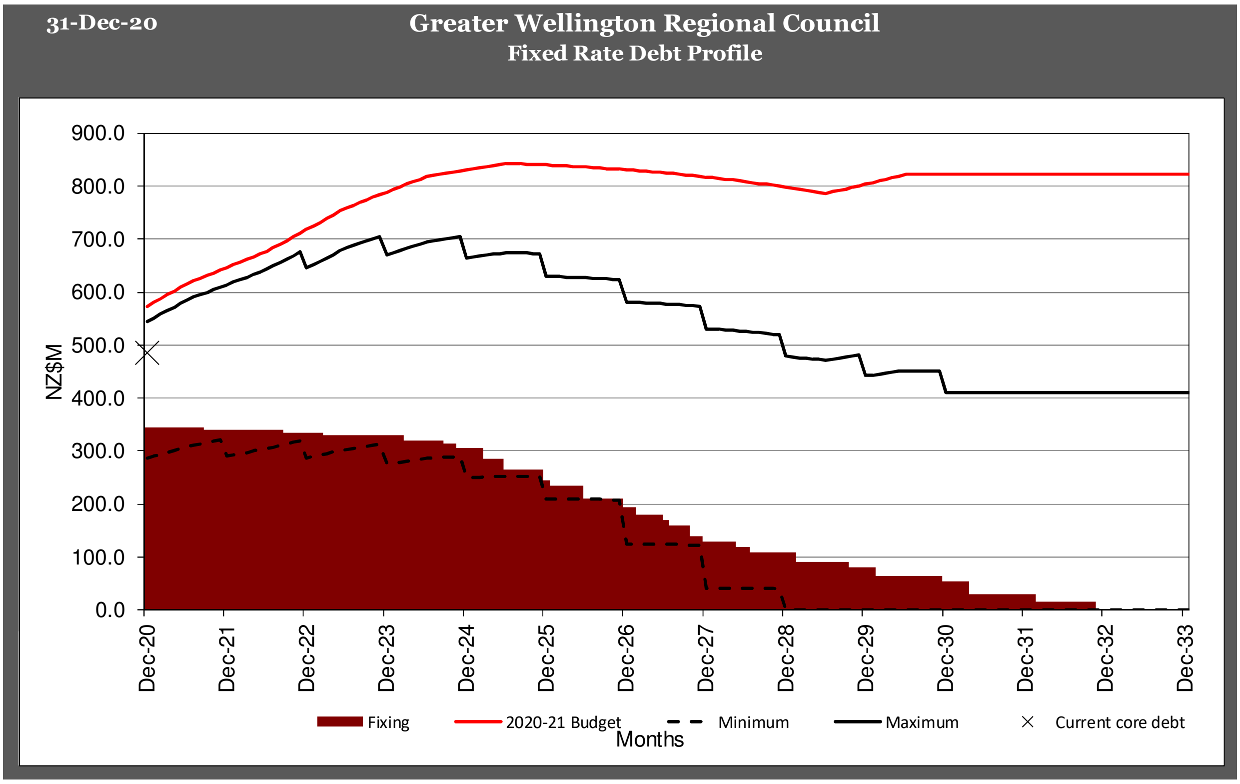
Attachment 1 to Report 21.36

Financial Report – 31 December 2020

Compliance with Treasury Risk Management Policy

Total Council Limit Compliance Analysis		*Compliant* Yes	No	actual %
Debt Interest Rate Policy Parameters				
Current	50% - 95%	✓		59%
year 1	45% - 95%	✓		53%
year 2	40% - 90%	✓		47%
year 3	35% - 85%	✓		42%
year 4	30% - 80%	✓		37%
year 5	25% - 75%	✓		29%
year 6	15% - 70%	✓		23%
year 7	5% - 65%	✓		16%
year 8	0% - 60%	✓		14%
year 9	0% - 55%	✓		10%
year 10	0% - 50%	✓		7%
year 11	0% - 45%	✓		4%
year 12	0% - 40%	✓		0%
year 13	0% - 35%	✓		0%
year 14	0% - 30%	✓		0%
year 15	0% - 25%	✓		0%
The maturity of total external debt less liquid financial investments to fall within the following timebands				
0 - 3 years	15% - 60%	✓		27%
3 - 5 years	15% - 60%	✓		35%
> 5 years	10% - 60%	✓		38%

		Compliant Yes	No	actual %
Countreparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term		✓		
Other counterparty exposure within policy limits		✓		
Maximum counterparty exposure with a NZ registered bank is within $108 million limit		✓		
The repricing of liquid financial investments are to occur within the following timebands				
0 -1 year	40% - 100%	✓		97%
1 - 3 years	0% - 60%	✓		1%
3 - 5 years	0% - 40%	✓		1%
5 -10 years	0% - 20%	✓		1%
Core Council External Borrowing Limits - Ratios				
Net Debt / Total Revenue < 300%		✓		75.3%
Net interest / Total Revenue < 20%		✓		3.7%
Net interest / Annual rates and levies < 30%		✓		10.6%
Liquidity > 110%		✓		123%



Attachment 1 to Report 21.36

Financial Report – 31 December 2020

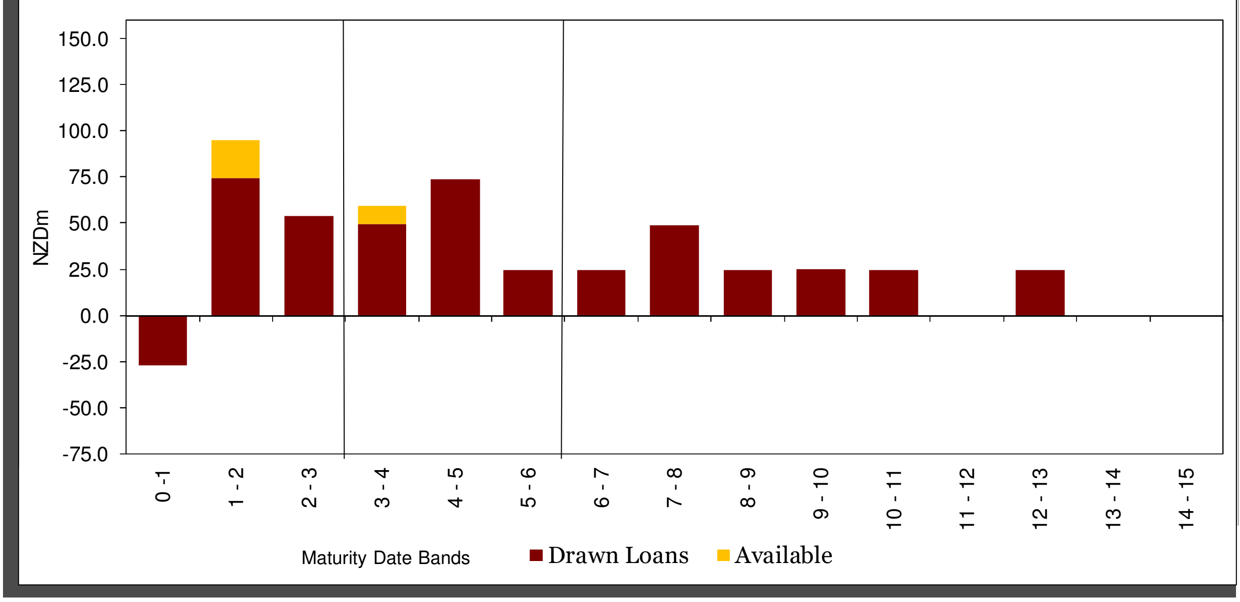
31-Dec-20

Greater Wellington Regional Council
Funding Maturity Chart (Net)

Committed Loan/Stock/Facilities $612m
12 month debt forecast $646.4m
Current Core Debt $486m

Policy Liquidity Ratio >= 110%
Current Liquidity Ratio 123%

0 - 3 years	3 - 6 years	6 years plus
15%-60%	15%-60%	10%-60%
27%	35%	38%



Finance, Risk and Assurance Committee
16 February 2021
Report 21.2

For Information

TREASURY RISK MANAGEMENT – REVIEW OF TREASURY FUNCTION

Te take mō te pūrongo
Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of the Treasury function over the past three years.

Te horopaki
Context

2. Section 10 of the Treasury Risk Management Policy (the Policy) sets out that the Policy is required to be reviewed every three years. As part of this review a report on the Treasury Management function over the prior three years is required.

3. Section 10 of the Policy sets out the review elements:

> *This Treasury Risk Management Policy will be formally reviewed every three years. The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Finance, Risk and Assurance. The report will include:*

a *Recommendations on changes, deletions and additions to the policy.*

b *Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).*

c *Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.*

d *Analysis of bank and lender service provision, share of financial instrument transactions, etc.*

e *Comments and recommendations from Greater Wellington's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.*

f *Total net debt servicing costs.*

g *The policy review will be completed and presented to Finance, Risk and Assurance within five months of the financial year-end. Finance, Risk and Assurance will approve any resulting policy changes.*

Te tātaritanga
Analysis

4. The following report on the items listed above has been prepared by the Treasurer.

Recommendations on changes, deletions and additions to the Policy

5. The updated Policy and associated amendments are included in Treasury Management Policy Review (Report 21.3).

Overview of the Treasury function – achievement of objectives

6. The objectives are stated in section 2.3 of the Policy. The following information addresses each objective.

Minimise the Council's costs and risks in the management of its borrowings and maximise its return on investments

7. This is the overall objective of the Policy. There is always a trade-off between risk and return.

8. In terms of borrowing the approach has been to err on the side of conservatism meaning Greater Wellington Regional Council (Greater Wellington) has a higher level of fixed rate debt rather than expose the rate payers to variable interest costs. The focus has been on minimising the margin Greater Wellington pays on debt by borrowing longer terms when margins are low, and shorter terms when long term margins are higher.

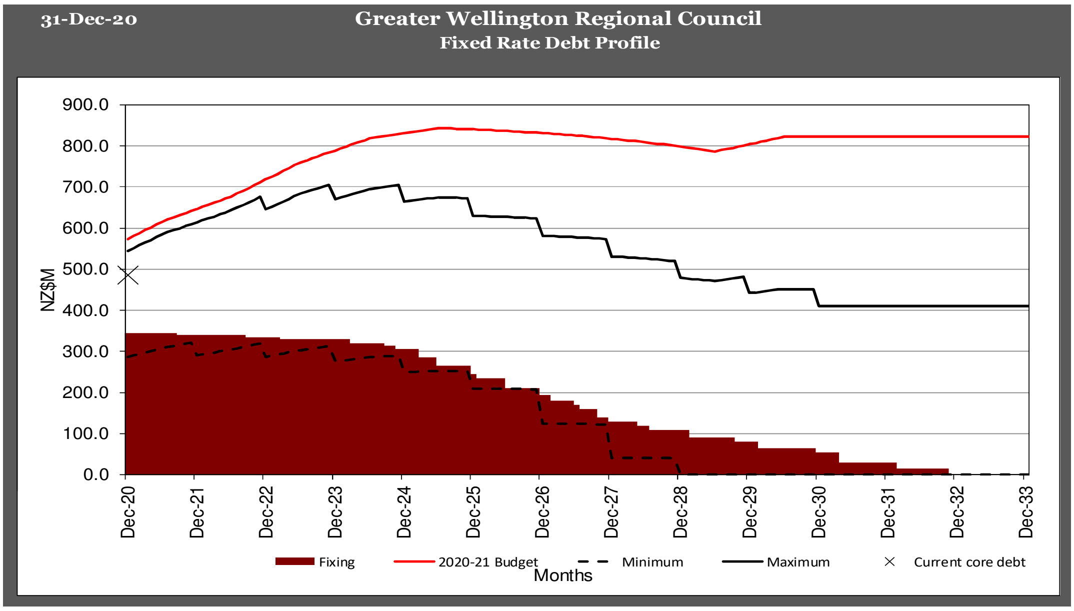
9. Greater Wellington seeks the advice from our advisers PricewaterhouseCoopers (PwC) in terms of our fixed rate debt profile. Greater Wellington and PwC meet quarterly to discuss treasury matters.

10. In terms of financial investments, the approach has been to maintain a high level of liquidity and invest in short dated deposits and debt instruments which can be readily liquidated into cash at relatively short notice with no exposure to capital loss to meet the needs of a crisis.

11. Recently, Greater Wellington has placed a greater portion of funds on bank deposit as opposed to securities (these are liquid i.e. can be converted to cash any time) as the latter are paying a much higher interest rate sometimes in the vicinity of one percent. The maturities are staggered which indirectly provides liquidity thus providing a ready access to funds overtime.

Minimise the Council's exposure to adverse interest rate movements

12. Greater Wellington generally borrows on a floating rate basis and converts a portion of this into fixed rate debt via interest rate swaps. This apportionment is controlled via the treasury policies fixed rate debt profile limit that is reported to Council and this Committee quarterly. Given the trend for lower interest rates we have maintained our portion of fixed rate debt at policy minimums, which has been a difficult task give Greater Wellington's debt planned projections have generally turned out to being lower than planned. The chart below shows Greater Wellington's fixed rate debt profile against current forecasted debt.



13. The above chart show Greater Wellington's fixed portion of total debt and projected fixed debt position. The debt now is (x) and forecasted debt is the (redline). The upper and lower limits of policy fixed rate debt (Max & Min limits) are the black line and dotted black line respectively.

Monitor, evaluate and report on Treasury performance

14. Treasury performance is reported in detail on a quarterly basis to the Chief Financial Officer (CFO) and PwC. The report looks at the Local Government Funding Agency (LGFA) policy covenants and limits, reviews past, current and future debt and investment levels. The report also reviews the Investment Management cost centre performance against budget as well as Reserves, Internal loans, Contingency funds, Credit Margins, Derivatives, Maximum Probably Loss funding liquidity and Performance against benchmarks. A subset of this report is included in the quarterly finance reporting to this Committee.

Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect the Council's financial assets and costs

15. Funds have been borrowed in terms of policy, i.e. borrowings have been approved and are approved annually when the Annual Plan is set.

16. There is a rigorous process of documentation required to borrow funds both from the LGFA and via Commercial Paper (CP). Bank lines have been approved by Council.

17. The Chief Executive may be required (and does each time we borrow from the LGFA) to sign a certificate in terms of section 118 of the Local Government Act 2002) to certify that borrowings are in order (i.e. necessary approvals etc. are in place). This certificate is for the benefit of borrowers.

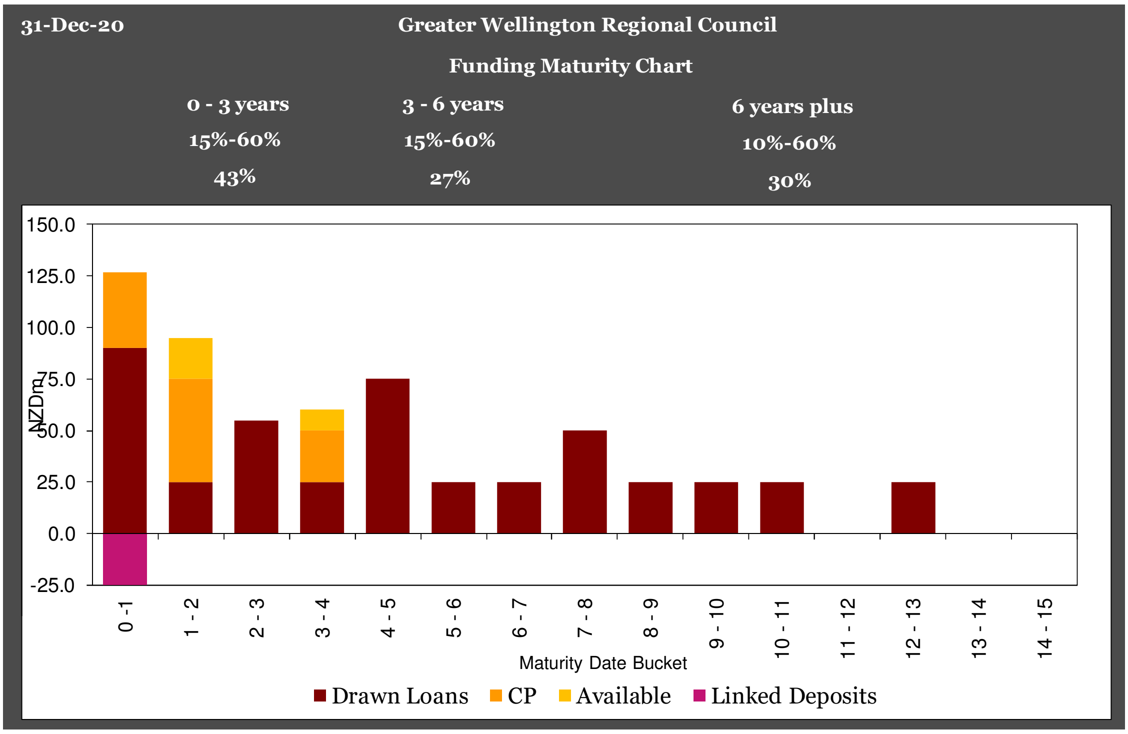
18. All financial investments have been with approved counterparties and within approved credit limits. All derivative transactions have been undertaken in compliance with the Policy.

Arrange and structure appropriate funding for the Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement

19. The predominance of Greater Wellington's borrowing is via the LGFA which provides the lowest cost of funds in terms of credit margins available. Greater Wellington's debt portfolio is structured in accordance with the Policy such that debt maturities are spread over a 13 year term. Credit margins for short term debt 90 day debt are in the vicinity of 0.02% as opposed to margins for 13 year debt which are presently in the vicinity of 0.75%. We utilise short term borrowing and target this at around 25 percent to 30 percent of total debt.

20. Given the expected size of our debt portfolio into the future it is prudent to have a spread of maturities and long dated debt otherwise Greater Wellington can be exposed to refinancing risk.

21. Appended below is the spread of our gross debt over time.

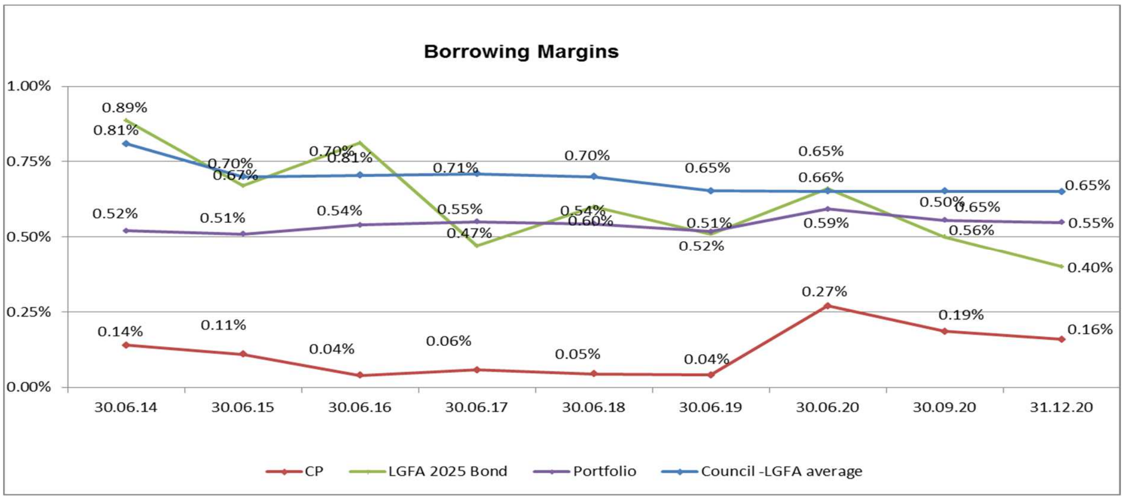


22. The above chart provides the spread of gross debt maturities (excluding deposits). The 1-2 years bar and the 3-4 years bar (non-red bit) includes banking lines. The Available yellow bar indicates the portion not used for CP and with the orange bar (CP usage) add up to the $105 million of bank facilities. The linked deposit relates to the prefunding of the term May 2021 debt maturity, which has been extended to October 2028 (7-8 year maturity bucket).

23. In relation to our margins see below how they have progressed over the last six years. We have used the LGFA 2025 Bond margin to the swap rate as our benchmark margin which approximates our average portfolio duration.

24. The LGFA bond margin to swap has fallen significantly recently, on reflection we should be using a weighted average rather than an actual rate. If a weighted average rate for the last five years is used the comparator would be 0.60% compared to the favourable portfolio rate of 0.55%.

25. Our floating margin moved up as we borrowed $25 million in March 2020 from CentrePort during the COVID-19 shock period when Public Transport fare revenues reduced. Margins on CP are presently around 0.02% for Greater Wellington for 90 days.



Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangement

26. Greater Wellington has adopted the financial borrowing covenants of the LGFA, which are reported to Council and the Committee quarterly and are thus continuously monitored.

27. Greater Wellington bank documentation does not have any covenants like the LGFA other than being in compliance with the law, delivering documents (Long Term Plan, Annual Reports) to the banks on a timely basis plus a number of other undertakings a borrower would normally have to do.

28. Greater Wellington reports the financial covenants to the LGFA annually after financial year end and also reports to the Security Trustee in relation to security stock issued under our Debenture Trust Deed. Audit New Zealand provides a report to the Security Trustee in relation to this.

29. Greater Wellington has completed all the above reporting on a timely basis, with the exception of this year's Audit New Zealand report to the Security Trustee as a result of the delay in their audit due to COVID-19.

Comply with financial ratios and limits stated within this Policy

30. Greater Wellington has been in compliance with the financial ratios stated in this Policy.

Maintain a long-term S&P Global credit rating at AA- or better

31. Greater Wellington has maintained its long term credit rating of AA over the last three years[1]. It cannot move higher as S&P Global have rated the Crown at AA+ and no other Council other than the LGFA is rated at AA+ by S&P Global. The credit rating is on positive outlook. Last year, Greater Wellington had the highest S&P Global rating of any New Zealand Council based on their numerical matrix assessment and if the Crown's ceiling was not in place it would be rated close at AA+.

Monitor the Council's return on investments in CCTOs, property and other shareholdings

32. This is undertaken via WRC Holdings predominately. Capital Investments in Wellington Water Limited and WREDA are small and are managed separately from Treasury.

Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations

33. The Treasurer and the Treasury Accountant keep abreast of changes relating to treasury in relation to accounting via seminars and Chartered Accountants Australia and New Zealand and Treasury related matters via bank presentations, local interest groups with both Treasury staff having membership of Institute of Finance Professionals New Zealand Incorporated. PwC also keep us abreast of treasury related matters. Important changes affecting the business are reported in the regular quarterly updates to Council and the Committee. A recent hedging presentation to Council incorporated a number of Treasury related matters including products, accounting methodologies and why Greater Wellington hedges its interest rate risk.

Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements

34. The liquidity ratio has not been breached and banking facilities have been adequate to meet unexpected cash requirements (these are very rare). No cash crises have occurred as we have comprehensive cash flow forecasting.

35. During COVID-19 Greater Wellington was put under financial pressure due to loss of fare-box revenue from Public Transport. As a matter of prudence we raised additional funds to fill the gap in anticipation of future funding loss. Interest rate margins during this time were stressed and so Greater Wellington opted to borrow from CentrePort (given they had significant funds to invest) rather than the market, to provide CentrePort with better returns and avoid paying a premium to the market.

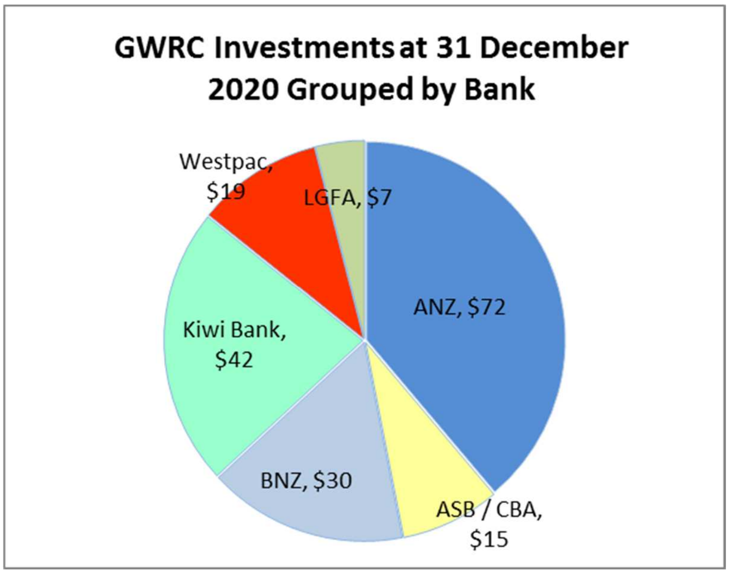
36. Recently Greater Wellington has increased its level of working capital liquidity, by raising more CP (costing 0.28%) and leaving the proceeds in the bank (earning 0.25%, this provides a buffer in case of another COVID-19 lock down and supports the large swings in payments and Waka Kotahi NZ Transport Agency funding we are experiencing.

1 S&P Global reaffirmed Greater Wellington's AA/A1+ credit rating on 21st January 2021 with a positive outlook.

Minimise counterparty credit risk

37. Investments are spread between allowable counterparties and have at all times been within Treasury Policy limits.

38. There is a focus to ensure investments are spread between counterparties to reduce/diversify credit risk, even though at times we might receive slightly lower returns. Below is a chart of Greater Wellington investments. The LGFA investment is in their mandatory borrower notes which are subscribed to each time we issue debt to the LGFA. The ANZ investment includes the $26 Mio bank balance as at 31 December 2020.



Adhere to all statutory requirements of a financial nature

39. Greater Wellington confirms that to best knowledge we are in compliance with all statutory requirements relating to the Treasury function, which are contained in the Treasury Management Policy.

Provide adequate internal controls to protect the Council's financial assets and to prevent unauthorised transactions

40. Greater Wellington has not received any adverse comments from Audit New Zealand in relation to Treasury internal controls after review of the last three year's Audit Management letters.

41. All dealings with banks is via approved Greater Wellington personnel. Treasury personnel do not have any authority in relation to making physical bank account payments.

42. Treasury instigated an audit of the treasury function in April 2018. It was undertaken by Bancorp Treasury Advisors. Four action items came out of this audit, two have been actioned and one is outstanding, and the other partially completed. The outstanding items relate to a backup for the Treasury Accountant, which is yet to be progressed. The other relates to documenting the Treasury Accountant's job role. Some notes on the latter are available but require updating. This has deliberately been delayed pending the introduction of the new TechnologyOne system.

Develop and maintain relationships with financial institutions and investors and Investment counterparties

43. The Treasurer meets regularly with our banking providers to update them on Greater Wellington and Treasury activities. This includes an update of investment of funds, purchase of Greater Wellington commercial paper debt and Greater Wellington's subsidiary companies activities. Greater Wellington is in regular contact with the LGFA. The Treasurer was recently re-elected to the LGFA Board for a further one year term.

Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.5 of the Treasury Management Policy

44. Greater Wellington has limited foreign currency transactions that exceed $100,000 NZD. The only major transactions of asset purchases has centred on the Matangi Electric Multiple Units - this transaction was denominated in NZD. Wellington Water Limited has in the past had purchases denominated in foreign exchange and can access our treasury should they need to conduct foreign exchange transactions or deal directly with their bankers.

Keep Council abreast of macro-economic trends

45. Greater Wellington's in-house economist has presented to the Committee on a regular basis and has regular input into the S&P Global's annual presentation by officers that is used to provide our annual rating assessment.

Performance trends actual interest cost against budget

in $1,000	YE 30.06.19		YE 30.06.20		YTD December 20	
	Actual	Budget	Actual	Budget	Actual	Budget
Investment Revenue	7,407	4,836	7,202	7,852	1,472	832
Financial Costs	23,288	22,528	22,369	24,382	10,768	10,754

46. Investment revenue has been better than budget except for the 2020 year when CentrePort did not make a subvention payment. In other years prefunding of debt, which has not been budgeted for, has been the main reason for exceeding budget.

47. Financial costs have tended to be lower when adjusting for any unbudgeted prefunding costs. This is generally due to a slower capex spend by the business than budgeted.

Summary of breaches and approvals

48. A review has been conducted of the audit management letters for the last three years (since and including 2018) and there were no specific comments on the Treasury function and its activities. Further, there have been no breaches of any internal Treasury limits and no breaches of any external covenants.

Analysis of bank and lender service provision

49. Greater Wellington has three bank counterparties (ANZ, BNZ, MUFG Bank) who provide credit support by way of committed bank line of credit facilities. There are for a fixed term and vary between the banks, but they are all for $35 million (i.e. $105 million in aggregate). They are used predominately as standby facilities, where they could be called upon should Greater Wellington issue CP and the market rejects

purchasing it. This has not occurred as yet but could at some point, and was close to happening during the recent COVID-19 lockdown process, when funds were borrowed from CentrePort.

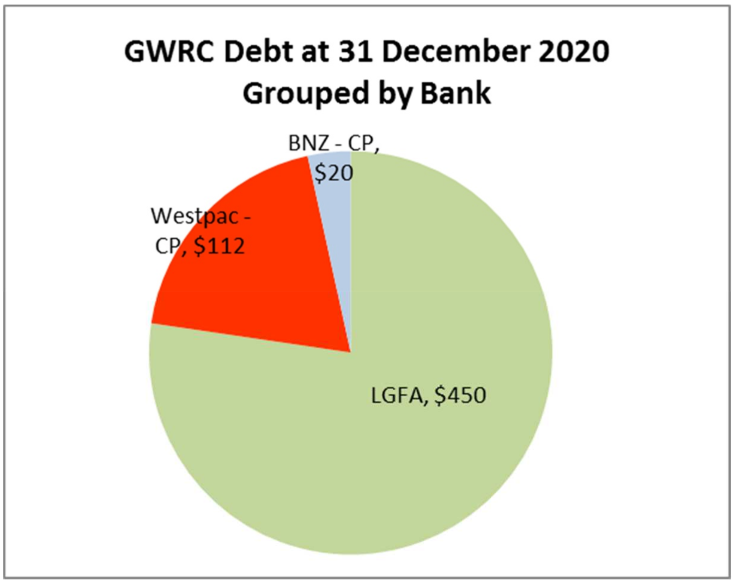
50. Greater Wellington occasionally borrows overnight funds from the ANZ (who are also our transactional banker) if there is a temporary working capital short fall.

51. MUFG Bank have recently signalled they no longer wish to provide a line of credit. This is line is intended to be replaced with one from the LGFA.

52. Westpac is the main bank used to run a tender process for CP. CP is short term debt less than a year. Greater Wellington does not currently have a line of credit with Westpac.

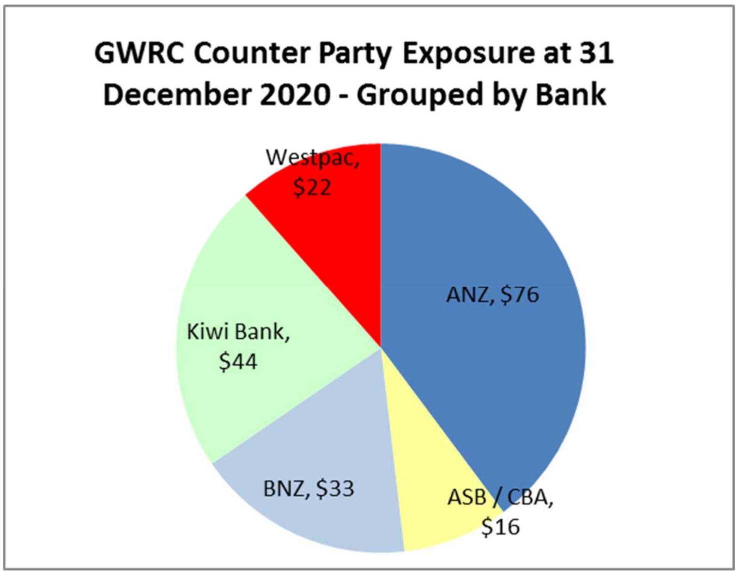
53. The banks are the initial holders of Greater Wellington CP, as shown in the graph below. They normally sell this down to institutional investors. The $25 million CentrePort CP debt was sold via Westpac, and is included in the graph.

54. Longer term borrowing (greater than one year) is via the LGFA. While there is the opportunity to borrow via the institutional market, the most cost effective route is via the LGFA presently.



Bank Counterparty exposure

55. Counterparty exposure relates to our investments with bank and interest rate swaps and FX contracts we have with banks. Interest rate swaps and foreign exchange contracts are included as if the bank defaults and these instruments have a value greater than zero then Greater Wellington could suffer a financial loss.



Comments from Council's external auditors on the Treasury function

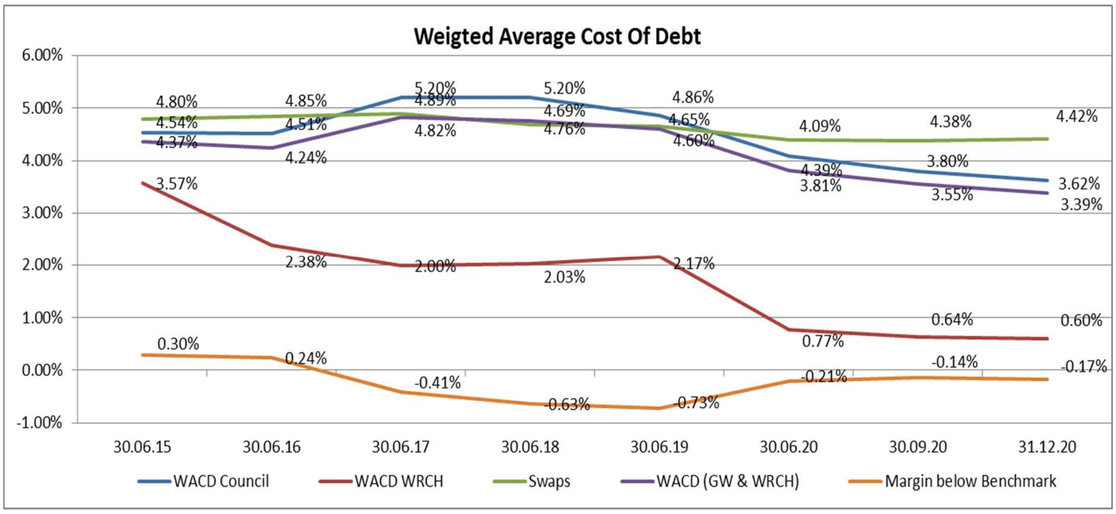
56. There were no comments from the external auditors about the Treasury function in their management letters as noted above.

Total net debt servicing costs

57. The graph below shows Greater Wellington's weighted average cost of funds over time. The purple line is the overall cost of WRC Holdings and Greater Wellington which is currently 3.39% inclusive of all margins.

58. While interest rates have been declining in recent years, Greater Wellington has not received the full benefit as a large portion of its debt has been fixed. This is mainly due to the Matangi train purchase which Council supported to have fully hedged.

59. The orange line in the graph is the funding benchmark performance which is based on the cost of the seven year rolling average swap rate less cost of funds. This has deteriorated over time as debt levels have increased at a slower rate than budget meaning there is a higher level of fixed rate debt when interest rates have been in decline. However it has recently improved as our floating rate debt has become a bigger proportion of Greater Wellington's debt portfolio and higher interest rate fixed rate swaps have matured.



Ngā tūāoma e whai ake nei
Next steps

60. Officers will consider any comments from the Committee and report back if applicable.

Ngā kaiwaitohu
Signatories

Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Committee's terms of reference The Committee's terms of reference provide for the "review of the effectiveness of Greater Wellington's risk policies and frameworks".
Implications for Māori There are no known impacts for Māori arising from this report.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The Treasury Risk Management Policy (TRMP) assist with Greater Wellington's objectives in the Long Term Plan, with policies and processes designed to support delivery of these, by providing a framework of controls that provide a prudent approach to debt and interest rate risk management. The TRMP supports the risk management function at Great Wellington.
Internal consultation The TRMP has been reviewed by the Executive Leadership Team, with input from the Treasurer and the CFO.
Risks and impacts: legal / health and safety etc. The policy address the process of treasury risk management and its performance at Greater Wellington

Finance, Risk and Assurance Committee
16 February 2021
Report 21.3

For Decision

TREASURY RISK MANAGEMENT POLICY REVIEW

Te take mō te pūrongo
Purpose

1. For the Finance, Risk and Assurance Committee (the Committee) to consider proposed amendments to the Treasury Risk Management Policy.

He tūtohu
Recommendation

That the Committee **recommends** that Council adopts the updated and amended Treasury Risk Management Policy (Attachment 1).

Te tāhū kōrero
Background

2. The Treasury Risk Management Policy (the Policy) is reviewed every three years as provided for in section 10 of the Policy, this coincides with the Long Term Planning process, but is not contingent on it.
3. The Policy contains Greater Wellington's Liability Management and Investment Policies which are required under the Local Government Act 2002 (LGA) sections 104 and 105. These policies form part of the funding and financial policies that Greater Wellington is required to adopt in accordance with section 102 of the LGA.
4. The Policy was last amended in 2018 as part of its regular triennial review.
5. Greater Wellington is not required to consult prior to adopting or amending its liability or Investment policies, as was the case in the years prior to the last Long Term Plan (LTP).
6. It is intended for completeness that this policy is included in Greater Wellington's LTP supporting documents for ease of reference.
7. As in prior years together with our Treasury Advisors PricewaterhouseCoopers (PwC), a number of alterations to the Policy are proposed. These alterations reflect changes to finance function positions, changes in the market place, and others to bring the policy up to what could be considered best practice for local government Treasury.
8. The proposed Policy is included as **Attachment 1.**
9. **Attachment 2** provides a tracked change version of the amended Policy.

Te tātaritanga
Analysis

Summary of Changes to the Policy

10. The changes are in the same order as they appear in the policy. Where there are more than one change relating an item it is not repeated. Minor formatting and cosmetic changes of little consequence are not discussed.

    a. Change in roles: Strategic Finance Manager amended to Financial Controller, GM Corporate Services/CFO replaced by Chief Financial Officer (CFO)

    b. Rating Agent: updated to S&P Global.

    c. Section 3.6: last bullet point - notes delivery of monthly reports to the CFO.

    d. Section 3.7: second bullet point – ensuring delegated authorities are up to date.

    e. Section 3.8:

        i. Table Amendment to Debenture Trust Deed (DTD), as allowed under the DTD.

        ii. Any guarantees to CentrePort or Uncalled capital need Council approval

        iii. Any LGFA borrowing membership for CCO's needs Council approval

        iv. Any refinancing of debt delegated to the Treasurer, as well as CFO and CEO

        v. Any negotiation and ongoing management of lending delegated to CCO's Treasurer/CFO

    f. Section 4.2:

        i. Clarification of liquidity ratio only *available* committed loan facilities

        ii. Noting recently approved debt ratios from the LGFA approved by Council

        iii. External funding and associated investment from prefunding is excluded from the liquidity ratio. Provides clarification as its committed liquidity.

        iv. Financial covenants can be measured at Parent (GW) or Group (GW plus WRC Holdings, which includes CentrePort) level, at the discretion of the Treasurer. LGFA recently introduced this mainly for Auckland Council. Note that this is unlikely to be measured at group level as debt is likely to exceed revenues in the group companies.

    g. Section 5.1: added section to note S&P Global have requirements that we prefund our capital expenditures and maturing term debt that falls within one year. NB our Policy allow this up to 18 months.

    h. Section 5.2.1: amended to note closure of Port Investments Limited.

    i. Section 5.2.4 amended to note further advances to the Wellington Regional Stadium Trust.

j. Section 6.1.2: table Cash Management and Borrowing- Update to include Standby Facility with LGFA when available, and forward starting debt commitments from the LGFA.

k. Section 6.1.3:

   i. Interest rate exposure. The definitions are refined and the table of fixed rate minimum and maximum has been tweaked, this effectively allows for higher levels of floating rate debt

   ii. Allows interest rate swaps beyond 16 years where they align with LGFA debt that has been borrowed

   iii. Clarity on the Maximum hedge term aligned to the LGFA Maturities

   iv. Purchased borrow swaptions (interest rate options on swaps) must mature within 12 months revised from 36 months. PwC have initiated this, the cost to buy swaptions greater than 12 months can be very expensive. It would be unlikely to use this product beyond twelve months.

l. Section 6.2.2: amendment of definitions. The fundamental change is moving from a net debt reporting position to a gross debt reporting position. This is sensible as the focus is on the spread of debt maturities not the investments. The $400 million debt level has reworded with the same impact.

m. Section 6.2.3: amends the usage of Commerical Paper (CP) as requiring banking lines and / or available liquid treasury investments as a backup to manage CP maturity risk.

n. Section 6.3: this section now aligns with the changes to table allowing limited investment in A2 commercial paper.

o. Section 6.4: this section acknowledges the changes made by the LGFA which allows CCOs and CCTOs to borrow directly from the LGFA.

p. Section 6.5: this section formalises the ability to borrow money from CentrePort as Council did recently.

q. Section 6.73: some updates to acknowledge electronic/email approvals where the approver of a transaction is not in the office. It also formalises that counterparties will be advised annually or when staff changes occur. Also formalises the reconciliation process and accountabilities around Treasury transactions.

r. Section 8: providing the CFO of actual cash flow against budget is not necessary as we accrual account and Council has adequate banking lines and liquidity to meet its cash demands. Cash flow management is supported by detailed cash flow forecasts updated on an ongoing basis as new information is received.

Ngā hua ahumoni
Financial implications

11. There are no financial implications relating to approving policy other than the risk the policy covers off.

Ngā tikanga whakatau
Decision-making process

12. The matter requiring decision in this report was considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

Te hiranga
Significance

13. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matter, taking into account Council's *Significance and Engagement Policy* and Greater Wellington Regional Council's *Decision-making Guidelines*. Officers recommend that the matter is of low significance.

Te whakatūtakitaki
Engagement

14. Given the low significance of the matters for decision, no external engagement was undertaken.

Ngā tūāoma e whai ake nei
Next steps

15. Officers will prepare a report to Council recommending that Council adopts the updated and amended Treasury Risk Management Policy.

Ngā āpitihanga
Attachments

Number	Title
1	Treasury Risk Management Policy (clean amended)
2	Treasury Risk Management Policy (marked up)

Ngā kaiwaitohu
Signatories

Writer	Mike Timmer – Treasurer
Approver	Samantha Gain – General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Committee's terms of reference The Committee's terms of reference provide for the "review of the effectiveness of Greater Wellington's risk policies and frameworks".
Implications for Māori There are no known impacts for Māori arising from this report.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The Treasury Risk Management Policy (TRMP) assist with Greater Wellington's objectives in the Long Term Plan, with policies and processes designed to support delivery of these, by providing a framework of controls that provide a prudent approach to debt and interest rate risk management. The TRMP supports the risk management function at Great Wellington.
Internal consultation The Treasury Risk Management Policy has been reviewed by the Executive Leadership Team, with input from the Treasurer and the CFO.
***Risks and impacts: legal / health and safety etc*.** The policy address the process of treasury risk management and its performance at in Greater Wellington

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

TREASURY RISK MANAGEMENT POLICY, INCLUDING LIABILITY MANAGEMENT AND INVESTMENTS POLICIES

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

Table of Contents

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

1. Introduction

The purpose of the Treasury Risk Management Policy is to outline the approved policies and procedures in respect of all treasury activity to be undertaken by the Wellington Regional Council (the Council). The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within the Council continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry "best practices" for a council the size and type of the Wellington Regional Council.
- The Council's risk-bearing ability and tolerance levels.
- Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on the Council's financial exposures.
- Robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- The extent to which the policy assists the Council in achieving strategic objectives relating to ratepayers.

The policy will be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.

2. Scope and objectives

2.1 Scope

This document identifies the policy and procedures of the Council in respect of treasury management activities.

The policy has not been prepared to cover other aspects of the Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of the Council cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.

2.2 Principles

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by the Council's solicitors.
- The Council will not enter into any borrowings denominated in a foreign currency.

- The Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which the Council would achieve without pledging rates revenue.
- A resolution of the Council will not be required for hire purchase, credit or deferred purchase of goods if:
  - the period of indebtedness is less than 91 days (including rollovers); or
  - the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council.

2.3 Objectives

Statutory objectives

All external borrowing, investments and incidental financial arrangements (eg use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy. GWRC is governed by the following relevant legislation:

- Local Government Act 2002, in particular Part 6 including sections 101,102, 104 and 105.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
- Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part ll Investments.
- All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is effected.
- All legal documentation in respect to external borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
- The period of indebtedness is less than 91 days (including rollovers); or
- The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

General objectives

The objective of this Treasury Risk Management Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:

- Minimise the Council's costs and risks in the management of its borrowings and maximise its return on investments.

- Minimise the Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect the Council's financial assets and costs.
- Arrange and structure appropriate funding for the Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this policy.
- Maintain a long-term S&P Global credit rating at AA- or better.
- Monitor the Council's return on investments in CCTOs, property and other shareholdings.
- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.
- Minimise counterparty credit risk.
- Adhere to all statutory requirements of a financial nature.
- Provide adequate internal controls to protect the Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.5 of this policy.
- Keep Council abreast of macro-economic trends.

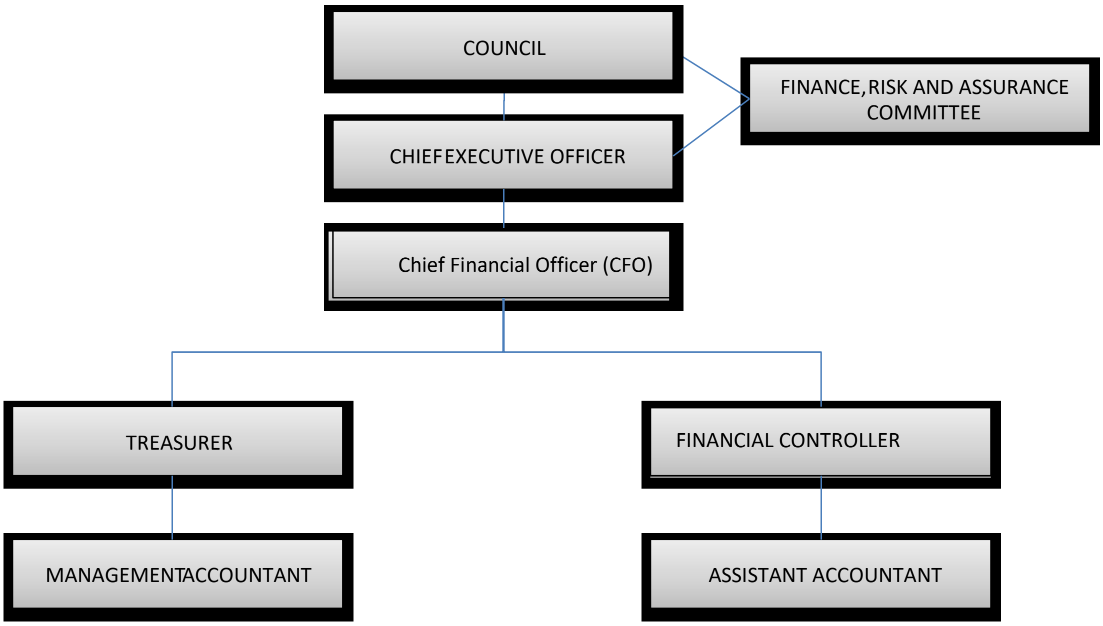
2.4 Policy exclusion

This policy covers WRC Holdings and its subsidiaries, but excludes CentrePort Ltd.

3. Management responsibilities

3.1 Overview of management structure

All of the Council's treasury management activities are undertaken by the Treasury Management Department. The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in sections 3.2 – 3.8 of this policy:



3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time to time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of the Council through the 10-year Long-Term Plan (LTP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan.
- Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO),(CFO) and other managers
  - counterparties and credit limits
  - risk management methodologies and benchmarks
  - guidelines for the use of financial instruments.
- Approving budgets and high level performance reporting.
- Delegating authority to the CEO and other officers.

- Reviewing and approving the Treasury Risk Management Policy every three years.

The Council will also ensure that:

- It receives appropriate information from management on risk exposure and financial instrument usage in a form that is understood.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.
- Approval will be gained by the CFO for any transactions falling outside policy guidelines.

3.3 Finance, Risk and Assurance Committee

Finance, Risk and Assurance Committee has the following responsibilities:

- Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.
- Receiving recommendations from the CEO and CFO and making submissions to the Council on all treasury matters requiring Council approval.
- Recommending performance measurement criteria for all treasury activity.
- Monitoring six-monthly performance against benchmarks.

Finance, Risk and Assurance Committee will:

- Oversee the implementation of the Council's treasury management strategies and monitor and review the effective management of the treasury function.
- Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report.
- Discuss treasury matters on a six monthly basis (and informally as required).

3.4 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of the Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- Ensuring the Council's policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approving new counterparties and counterparty limits as defined within section 6.3 of this policy and recommended by the CFO.
- Approving the opening and closing of bank accounts.

3.5 Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Management responsibility for borrowing and investment activities.
- Recommending policy changes to Finance, Risk and Assurance Committee for evaluation.

- Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approving re-financing of existing debt.
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority.
- Authorising the use of approved financial market risk management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Recommending changes to credit counterparties to the CEO.
- Proposing new funding requirements falling outside the Annual Plan and Long-Term Plan (LTP) to Finance, Risk and Assurance Committee for consideration and submission to the Council.
- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to Finance, Risk and Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
- Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the Financial Controller.
- Managing the long-term financial position of the Council in accordance with the Council's requirements.
- Ensuring that all borrowing and financing covenants to lenders are adhered to.
- Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year.
- Managing the organisations exposure and statutory requirements in relation to the holding, acquiring or disposing of Carbon Credits.
- To sign Debenture Stock and Security Stock certificates in relation to the Council's Debenture Trust Deed, in compliance with sections 112 and 118 of the Local Government Act 2002.

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Treasury Risk Management Policy – clean version

3.6 Treasurer

The Treasurer runs the day-to-day activities of the Council's Treasury Management Department.The Treasurer has the following responsibilities (which may be delegated to the Treasury Management Accountant):

- Overseeing and managing relationships with financial institutions including the Local Government Funding Agency (LGFA).
- Approving treasury transactions in accordance with policy parameters within delegated authority.
- Negotiating borrowing facilities.
- Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed : floating mix to re-profile the Council's interest rate risk on either debt or investments.
- Making decisions and authorisations to raise and lower fixed rate percentage of net debt or investment position within interest rate policy risk control limits.
- Designing, analysing, evaluating, testing and implementing risk management strategies to position the Council's net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- Monitoring credit ratings of approved counterparties.
- Co-ordinating annual reviews with S&P Global credit rating agency.
- Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to Finance, Risk and Assurance Committee as appropriate.
- Negotiating bank funding facilities and managing bank and other financial institution relationships.
- Executing treasury transactions in accordance with set limits.
- Entering in to FX transactions to cover foreign currency liabilities.
- Entering into FX hedging transactions in accordance with the section in this policy on Foreign Exchange risk.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- Providing written evidence of executed deals on an agreed form immediately to the Financial Controller.
- Co-ordinating the compilation of cash flow forecasts and cash management.
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features.
- Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- Preparing treasury reports.
- Monitoring all treasury exposures daily.

- Forecasting future cash requirements.
- Providing regular short-term and long-term cash flow and debt projections to the CFO.
- Completing deal tickets for treasury transactions.
- Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- Updating credit standing of approved counterparty credit list on a quarterly basis.
- Delivering weekly reports to the CFO per section 9
-

3.7 Financial Controller (FC)

The CFO formally delegates the following responsibilities to the FC, who in turn may delegate these to the Assistant Accountant:

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO.
- Ensuring delegated authorities are always up to date and advise counter parties of changes, and ensure they are checked at leaset every 6 months and refreshed with the banks annually.
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and the Council's accounting policy.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Approving all amendments to the Council's records arising from checks to counterparty confirmations.
- Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories.

3.8 Delegation of authority and authority limits

Treasury transactions entered into by the Council without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.
- A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant current delegated authorities of the Council and contracted personnel empowered to bind the Council.

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Treasury Risk Management Policy – clean version

- Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

Treasury management responsibilities are retained by Council or delegated,as set out in the following table:

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Treasury Risk Management Policy – clean version

Activity	Delegated Authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt (excludes prefunding of existing debt, which is re-financing))	The Council CEO (delegated by Council, to implement the Annual Plan) CFO (delegated by Council, to implement the Annual Plan)	Unlimited (subject to legislative and other regulatory limitations) Subject to Council Resolution and policy, as contained in and approved when the annual paln is adopted.
Signing Stock/Debenture Issuance Certificate or any ammendments to the DTD as provided for in the Debenture Trust Deed (DTD).	The Council CEO	As per the Annual Council Plan to meet lenders requirements
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Debenture Trust Deed
Approving new and refinanced lending activity with CCO/CCTOs	The Council,or as specifically delegated to the CEO	Unlimited
Approving of Council guarantees or uncalled capital relating to CentrePort or CCO/CCTO indebtedness.	The Council	Unlimited (subject to legislative and other regulatory limitations)
Approve LGFA membership for CCO/CCTOs	The Council	Unlimited
Re-financing existing debt	CEO (delegated by Council) CFO (delegated by Council) Treasurer (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Acquiring and disposing of Carbon credits	CFO –but only when delegated by Council	

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Treasury Risk Management Policy – clean version

Adjusting net debt or net investment interest rate risk profile	Treasurer	Per risk control limits
Managing investments and funding maturities in accordance with Council approved facilities	Treasurer	Per risk control limits
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council CEO (delegated by Council) CFO (delegated by Council) Treasurer (delegated by Council)	Unlimited $75 million $50 million $30 million
Authorising lists of bank signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/CFO	Unlimited
Reviewing the Treasury Management Policy every 3 years	Finance, Risk and Assurance Committee	N/A
Ensuring compliance with Policy	CFO	N/A
Negotiation and ongoing management of lending arrangements to CCO /CCTOs	CFO/Treasurer	Per approval / per risk control limits
Signing of LGFA new Debt confirmations	Treasurer /CFO	N/A
Signing of derivative confirmations	Both Treasurer & CFO	N/A

4. Liability Management Policy

The Council's liabilities comprise borrowings and various other liabilities. The Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the Council to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

The Council's ability to readily attract cost-effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

4.1 New Zealand Local Government Funding Agency (LGFA)

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

(b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

(c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;

(d) subscribe for shares and uncalled capital in the LGFA; and

(e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

4.2 Debt ratios and limits

Debt will be managed within limits in the following table, that are consistent with those used by the LGFA.

Ratio (as at 1 July 2020)*	
Net interest / Total revenue*	<20%
Net debt /Total Revenue*	1 July 2021 300%;
	1 July 2022 300%;
	1 July 2023 295%;
	1 July 2024 295%;
	1 July 2025 285%;
	1 July 2026 280%
Net interest / Annual rates and levies (debt secured under debenture)*	<30%
Liquidity (external debt + available committed loan facilities + liquid investments to total external debt)*	>110%

* Or as amended by the LGFA from time to time.

Revenue is defined as earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue.

Revenue excludes non-government capital contributions (e.g. developer contributions and vested assets)

Net debt is defined as total external debt less liquid financial assets and investments.

Liquid financial investments are financial assets defined as being:

- Overnight bank cash deposits

- Wholesale/retail bank term deposits no greater than 30 days
- Bank issued RCD's less than 181 days
- Allowable fixed income bonds as per approved investment instruments (applying 85% of face value)

External debt funding and associated investment activity relating to pre funding is excluded from the liquidity ratio calculationFor internal covenant purposes Disaster recovery/Contingency funds shall not be used as liquid investments in the Liquidy calculation as they are not intended to be used for every day liquidity purposes.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Financial covenants are measured on Council only (parent) not consolidated group.. Council can choose to use either methodology (group or parent) as allowed by the LGFA at the discretion of the Treasurer to provide the best outcome for Council. If group methodology is used, it will be reported through to the Finance, Risk anad Assurance Committee.

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

4.3 Security and charges

The Council borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over the Council's rates and rates revenue. A DTD was entered into during 2011 as part of the Council's initiative and requirements to borrow funds from the LGFA.

A Trustee has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Council approval, security may be offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds (e.g. through a finance lease, or some form of project finance)
- the Council considers a security interest or security in the physical assets to be appropriate

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

4.4 Borrowing mechanisms

The Council will borrow through a variety of market mechanisms including but not limited to:

- commercial paper (CP)
- fixed rate bonds and floating rate notes (FRNs)
- direct bank borrowing or loans with private placement investors
- short and long-term capital markets directly

- internal reserve and special funds.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following will be taken into account with a view to maintaining an appropriate balance across the portfolio:

- Available terms from banks, capital markets and loan stock issuance
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing
- The market's outlook on future credit margin and interest rate movements
- The Council's outlook on future credit margin and interest rate movements
- Legal documentation and financial covenants, together with credit rating considerations
- Whether retail or wholesale debt issue.

5. Investment Policy and limits

5.1 General policy

The Council is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. The Council may invest liquid funds externally for the following reasons:

- Strategic purposes consistent with the Council's LTP
- Holding short term liquid investments for general working capital requirements or any other cash management objective
- Holding investments that are necessary to carry out the Council operations consistent with annual plans
- Holding investments for self-insured infrastructural assets and contingency reserves.
- To meet liquidity requirements of S&P Global in terms of their credit assessment criteria.

The Council recognises that, as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

In its financial investment activity, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

5.2 Investment mix

The Council maintains investments in the following assets from time to time:

- Equity investments, including CCOs/CCTOs and other shareholdings
- Property investments incorporating land, buildings
- Financial investments incorporating longer term and liquidity investments.

5.2.1 Equity Investments

The Council's current equity investments are held in WRC Holdings Limited (100%):

WRC Holdings Limited owns the following companies:

- 76.9% of CentrePort Ltd (CentrePort)
- Greater Wellington Rail Ltd (GWRL)

CentrePort was established under the Port Companies Act 1998 and GWRL is a CCO.

5.2.2 Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

The Council is responsible for the appointment of the board of directors for the Council's CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

The objectives of the Council's CCOs and CCTOs are to:

- Separate the Council's investments and commercial assets from its public good assets.
- Impose a commercial discipline
- Appropriate separation of management and governance.

The Council manages risk associated with CCOs and CCTOs by:

- Appointing suitably qualified external directors
- Receiving regular reports from directors
- Using external advisors when required
- Providing input into the statements of corporate intent and constitutions of the CCOs and CCTOs.

5.2.3 New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

1. (a) obtain a return on the investment; and

   (b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

5.2.4 Other Investments

The Council's other investments are:

- CentrePort
- ForestryInvestments
- Stadium advances
- Liquid financial investments.
- Contingency funds
- Carbon credits

CentrePort

The Council, through Port Investments Ltd (PIL), owns 76.9% of CentrePort. CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

PIL, along with the other shareholder in CentrePort, is responsible for appointing the Board of Directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. PIL, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

The Council manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing of the Council's CFO as reporting officer for the Council in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's Statement of Corporate Intent.

Forestry investments

The Council has investments in forestry which are managed on a commercial basis, but also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes). The Council has sold its cutting rights to its forestry investments for a period of up to 60 years.

Stadium advance

The Council has lent $25 million to the Wellington Regional Stadium Trust and is proposing to lender further sums. The $25 million advance is interest free with limited rights of recourse. The Council will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance. The Council and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

Liquid financial investments

The Council's primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 6.3 of this policy. Credit ratings are monitored on a regular basis by the Treasurer.

For the foreseeable future, the Council will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections.
- Interest income from financial investments will be credited to general funds.
- Internal borrowing will be used wherever possible to avoid external borrowing.

The Council may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet the Council's objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

The Council's external investment interest rate profile will be managed within the parameters outlined in section 6.0 of this policy.

Contingency Funds

The Council currently has monies set aside in liquid funds that may be used when an event occurs such that the funds are required by the business.

From time to time the Council may set aside funds for such contingency purposes, which will be held in a readily available form.

5.2.5 Special Funds and Reserve Funds

Liquid assets will not be required to be held against special funds and reserve funds. Instead the Council will internally utilise or borrow these funds where ever possible.

Interest accrued from these funds will be credited to the particular fund.

Carbon Credits

Council's carbon credits have arisen from its holdings in exotic forestry and native forest plantings. Council is currently leveraging these credits by borrowing internal funds to finance projects that will reduce carbon emissions. Some carbon credits maybe sold in the future to finance these projects and repay the internal loans.

5.3 Investments in fossil fuels

The Council has a policy to divest from any direct investment in fossil fuel extraction industries and investigate existing non direct investment with a view to preventing future investment where practical.

6. Risk recognition/identification management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council, will be as detailed below and will apply to both the Liability Management Policy and Investment Policy.

6.1 Interest rate risk

6.1.1 Risk Recognition

Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the LTP.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

6.1.2 Approved Financial Instruments

Dealing in interest rate products will be limited to financial instruments approved by the Council. Approved interest rate instruments are:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities)Committed standby facilities where offered by the LGFAUncommitted money market facilities Wholesale Bond and Floating Rate Note (FRN) issues Commercial paper (CP) New Zealand Dollar (NZD) denominated local or offshore private placements Retail bond and FRN issuesForward starting committed term debt with the LGFA
Investments	Short-term bank deposits Bank bills Bank registered certificates of deposit Local authority stock or State-owned Enterprise (SOE) bonds and FRNs Corporate/bank senior bonds Floating Rate Notes Promissory notes/Commercial paper Redeemable Preference Shares (RPS)

	LGFA borrower notes
Interest rate risk management	Forward rate agreements (FRAs) on: - Bank bills Interest rate swaps including: - Forward start swaps - Amortising swaps (whereby notional principal amount reduces) - Swap extensions, deferrals and shortenings Interest rate options on: - Bank bills (purchased caps and one-for-one collars) - Interest rate swaptions (purchased and one-for-one collars only)
Foreign exchange risk management	- Foreign currency deposits - Purchased currency options - Collars (one-for-one) - Forward foreign exchange contracts

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty credit limits.

6.1.3 Interest Rate Risk Control Limit

Interest rate exposure

Exposure to interest rate risk is managed and mitigated through the controls defined in the table below:Council's forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

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Treasury Risk Management Policy – clean version

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	**Minimum Fixed**	**Maximum Fixed**
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	55%
Year 9	0%	50%
Year 10	0%	50%**
Year 11	0%	50%**
Year 12	0%	50%**
Year 13	0%	50%**
Year 14	0%	50%**
Year 15	0%	50%**
Year 16*	0%	50%**

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council. Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the CFO or equivalent), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the Policy minimum and maximum limits. Forecast gross external debt excludes any pre-funded debt amounts.

"Net debt" is all external debt ((existing and forecast) including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding Centreport Limited debt.

"Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.

"Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).

*Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 16 years, based on anticipated future interest rate movements. The exception to this will be if LGFA introduce funding terms exceeding 16 years; in this event, management can position the interest rate portfolio to maturities that match LGFA funding terms.Council may enter into interest rate swaps beyond 16 years where LGFA debt exceeds this term, but only where the swap is used to convert Fixed or Floating rate LGFA debt, i.e.there is a corresponding LGFA debt position.

** The maximum hedging percentage each year for fixed rate or hedged debt beyond 10 years is 50% of forecast debt but shall not exceed 100% of existing debt.

- interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- purchased borrower swaptions must mature within 12 months.
- interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- The forward start period on swap/collar strategies is to be no more than 36 months unless the forward starting swap/collar starts on the expiry date of an existing fixed interest rate instrument (i.e. either derivative or fixed rate borrowings) and has a notional amount which is no more than that of the existing fixed interest rate instrument.

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Treasury Risk Management Policy – clean version

Risk management

Instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Current approved interest rate instruments are as follows:

Category	Instrument
Cash management and borrowing	1. bank overdraft 2. committed cash advance and bank accepted bill facilities (short term and long term loan facilities) 3. uncommitted money market facilities 4. wholesale bond and Floating Rate Note (FRN) 5. commercial paper (CP) 6. New Zealand dollar denominated private placements 7. retail bond and FRN 8. Bank term deposits linked to pre funding maturing debt.
Interest rate risk management	9. forward rate agreements (FRAs) on: - bank bills 10. interest rate swaps including: - forward start swaps - amortising swaps (whereby notional principal amount reduces) - swap extensions and shortenings 11. interest rate options on: - bank bills (purchased caps and one-for-one collars) - interest rate swaptions (purchased and one-for-one collars only)

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded;

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.

6.1.4 Liquid Financial Investment Portfolio

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

Interest Rate Re-Pricing Period	Minimum Limit	Maximum Limit
0 to 1 year	70%	100%
1 to 5 years	0%	30%

To ensure maximum liquidity, any interest rate position up to five years will be made with acceptable financial instruments such as investor swaps.

The re-pricing risk mix may be changed, within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

6.1.5 Special Funds/Reserve Funds

Where such funds are deemed necessary they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when the Council borrows at a higher rate compared to the investment rate achieved by special/reserve funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are required to be held within a trust. For non-trust funds, the Council will manage these funds using internal borrowing facilities.

6.2 Liquidity risk/funding risk

6.2.1 Risk Recognition

Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same or better than existing facilities.

Managing the Council’s funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility such as:

- Local Government risk is priced to a higher fee and margin level.
- The Council’s own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to the Council experiences its own financial/exposure difficulties resulting in the Council not being able to manage its debt portfolio as optimally as desired.
- New Zealand’s investment community experiences a substantial ‘over supply’ of the Council’s investment assets.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

6.2.2 Liquidity/Funding Risk Control Limits

These control limits will be determined by the following:

- Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.
- External debt and available committed loan facilities together with liquid investments, will be maintained at an amount that is greater than or equal to 110% of total external debt.
- The maturity profile of total external debt in respect to all loans, bonds and committed facilities, will be controlled by the following:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	10%*	60%

- A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period .

*When total external debt falls below $400 million this minimum will reduce increase to0%.

The CFO will have the discretionary authority to re-finance existing debt.

The Council may pre-fund its forecasted debt requirements up to 18 months in advance including the re-financing of existing debt maturities. Debt refinancings that have been prefunded, will remain included within the funding maturity profile until their maturity date.

6.2.3 Commercial Paper

Commercial Paper[1] (CP) should not be issued to fund core term debt requirements unless there are bank standby, committed bank or committed undrawn lending facilities that are available to cover any outstanding CP. As a result any undrawn credit lines to cover maturing CP do not count as excess liquidity.

Nevertheless the coverage of CP by back–up facilities is a Credit Rating Agency requirement, and the Council will adhere to the requirements of the rating agencies in the first instance.

[1] Commercial Paper is a promissory note, akin to a post-dated cheque. It is colloquially known as one name paper issued by a non-bank borrower, as distinct from bank paper, or a bankers acceptance which has two or more names (parties) who are liable to honour the debt on maturity if the acceptor (bank) fails to.

The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, know or contracted cashflows are used to repay the CP on maturity.

6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument.

Credit risk will be regularly reviewed by the Council. Treasury related transactions will only be entered into with organisations specifically approved by the Council.

Counterparties and limits may only be approved on the basis of long-term credit ratings (S&P Global or Moody's) being A- and above or short-term rating of A2 or above, with the exception of New Zealand Local Authorities.

Limits will be spread amongst a number of counterparties to avoid concentrations of credit exposure.

To avoid undue concentration of exposures, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and repriced.

The following matrix guide will determine limits.

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

Issuer / counterparty	Instruments	Minimum credit rating (short-term / long-term)	Maximum exposure per counterparty(NZD) % of rates revenue	Maximum exposure per counterparty grouping as a % of rates revenue
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	unlimited	100%
RBNZ registered banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1+ / AA-	60%	100%
		A1+ / A+	40%	
		A1 / A	25%	
		A1 / A-	15%	
Offshore banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1 / A	15%	75%
Local Government Funding Agency	Borrower notes	n/a	60%	60%
Local authorities – rated	Local authority bonds, CP	A1+ / AA-	20%	20%
Local authorities - non rated	Local authority bonds, CP	n/a	10%	10%
Other issuers including state owned enterprises, listed and unlisted companies	Commercial paper, corporate bonds	A1+ / AA-	5%	10%
		A1 / A-	5%	5%

Other Issuers including state owned enterprises, listed and unlisted companies consistent with third paragraph of 6.3 should read: A1 **A2**/A-

- Current counterparty credit ratings will be reviewed and monitored monthly.
- The definition of rates revenue includes water levy.

In determining the usage of the above gross limits, the following product weightings will be used:

- Financial investments (e.g. deposits, bonds) -100% of the principal value.
- Interest Rate Risk Management* (e.g. swaps, FRAs) –Any positive month-end mark to market value (as provided by the treasury management system) plus: 3% of the notional principal for all interest rate hedging instruments.

- Foreign Exchange instruments* (e.g. Forward Exchange Contracts) –Any positive month-end mark to market value (as provided by the treasury management system) plus 30% of the notional value of the instrument.

**GWRC will not net off marked to market values against counterparties. Only positive marked to market values (from GWRC's perspective) will contribute to the counterparty calculation. Negative marked to market values will always have a value of zero for counterparty calculation purposes.*

Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

The above limits may be amended by Council, especially in the case where the NZ Government credit rating is changed.

Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the CFO. Credit ratings will be reviewed by the Treasurer on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the CFO and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

6.4 Borrowing mechanisms to council controlled organisations and council controlled trading organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the CFO considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing and rating, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

6.5 CentrePort Debt and Guaranteeing Debt

The Council, through its wholly owned CCO WRC Holdings Limited, is a 77% owner of the Port Company CentrePort Limited. The Council has guaranteed the debt obligations of CentrePort as it is a strategic regional asset of the ratepayers.

The Council, by providing a guarantee, formally recognises this relationship and as a result means CentrePort can borrow funds at a similar cost to the Council. This is cheaper than borrowing on its own, ultimately resulting in a financial benefit to the rate payers.

From time to time the Council will guarantee these obligations, given that the level of CentrePort's debt varies over time and the lenders to CentrePort may also change.

The Council may lend funds directly to CentrePort when it believes that there is further benefit to be given to the ratepayer.

Centreport may wish from time to time if it has surplus funds to invest those with Council in the form of short term debt securities at prevailing rates.

6.6 Foreign exchange risk

6.6.1 Foreign Exchange Risk Recognition

The Council's policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.

It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.

The Council has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed or order is placed.

Full risk: is at the time the expenditure is approved and legal commitments are made.

6.6.2 Foreign Exchange Risk Control Limits

All individual items/services greater than NZ$100,000 must be hedged at all times in accordance with the following risk control limits:

Time – point	Exposure hedged by forward exchange contracts or options	Exposure hedged by purchased foreign exchange options
1. Budget approved by Council – (Medium Probability)		Maximum 50%
2. Specific item approved – (High		Maximum 100%

probability)		
3. Contract/ order confirmed – (Undoubted Risk)	Minimum 100%	

6.6.3 Use of Foreign Exchange Instruments and Forecasting

Financial instruments, other than those stipulated in section 6.1.2, will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

All significant tenders will allow bidders the opportunity to select desired currencies and where possible, allow for suppliers to transparently link price escalations to clear financial market references.

Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Treasurer or CFO. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In determining a suitable foreign exchange rate to use in the calculation of budgets for procurement purposes, a purchased NZD Put option at the market forward rate to the middle of the budgeted financial year is used. The all-up premium cost in dollar terms of the option expressed in foreign exchange points is subtracted from the market forward rate to provide the appropriate budget rate to be used.

6.7 Managing operational risk

Operational risk is the risk of loss as a result of human errors including fraud, system failures, or inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone

Operational risk is minimised by this policy.

6.7.1 Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by the Council.

6.7.2 Segregation of Duties

There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

The risk will be minimised by the following:

- The FC will report directly to the CFO to control the transactional activities of the Treasurer
- There will be a documented approval process for borrowing and investment activity.

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Treasury Risk Management Policy – clean version

6.7.3 Procedures and controls

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.
- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.
- All treasury products will be recorded and diarised, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. The Council will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.

Procedures and controls will include:

- Regular management reporting
- Regular risk assessment, including review of procedures and controls
- Organisational systems, procedural and reconciliation controls to ensure:
  - All borrowing and investment activity is bona fide and properly authorised
  - Checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely
  - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
  - Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.
- All counterparties will be provided with a list (at least annually or at the time of key personnel changes) of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
- All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.
- GWRC generated deal tickets maybe approved by electronic /email means where the approver is not in the office or its more efficient to do so.
- All inward letter confirmations, including registry confirmations, will be received and checked by the FC against completed deal tickets and summary spreadsheets records to ensure accuracy.
- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to the Council records will be signed off by the CFO.

- The majority of borrowing and investment payments will be settled by direct debit authority.
- For electronic payments, batches will be set up electronically. These batches will be checked by the FC to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.
- Bank reconciliations will be performed monthly by the FC. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's's records will be signed off by the CFO.
- A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasury Accountant and reconciliation reviewed by the FC.

6.8 Managing legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, the Council may be exposed to such risks.

In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation, the Council will seek to minimise this risk by:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice for any non-standardised transactions.

6.8.1 Agreements

Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer's Association (ISDA) Master Agreement with the Council. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

The Council's internal/appointed legal counsel will sign off on all documentation for new loan borrowings, re-financings and investment structures.

Currently, the Council has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand) Ltd
- ASB/CBA Bank
- Westpac
- Kiwibank

6.8.2 Financial Covenants and Other Obligations

The Council will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

The Council will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

6.9 Diesel hedging

Other risks, such as commodity price risk associated with diesel, will be considered for risk management by the Council. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Maximum term of a hedge or option contact once it becomes operational is one year
- Contracts shall only be with a counterparty with a S&P rating of at least A.

6.10 Electricity hedging

Wholesale electricity spot market price risk will be considered for risk management by the Council. Management is aware of the inherent price volatility of the electricity spot market. To this end, the Council has delegated to the CEO the power to enter into price hedges with the following conditions:

- An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference or a futures contract.
- The notional value of the hedge contract will be in New Zealand dollars.
- The hedge contract will be for a maximum duration of no more than three years, and will be signed no earlier than 12 months prior to contract commencement.
- The expiry of any hedge contract will be no more than four years.
- For any given reporting year, the hedge volume will be between 85 percent and 115 percent of the expected actual consumption. The hedge ratio will be monitored and reported annually.
- The credit rating of the hedge counter-party will be at least investment grade from Standard and Poor's at the time of entering into the contract (i.e., a long-term rating of not less than BBB-). In the event of the rating falling below this, the Council would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to the Council. If the preferred hedge counter-party does not have an external credit rating with S&P Global the CFO may review the financial position of the proposed counter-party and provide a recommendation for approval by the Chief Executive.

7. Measuring Treasury performance

In order to determine the success of the Council's treasury management function, benchmarks and performance measures have been prescribed. Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to Finance, Risk and Assurance Committee on a quarterly basis.

7.1 Operational performance

All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits. All treasury deadlines will be met, including reporting deadlines.

7.2 Management of debt, investments and interest rate risk

The actual funding cost for the Council (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

8. Cash management

The Treasurer has the responsibility to carry out the day-to-day cash and short-term debt management activities. The Treasurer will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all the Council bank account information daily
- Co-ordinate the Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor the Council's usage of cash advance facilities
- Match future cashflows to smooth over time
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

9. Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and interest rate instruments must be incorporated.

Attachment 1 to Report 21.3

Treasury Risk Management Policy – clean version

9.1 Treasury reporting

The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Daily Cash Position	Daily	Treasurer	CFO
Treasury Exceptions Report	Daily	Treasurer	CFO
Risk Exposure position	Monthly	Treasurer	CFO
Risk Management performance	Monthly	Treasurer	CFO
Policy Compliance	Monthly	FC/Treasuer	CFO
Borrowing limits	Monthly	Treasurer	CFO
Interest rate exposure report	Monthly	Treasurer	CFO
Cost of funds report	Monthly	Treasurer	CFO
Funding facility report	Monthly	Treasurer	CFO
Funding risk report	Monthly	Treasurer	CFO
Cash flow forecast report	Monthly	Treasurer	CFO
Treasury investments	Monthly	Treasurer	CFO
Summary Treasury Report	Monthly Quarterly	Treasurer	CFO Finance, Risk and Assurance Committee / Council
Bi Annual Treasury Strategy Paper	Bi-annually	Treasurer	CFO
Limits Report	Daily on exceptions Quarterly on exceptions	FC	Treasurer Finance, Risk and Assurance
Debt Maturity Profile	Quarterly	Treasurer	Finance, Risk and Assurance Committee
Revaluation of financial instruments	Quarterly	Treasurer	CFO/Finance, Risk and Assurance
LGFA covenant reporting	At least annually	Treasurer	LGFA

9.2 Accounting treatment of financial instruments

The Council uses financial arrangements ("derivatives") for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of derivatives in a broad sense.

Under NZ IPSAS changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

Council's principal objective is to actively manage the Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's annual accounts.

The Treasurer is responsible for advising the CFO of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.

All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

10. Policy review

This Treasury Risk Management Policy will be formally reviewed every three years. The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Finance, Risk and Assurance. The report will include:

- Recommendations on changes, deletions and additions to the policy.
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.
- Analysis of bank and lender service provision, share of financial instrument transactions, etc.
- Comments and recommendations from the Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- Total net debt servicing costs.

The policy review will be completed and presented to Finance, Risk and Assurance Committee within five months of the financial year-end. Finance, Risk and Assurance Committee will approve any resulting policy changes.

Attachment 2 to Report 21.2

Treasury Risk Management Policy – marked up version

~~Attachment 1~~

TREASURY RISK MANAGEMENT POLICY, INCLUDING LIABILITY MANAGEMENT AND INVESTMENTS POLICIES

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Treasury Risk Management Policy – marked up version

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Treasury Risk Management Policy – marked up version

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1. Introduction

The purpose of the Treasury Risk Management Policy is to outline the approved policies and procedures in respect of all treasury activity to be undertaken by the Wellington Regional Council (the Council). The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within the Council continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry "best practices" for a council the size and type of the Wellington Regional Council.
- The Council's risk-bearing ability and tolerance levels.
- Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on the Council's financial exposures.
- Robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- The extent to which the policy assists the Council in achieving strategic objectives relating to ratepayers.

The policy will be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.

2. Scope and objectives

2.1 Scope

This document identifies the policy and procedures of the Council in respect of treasury management activities.

The policy has not been prepared to cover other aspects of the Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of the Council cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.

2.2 Principles

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by the Council's solicitors.
- The Council will not enter into any borrowings denominated in a foreign currency.

Attachment 2 to Report 21.2

Treasury Risk Management Policy – marked up version

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- The Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which the Council would achieve without pledging rates revenue.
- A resolution of the Council will not be required for hire purchase, credit or deferred purchase of goods if:
  - the period of indebtedness is less than 91 days (including rollovers); or
  - the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council.

2.3 Objectives

Statutory objectives

All external borrowing, investments and incidental financial arrangements (eg use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy. GWRC is governed by the following relevant legislation:

- Local Government Act 2002, in particular Part 6 including sections 101,102, 104 and 105.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
- Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part ll Investments.
- All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is effected.
- All legal documentation in respect to external borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
- The period of indebtedness is less than 91 days (including rollovers); or
- The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

General objectives

The objective of this Treasury Risk Management Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:

- Minimise the Council's costs and risks in the management of its borrowings and maximise its return on investments.

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Treasury Risk Management Policy – marked up version

- Minimise the Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect the Council's financial assets and costs.
- Arrange and structure appropriate funding for the Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this policy.
- Maintain a long-term ~~Standard & Poor's~~S&P Global credit rating at AA- or better.
- Monitor the Council's return on investments in CCTOs, property and other shareholdings.
- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.
- Minimise counterparty credit risk.
- Adhere to all statutory requirements of a financial nature.
- Provide adequate internal controls to protect the Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.5 of this policy.
- Keep Council abreast of macro-economic trends.

2.4 Policy exclusion

This policy covers WRC Holdings and its subsidiaries, but excludes CentrePort Ltd.

3. Management responsibilities

3.1 Overview of management structure

All of the Council's treasury management activities are undertaken by the Treasury Management Department. The following diagram illustrates those individuals and bodies who have treasury port 21.2

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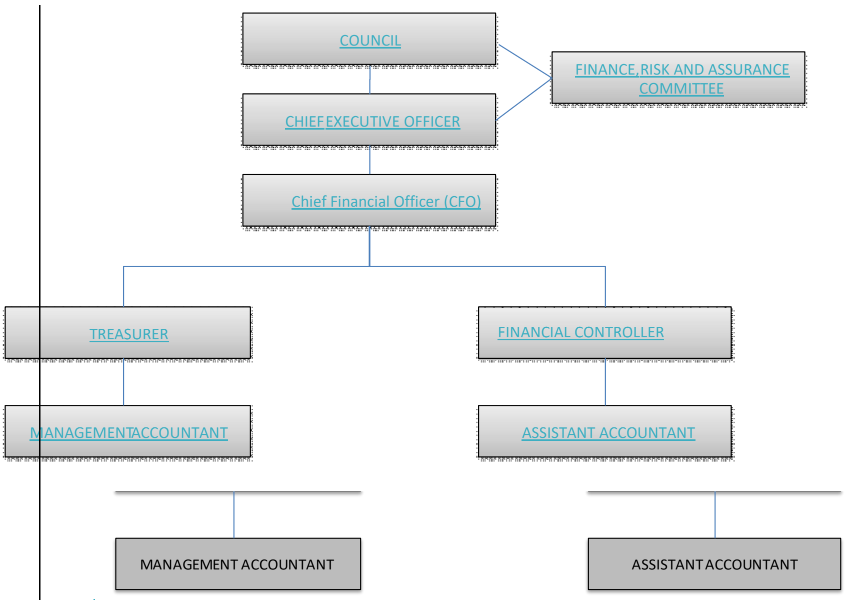

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3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time to time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of the Council through the 10-year Long-Term Plan (LTP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan.
- Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), ~~GM Corporate Services/CFO~~ (CFO) and other managers
  - counterparties and credit limits
  - risk management methodologies and benchmarks
  - guidelines for the use of financial instruments.

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- Approving budgets and high level performance reporting.
- Delegating authority to the CEO and other officers.
- Reviewing and approving the Treasury Risk Management Policy every three years.

The Council will also ensure that:

- It receives appropriate information from management on risk exposure and financial instrument usage in a form that is understood.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.
- Approval will be gained by the CFO for any transactions falling outside policy guidelines.

3.3 Finance, Risk and Assurance Committee

Finance, Risk and Assurance Committee has the following responsibilities:

- Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.
- Receiving recommendations from the CEO and CFO and making submissions to the Council on all treasury matters requiring Council approval.
- Recommending performance measurement criteria for all treasury activity.
- Monitoring six-monthly performance against benchmarks.

~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee will:

- Oversee the implementation of the Council's treasury management strategies and monitor and review the effective management of the treasury function.
- Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report.
- Discuss treasury matters on a six monthly basis (and informally as required).

3.4 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of the Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- Ensuring the Council's policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approving new counterparties and counterparty limits as defined within section 6.3 of this policy and recommended by the CFO.
- Approving the opening and closing of bank accounts.

3.5 ~~GM Corporate Services/CFO~~ Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

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- Management responsibility for borrowing and investment activities.
- Recommending policy changes to ~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee for evaluation.
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approving re-financing of existing debt.
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority.
- Authorising the use of approved financial market risk management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Recommending changes to credit counterparties to the CEO.
- Proposing new funding requirements falling outside the Annual Plan and Long-Term Plan (LTP) to ~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee for consideration and submission to the Council.
- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to Finance, Risk and Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
- Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the ~~Strategic Finance Manager~~Financial Controller.
- Managing the long-term financial position of the Council in accordance with the Council's requirements.
- Ensuring that all borrowing and financing covenants to lenders are adhered to.
- Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year.
- Managing the organisations exposure and statutory requirements in relation to the holding, acquiring or disposing of Carbon Credits.

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- To sign Debenture Stock and Security Stock certificates in relation to the Council's Debenture Trust Deed, in compliance with sections 112 and 118 of the Local Government Act 2002.

3.6 Treasurer

The Treasurer runs the day-to-day activities of the Council's Treasury Management Department. ~~The CFO formally delegates the following responsibilities to t~~The Treasurer has the following responsibilities (which ~~who in turn~~ may be delegated~~d these~~ to the Treasury Management Accountant):

- Overseeing and managing relationships with financial institutions including the Local Government Funding Agency (LGFA).
- Approving treasury transactions in accordance with policy parameters within delegated authority.
- Negotiating borrowing facilities.
- Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed : floating mix to re-profile the Council's interest rate risk on either debt or investments.
- Making decisions and authorisations to raise and lower fixed rate ~~(interest rate market price re-set greater than 12 months)~~ percentage of net debt or investment position within interest rate policy risk control limits.
- Designing, analysing, evaluating, testing and implementing risk management strategies to position the Council's net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- Monitoring credit ratings of approved counterparties.
- Co-ordinating annual reviews with ~~Standard & Poor's~~S&P Global credit rating agency.
- Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to Finance, Risk and Assurance Committee as appropriate.
- Negotiating bank funding facilities and managing bank and other financial institution relationships.
- Executing treasury transactions in accordance with set limits.
- Entering in to FX transactions to cover foreign currency liabilities.
- Entering into FX hedging transactions in accordance with the section in this policy on Foreign Exchange risk.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- Providing written evidence of executed deals on an agreed form immediately to the Financial Controller~~Strategic Finance Manager~~~~Financial Controller~~.
- Co-ordinating the compilation of cash flow forecasts and cash management.
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features.

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- Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- Preparing treasury reports.
- Monitoring all treasury exposures daily.
- Forecasting future cash requirements.
- Providing regular short-term and long-term cash flow and debt projections to the CFO.
- Completing deal tickets for treasury transactions.
- Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- Updating credit standing of approved counterparty credit list on a quarterly basis.
- Delivering weekly reports to the CFO per section 9~~covering cash/liquidity, investment profile, funding profile and interest rate risk position.~~

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3.7 ~~Strategic Finance Manager, (SFM~~~~FC~~~~)~~ Financial Controller (FC)

The CFO formally delegates the following responsibilities to the ~~SFM~~FC, who in turn may delegate these to the Assistant Accountant:

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO.
- Ensuring delegated authorities are always up to date and advise counter parties of changes, and ensure they are checked at leaseet every 6 months and refreshed with the banks annually.
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and the Council's accounting policy.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Approving all amendments to the Council's records arising from checks to counterparty confirmations.
- Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories.

3.8 Delegation of authority and authority limits

Treasury transactions entered into by the Council without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Insufficient authority for a given bank account or facility may

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prevent the execution of certain transactions (or at least cause unnecessary delays). Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.
- A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant current delegated authorities of the Council and contracted personnel empowered to bind the Council.
- Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

Treasury management ~~The Council has the following~~ responsibilities are retained by Council or delegated, ~~either directly, or via~~ as set out in the following ~~stated delegated authorities~~table:

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Activity	Delegated Authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt (excludes prefunding of existing debt, which is re-financing))	The Council CEO (delegated by Council, to implement the Annual Plan) CFO (delegated by Council, to implement the Annual Plan)	Unlimited (subject to legislative and other regulatory limitations) Subject to Council Resolution and policy, as contained in and approved when the annual paln is adopted. ~~Resolution and policy~~
Signing Stock/Debenture Issuance Certificate or any ammendments to the DTD as provided for in the Debenture Trust Deed (DTD). ~~– As per the Debenture Trust Deed~~	The Council CEO	 As per the Annual Council Plan to meet lenders requirements
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Debenture Trust Deed
Approving new and refinanced lending activity with CCO/CCTOs ~~unless delegated to the CEO~~	The Council~~.~~, or as specifically delegated to the CEO	Unlimited
Approving of Council guarantees or uncalled capital relating to CentrePort or CCO/CCTO indebtedness.	The Council	Unlimited (subject to legislative and other regulatory limitations)
Approve LGFA membership for CCO/CCTOs	The Council	Unlimited
Re-financing existing debt	CEO (delegated by Council) CFO (delegated by Council) Treasurer (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Acquiring and disposing of Carbon	~~CFO (delegated by Council)~~	~~$5m any one transaction~~

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credits	CFO –but only when delegated by Council	
Adjusting net debt or net investment interest rate risk profile	Treasurer	Per risk control limits
Managing investments and funding maturities in accordance with Council approved facilities	Treasurer	Per risk control limits
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council CEO (delegated by Council) CFO (delegated by Council) Treasurer (delegated by Council)	Unlimited $75 million $50 million $30 million
Authorising lists of bank signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/CFO	Unlimited
Reviewing the Treasury Management Policy every 3 years	Finance, Risk and Assurance Committee	N/A
Ensuring compliance with Policy	CFO	N/A
Negotiation and ongoing management of lending arrangements to CCO /CCTOs	CFO/Treasurer	Per approval / per risk control limits
Signing of LGFA new Debt confirmations	Treasurer /CFO	N/A
Signing of derivative confirmations	Both Treasurer & CFO	N/A

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4. Liability Management Policy

The Council's liabilities comprise borrowings and various other liabilities. The Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the Council to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

The Council's ability to readily attract cost-effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

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4.1 New Zealand Local Government Funding Agency (LGFA)

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

(b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

(c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;

(d) subscribe for shares and uncalled capital in the LGFA; and

(e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

4.2 Debt ratios and limits

Debt will be managed within limits in the following table, that are consistent with those used by the LGFA.

Ratio (as at 1 July 2020)*	
Net interest / Total revenue*	<20%
Net debt /Total Revenue*	~~<250%~~1 July 2021 300%;
	1 July 2022 300%;
	1 July 2023 295%;
	1 July 2024 295%;
	1 July 2025 285%;
	1 July 2026 280%
Net interest / Annual rates and levies (debt secured under debenture)*	<30%
Liquidity (external debt + available committed loan facilities + liquid investments to total external debt)*	>110%

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~~The LGFA has increased the limit of Net debt/Total Revenue as following: June 2021 300%; June 22 300%; June 23 295%; June23 295%; June 24; June 25 285%; June 26 and ongoing 280%.~~ * Or as amended ~~for all covenents~~ by the LGFA from time to time.

Revenue is defined as earnings from rates, ~~government~~ grants and subsidies, user charges, interest, dividends, financial and other revenue.

Revenue excludes non-government capital contributions (e.g. developer contributions and vested assets)

Net debt is defined as total external debt less liquid financial ~~deposits~~/assets and investments.

Liquid financial investments are financial assets defined as being:

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- Overnight bank cash deposits
- Wholesale/retail bank term deposits no greater than 30 days
- Bank issued RCD's less than 181 days
- Allowable fixed income bonds as per approved investment instruments (applying 85% of face value)
- External debt funding and associated investment activity relating to pre funding is excluded from the liquidity ratio calculation

For internal covenant purposes Disaster recovery/Contingency funds shall not be used as liquid investments in the Liquidy calculation as they are not intended to be used for every day liquidity purposes.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Financial covenants are measured on Council only (parent) not consolidated group. ~~Should the LGFA change its methodology then that calculation shall prevail~~. Council can choose to use either methodology (group or parent) as allowed by the LGFA at the discretion of the Treasurer to provide the best outcome for Council. If group methodology is used, it will be reported through to the Finance, Risk anad Assurance Committee.

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

4.3 Security and charges

The Council borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over the Council's rates and rates revenue. A DTD was entered into during 2011 as part of the Council's initiative and requirements to borrow funds from the LGFA.

A Trustee has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Council approval, security may be offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds (e.g. through a finance lease, or some form of project finance)
- the Council considers a security interest or security in the physical assets to be appropriate

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

4.4 Borrowing mechanisms

The Council will borrow through a variety of market mechanisms including but not limited to:

- commercial paper (CP)

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- fixed rate bonds and floating rate notes (FRNs)
- direct bank borrowing or loans with private placement investors
- short and long-term capital markets directly
- internal reserve and special funds.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the ~~CFO~~ following will be taken into account with a view to maintaining an appropriate balance across the portfolio ~~the following~~:

- Available terms from banks, capital markets and loan stock issuance
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing
- The market's outlook on future credit margin and interest rate movements
- The Council's outlook on future credit margin and interest rate movements
- Legal documentation and financial covenants, together with credit rating considerations
- Whether retail or wholesale debt issue.

5. Investment Policy and limits

5.1 General policy

The Council is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. The Council may invest liquid funds externally for the following reasons:

- Strategic purposes consistent with the Council's LTP
- Holding short term liquid investments for general working capital requirements or any other cash management objective
- Holding investments that are necessary to carry out the Council operations consistent with annual plans
- Holding investments for self-insured infrastructural assets and contingency reserves.
- To meet liquidity requirements of S&P Global in terms of their credit assessment criteria.

The Council recognises that, as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

In its financial investment activity, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

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5.2 Investment mix

The Council maintains investments in the following assets from time to time:

- Equity investments, including CCOs/CCTOs and other shareholdings
- Property investments incorporating land, buildings
- Financial investments incorporating longer term and liquidity investments.

5.2.1 Equity Investments

The Council's current equity investments are held in WRC Holdings Limited (100%):

WRC Holdings Limited owns the following companies:

- ~~Port Investments Ltd (100%), which owns~~ 76.9% of CentrePort Ltd (CentrePort)
- ~~Pringle House Ltd (100%),~~ Greater Wellington Rail Ltd (GWRL)

CentrePort was ~~The above companies are~~ established under the Port Companies Act 1998 and GWRL is a CCO. ~~CCOs or CCTOs.~~

5.2.2 Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

The Council is responsible for the appointment of the board of directors for the Council's CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

The objectives of the Council's CCOs and CCTOs are to:

- Separate the Council's investments and commercial assets from its public good assets.
- Impose a commercial discipline
- Appropriate separation of management and governance.

The Council manages risk associated with CCOs and CCTOs by:

- Appointing suitably qualified external directors
- Receiving regular reports from directors
- Using external advisors when required
- Providing input into the statements of corporate intent and constitutions of the CCOs and CCTOs.

5.2.3 New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

1. (a) obtain a return on the investment; and

   (b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

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Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

5.2.4 Other Investments

The Council's other investments are:

- CentrePort
- Forestry ~~investments~~ Investments
- Stadium advances
- Liquid financial investments.
- Contingency funds
- Carbon credits

CentrePort

The Council, through Port Investments Ltd (PIL), owns 76.9% of CentrePort. CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

PIL, along with the other shareholder in CentrePort, is responsible for appointing the Board of Directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. PIL, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

The Council manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing of the Council's CFO as reporting officer for the Council in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's Statement of Corporate Intent.

Forestry investments

The Council has investments in forestry which are managed on a commercial basis, but also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes). The Council has sold its cutting rights to its forestry investments for a period of up to 60 years.

Stadium advance

The Council has lent $25 million to the Wellington Regional Stadium Trust and is proposing to lender further sums. The $25 million advance is interest free with limited rights of recourse. The Council will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the

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Trust's performance. The Council and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

Liquid financial investments

The Council's primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 6.3 of this policy. Credit ratings are monitored on a regular basis by the Treasurer.

For the foreseeable future, the Council will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections.
- Interest income from financial investments will be credited to general funds.
- Internal borrowing will be used wherever possible to avoid external borrowing.

The Council may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet the Council's objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

The Council's external investment interest rate profile will be managed within the parameters outlined in section 6.0 of this policy.

Contingency Funds

The Council currently has monies set aside in liquid funds that may be used when an event occurs such that the funds are required by the business.

From time to time the Council may set aside funds for such contingency purposes, which will be held in a readily available form.

5.2.5 Special Funds and Reserve Funds

Liquid assets will not be required to be held against special funds and reserve funds. Instead the Council will internally utilise or borrow these funds where ever possible.

Interest accrued from these funds will be credited to the particular fund.

Carbon Credits

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Council's carbon credits have arisen from its holdings in exotic forestry and native forest plantings. Council is currently leveraging~~e~~ these credits by borrowing internal funds to finance projects that will reduce carbon emissions. Some carbon credits maybe sold in the future to finance these projects and repay the internal loans.

5.3 Investments in fossil fuels

The Council has a policy to divest from any direct investment in fossil fuel extraction industries and investigate existing non direct investment with a view to preventing future investment where practical.

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6. Risk recognition/identification management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council, will be as detailed below and will apply to both the Liability Management Policy and Investment Policy.

6.1 Interest rate risk

6.1.1 Risk Recognition

Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the LTP.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

6.1.2 Approved Financial Instruments

Dealing in interest rate products will be limited to financial instruments approved by the Council. Approved interest rate instruments are:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Committed standby facilities where offered by the LGFA Uncommitted money market facilities Wholesale Bond and Floating Rate Note (FRN) issues Commercial paper (CP) New Zealand Dollar (NZD) denominated local or offshore private placements Retail bond and FRN issues Forward starting committed term debt with the LGFA
Investments	Short-term bank deposits Bank bills Bank registered certificates of deposit Local authority stock or State-owned Enterprise (SOE) bonds and FRNs Corporate/bank senior bonds Floating Rate Notes

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Treasury Risk Management Policy – marked up version

	Promissory notes/Commercial paper Redeemable Preference Shares (RPS) LGFA borrower notes
Interest rate risk management	Forward rate agreements (FRAs) on: - Bank bills Interest rate swaps including: - Forward start swaps - Amortising swaps (whereby notional principal amount reduces) - Swap extensions, deferrals and shortenings Interest rate options on: - Bank bills (purchased caps and one-for-one collars) - Interest rate swaptions (purchased and one-for-one collars only)
Foreign exchange risk management	- Foreign currency deposits - Purchased currency options - Collars (one-for-one) - Forward foreign exchange contracts

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty credit limits.

6.1.3 Interest Rate Risk Control Limit

Interest rate exposure

Exposure to interest rate risk is managed and mitigated through the controls defined in the table below ~~where~~:

Council's forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

~~**"Debt"** is all external debt ((existing and forecast) including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding Centreport Limited debt.~~

~~**"Fixed Rate Debt"** is all debt or swaps repricing beyond one year that is fixed rate plus all floating rate debt swapped to a fixed rate maturing beyond one year. Any debt or swap maturing within one year is defined as floating.~~

~~**"Floating Rate Debt"** is defined as an interest rate re-pricing within 12 months. This includes FRN's with a maturity date beyond one year that are not swapped to fixed rate. Floating Rate debt may be spread over any maturity out to 12 months.~~

~~Fixed rate debt must be within the following repricing bands:~~

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Treasury Risk Management Policy – marked up version

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	**Minimum Fixed**	**Maximum Fixed**
Current	~~50~~40%	~~95~~90%
Year 1	~~45~~40%	~~95~~90%
Year 2	~~40~~35%	~~90~~85%
Year 3	3~~5~~0%	~~85~~80%
Year 4	~~30~~25%	~~80~~75%
Year 5	~~25~~20%	~~75~~70%
Year 6	~~15~~0%	~~70~~65%
Year 7	0%	~~65~~60%
Year 8	0%	~~60~~55%
Year 9	0%	~~55~~50%
Year 10	0%	50%**
Year 11	0%	50%**
Year 12	0%	50%**
Year 13	0%	50%**
Year 14	0%	50%**
Year 15	0%	50%**
Year 16*	0%	50%**

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.

Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the CFO or equivalent), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the Policy minimum and maximum limits. Forecast gross external debt excludes any pre-funded debt amounts.

"Net debt" is all external debt ((existing and forecast) including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding Centreport Limited debt.

"Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.

"Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.

Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).

*Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 16 years, based on anticipated future interest rate movements.

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The exception to this will be if LGFA introduce funding terms exceeding 16 years; in this event, management can position the interest rate portfolio to maturities that match LGFA funding terms.

Council may enter into interest rate swaps beyond 16 years where LGFA debt exceeds this term, but only where the swap is used to convert Fixed or Floating rate LGFA debt, i.e.there is a corresponding LGFA debt position.

** The maximum hedging percentage each year for fixed rate or hedged debt beyond 10 years is 50% of forecast debt but shall not exceed 100% of existing debt.

- interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- purchased borrower swaptions must mature within ~~36~~ 12 months.
- interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- The forward start period on swap/collar strategies is to be no more than ~~24~~ 36 months~~,~~ unless the forward starting swap/collar starts on the expiry date of an existing fixed interest rate instrument (i.e. either derivative or fixed rate borrowings) and has a notional amount which is no more than that of the existing fixed interest rate instrument.

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Risk management

Instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Current approved interest rate instruments are as follows:

Category	Instrument
Cash management and borrowing	1. bank overdraft 2. committed cash advance and bank accepted bill facilities (short term and long term loan facilities) 3. uncommitted money market facilities 4. wholesale bond and Floating Rate Note (FRN) 5. commercial paper (CP) 6. New Zealand dollar denominated private placements 7. retail bond and FRN 8. Bank term deposits linked to pre funding maturing debt.
Interest rate risk management	9. forward rate agreements (FRAs) on: - bank bills 10. interest rate swaps including: - forward start swaps - amortising swaps (whereby notional principal amount reduces) - swap extensions and shortenings 11. interest rate options on: - bank bills (purchased caps and one-for-one collars) - interest rate swaptions (purchased and one-for-one collars only)

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded;

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.

6.1.4 Liquid Financial Investment Portfolio

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of

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new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

Interest Rate Re-Pricing Period	Minimum Limit	Maximum Limit
0 to 1 year	70~~40~~%	100%
1 to 5~~3~~ years	0%	30~~60~~%
~~3 to 5 years~~	~~0%~~	~~40%~~
~~5 to 10 years~~	~~0%~~	~~20%~~

To ensure maximum liquidity, any interest rate position up to ~~beyond~~ five years will be made with acceptable financial instruments such as investor swaps.

The re-pricing risk mix may be changed, within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

6.1.5 Special Funds/Reserve Funds

Where such funds are deemed necessary they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when the Council borrows at a higher rate compared to the investment rate achieved by special/reserve funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are required to be held within a trust. For non-trust funds, the Council will manage these funds using internal borrowing facilities.

6.2 Liquidity risk/funding risk

6.2.1 Risk Recognition

Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same or better than existing facilities.

Managing the Council's funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility such as:

- Local Government risk is priced to a higher fee and margin level.
- The Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to the Council experiences its own financial/exposure difficulties resulting in the Council not being able to manage its debt portfolio as optimally as desired.
- New Zealand's investment community experiences a substantial 'over supply' of the Council's investment assets.

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A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

6.2.2 Liquidity/Funding Risk Control Limits

These control limits will be determined by the following:

- Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.
- External ~~Term~~ debt and available committed loan ~~debt~~ facilities together with liquid investments, will be maintained at an amount that is greater than or equal to 110% of total ~~existing~~ external debt.
- The maturity profile of total external debt ~~less liquid financial investments~~ in respect to all loans, bonds and committed facilities, will be controlled by the following:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to ~~6~~ 7 years	~~15~~25%	~~60~~85%
~~6~~ 7 years plus	10%*	60%

- A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period .

*When total external debt falls below ~~exceeds~~ $400 million this minimum will reduce increase to ~~1~~0%.

The CFO will have the discretionary authority to re-finance existing debt.

The Council may pre-fund its forecasted debt requirements up to 18 months in advance including the re-financing of existing debt maturities. Debt refinancings that have been prefunded, will remain included within the funding maturity profile until their maturity date.

6.2.3 Commercial Paper

Commercial Paper[1] (CP) should not be issued to fund core term debt requirements unless there are bank standby, committed bank or committed undrawn lending facilities that are available to cover any outstanding CP. As a result any undrawn credit lines to cover maturing CP do not count as excess liquidity.

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Nevertheless the coverage of CP by back–up facilities is a Credit Rating Agency requirement, and the Council will adhere to the requirements of the rating agencies in the first instance.

The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, know or contracted cashflows are used to repay the CP on maturity.

6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument.

Credit risk will be regularly reviewed by the Council. Treasury related transactions will only be entered into with organisations specifically approved by the Council.

Counterparties and limits may only be approved on the basis of long-term credit ratings (~~Standard & Poor's~~S&P Global or Moody's) being A- and above or short-term rating of A2 or above, with the exception of New Zealand Local Authorities.

Limits will be spread amongst a number of counterparties to avoid concentrations of credit exposure.

To avoid undue concentration of exposures, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and repriced.

The following matrix guide will determine limits.

[1] Commercial Paper is a promissory note, akin to a post-dated cheque. It is colloquially known as one name paper issued by a non-bank borrower, as distinct from bank paper, or a bankers acceptance which has two or more names (parties) who are liable to honour the debt on maturity if the acceptor (bank~~s~~) fails to.

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Issuer / counterparty	Instruments	Minimum credit rating (short-term / long-term)	Maximum exposure per counterparty(NZD) % of rates revenue	Maximum exposure per counterparty grouping as a % of rates revenue
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	unlimited	100%
RBNZ registered banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1+ / AA-	60%	100%
		A1+ / A+	40%	
		A1 / A	25%	
		A1 / A-	15%	
Offshore banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1 / A	15%	75%
Local Government Funding Agency	Borrower notes	n/a	60%	60%
Local authorities – rated	Local authority bonds, CP	A1+ / AA-	20%	20%
Local authorities - non rated	Local authority bonds, CP	n/a	10%	10%
Other issuers including state owned enterprises, listed and unlisted companies	Commercial paper, corporate bonds	A1+ / AA-	5%	10%
		A1 / A-	5%	5%

Other Issuers including state owned enterprises, listed and unlisted companies consistent with third paragraph of 6.3 should read: A1 **A2**/A-

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Issuer / counterparty	Instruments	Minimum credit rating (short-term / long-term)	Maximum exposure per counterparty(NZD) % of rates revenue	Maximum exposure per counterparty grouping as a % of rates revenue
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	unlimited	100%
RBNZ registered banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1+ / AA-	60%	100%
		A1+ / A+	40%	
		A1 / A	25%	
		A1 / A-	15%	
Offshore banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1 / A	15%	75%
Local Government Funding Agency	Borrower notes	n/a	60%	60%
Local authorities – rated	Local authority bonds, CP	A1+ / AA-	20%	20%
Local authorities - non rated	Local authority bonds, CP	n/a	10%	10%
Other issuers including state owned enterprises, listed and unlisted companies	Commercial paper, corporate bonds	A1+ / AA-	5%	10%
		A1 / A-	5%	5%

- Current counterparty credit ratings will be reviewed and monitored monthly.
- The definition of rates revenue includes water levy.

In determining the usage of the above gross limits, the following product weightings will be used:

- Financial investments (e.g. deposits, bonds) -100% of the principal value.
- Interest Rate Risk Management* (e.g. swaps, FRAs) –Any positive month-end mark to market value (as provided by the treasury management system) plus: 3% of the notional principal for all interest rate hedging instruments.
- Foreign Exchange instruments* (e.g. Forward Exchange Contracts) –Any positive month-end mark to market value (as provided by the treasury management system) plus 30% of the notional value of the instrument.

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**GWRC will not net off marked to market values against counterparties. Only positive marked to market values (from GWRC's perspective) will contribute to the counterparty calculation. Negative marked to market values will always have a value of zero for counterparty calculation purposes.*

Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

The above limits may be amended by Council, especially in the case where the NZ Government credit rating is changed.

Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the CFO. Credit ratings will be reviewed by the Treasurer on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the CFO and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

6.4 Borrowing mechanisms to council controlled organisations and council controlled trading organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the CFO considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing and rating, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

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6.~~4~~5 CentrePort Debt and Guaranteeing Debt

The Council, through its wholly owned CCO WRC Holdings Limited, is a 77% owner of the Port Company CentrePort Limited. The Council has guaranteed the debt obligations of CentrePort as it is a strategic regional asset of the ratepayers.

The Council, by providing a guarantee, formally recognises this relationship and as a result means CentrePort can borrow funds at a similar cost to the Council. This is cheaper than borrowing on its own, ultimately resulting in a financial benefit to the rate payers.

From time to time the Council will guarantee these obligations, given that the level of CentrePort's debt varies over time and the lenders to CentrePort may also change.

The Council may lend funds directly to CentrePort when it believes that there is further benefit to be given to the ratepayer.

Centreport may wish from time to time if it has surplus funds to invest those with Council in the form of short term debt securities at prevailing rates.

6.6~~5~~ Foreign exchange risk

6.6~~5~~.1 Foreign Exchange Risk Recognition

The Council's policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.

It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.

The Council has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed or order is placed.

Full risk: is at the time the expenditure is approved and legal commitments are made.

6.6~~5~~.2 Foreign Exchange Risk Control Limits

All individual items/services greater than NZ$100,000 must be hedged at all times in accordance with the following risk control limits:

Time – point	Exposure hedged by forward exchange contracts or options	Exposure hedged by purchased foreign exchange options
1. Budget approved by Council – (Medium Probability)		Maximum 50%
2. Specific item approved – (High		Maximum 100%

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probability)		
3. Contract/ order confirmed – (Undoubted Risk)	Minimum 100%	

6.6~~5~~.3 Use of Foreign Exchange Instruments and Forecasting

Financial instruments, other than those stipulated in section 6.1.2, will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

All significant tenders will allow bidders the opportunity to select desired currencies and where possible, allow for suppliers to transparently link price escalations to clear financial market references.

Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Treasurer or CFO. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In determining a suitable foreign exchange rate to use in the calculation of budgets for procurement purposes, a purchased NZD Put option at the market forward rate to the middle of the budgeted financial year is used. The all-up premium cost in dollar terms of the option expressed in foreign exchange points is subtracted from the market forward rate to provide the appropriate budget rate to be used.

6.7~~6~~ Managing operational risk

Operational risk is the risk of loss as a result of human errors including fraud, system failures, or inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone

Operational risk is minimised by this policy.

6.7~~6~~.1 Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by the Council.

6.7~~6~~.2 Segregation of Duties

There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

The risk will be minimised by the following:

- The ~~SFM~~FC will report directly to the CFO to control the transactional activities of the Treasurer
- There will be a documented approval process for borrowing and investment activity.

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6.~~7~~6.3 Procedures and controls

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.
- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.
- All treasury products will be recorded and diarised ~~within a treasury system~~, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. The Council will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.

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Procedures and controls will include:

- Regular management reporting
- Regular risk assessment, including review of procedures and controls
- Organisational systems, procedural and reconciliation controls to ensure:
  - All borrowing and investment activity is bona fide and properly authorised
  - Checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely
  - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
  - Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.
- All counterparties will be provided with a list (at least annually or at the time of key personnel changes) of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
- All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.
- GWRC generated deal tickets maybe approved by electronic /email means where the approver is not in the office or its more efficient to do so.
- All inward letter confirmations, including registry confirmations, will be received and checked by the ~~SFM~~FC against completed deal tickets and summary spreadsheets records to ensure accuracy.
- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to the Council records will be signed off by the CFO.

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- The majority of borrowing and investment payments will be settled by direct debit authority.
- For electronic payments, batches will be set up electronically. These batches will be checked by the ~~SFM~~FC to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.
- Bank reconciliations will be performed monthly by the ~~SFM~~FC. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's's records will be signed off by the CFO.
- A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasury Accountant ~~er~~ and reconciliation reviewed by the ~~SFM~~FC.

6.8~~7~~ Managing legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, the Council may be exposed to such risks.

In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation, the Council will seek to minimise this risk by:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice for any non-standardised transactions.

6.8~~7~~.1 Agreements

Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer's Association (ISDA) Master Agreement with the Council. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

The Council's internal/appointed legal counsel will sign off on all documentation for new loan borrowings, re-financings and investment structures.

Currently, the Council has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand) Ltd
- ASB/CBA Bank
- Westpac
- Kiwibank

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6.8~~7~~.2 Financial Covenants and Other Obligations

The Council will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

The Council will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

6.9~~8~~ Diesel hedging

Other risks, such as commodity price risk associated with diesel, will be considered for risk management by the Council. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Maximum term of a hedge or option contact once it becomes operational is one year
- Contracts shall only be with a counterparty with a S&P rating of at least A.

6.10~~9~~ Electricity hedging

Wholesale electricity spot market price risk will be considered for risk management by the Council. Management is aware of the inherent price volatility of the electricity spot market. To this end, the Council has delegated to the CEO the power to enter into price hedges with the following conditions:

- An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference or a futures contract.
- The notional value of the hedge contract will be in New Zealand dollars.
- The hedge contract will be for a maximum duration of no more than three years, and will be signed no earlier than 12 months prior to contract commencement.
- The expiry of any hedge contract will be no more than four years.
- For any given reporting year, the hedge volume will be between 85 percent and 115 percent of the expected actual consumption. The hedge ratio will be monitored and reported annually.
- The credit rating of the hedge counter-party will be at least investment grade from Standard and Poor's at the time of entering into the contract (i.e., a long-term rating of not less than BBB-). In the event of the rating falling below this, the Council would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to the Council. If the preferred hedge counter-party does not have an external credit rating with ~~Standard & Poor's~~S&P Global the ~~GM Corporate Services/~~CFO may review the financial position of the proposed counter-party and provide a recommendation for approval by the Chief Executive.

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7. Measuring Treasury performance

In order to determine the success of the Council's treasury management function, benchmarks and performance measures have been prescribed. Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to ~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee on a quarterly basis.

7.1 Operational performance

All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits. All treasury deadlines will be met, including reporting deadlines.

7.2 Management of debt, investments and interest rate risk

The actual funding cost for the Council (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

8. Cash management

The Treasurer has the responsibility to carry out the day-to-day cash and short-term debt management activities. The Treasurer will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all the Council bank account information daily
- Co-ordinate the Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor the Council's usage of cash advance facilities
- Match future cashflows to smooth over time
- ~~Provide reports to CFO detailing actual cash flows during the month compared with those budgeted~~
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

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9. Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and interest rate instruments must be incorporated.

9.1 Treasury reporting

The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Daily Cash Position	Daily	Treasurer	CFO
Treasury Exceptions Report	Daily	Treasurer	CFO
Risk Exposure position	Monthly	Treasurer	CFO
Risk Management performance	Monthly	Treasurer	CFO
Policy Compliance	Monthly	~~SFM~~FC/Treasuer	CFO
Borrowing limits	Monthly	Treasurer	CFO
Interest rate exposure report	Monthly	Treasurer	CFO
Cost of funds report	Monthly	Treasurer	CFO
Funding facility report	Monthly	Treasurer	CFO
Funding risk report	Monthly	Treasurer	CFO
Cash flow forecast report	Monthly	Treasurer	CFO
Treasury investments	Monthly	Treasurer	CFO
Summary Treasury Report	Monthly Quarterly	Treasurer	CFO ~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee / Council
Bi Annual Treasury Strategy Paper	Bi-annually	Treasurer	CFO
Limits Report	Daily on exceptions Quarterly on exceptions	~~SFM~~FC	Treasurer Finance, Risk and Assurance
Debt Maturity Profile	Quarterly	Treasurer	~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee ~~/ Council~~
~~Statement of Public Debt~~	~~Quarterly~~	~~Treasurer~~	~~Finance, Risk and Assurance / Council~~
Revaluation of financial instruments	Quarterly	Treasurer	CFO/Finance, Risk and Assurance
LGFA covenant reporting	At least annually	Treasurer~~CFO~~	LGFA

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Attachment 2 to Report 21.2

Treasury Risk Management Policy – marked up version

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9.2 Accounting treatment of financial instruments

The Council uses financial arrangements ("derivatives") for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of derivatives in a broad sense.

Under NZ IPSAS changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

Council's principal objective is to actively manage the Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's annual accounts.

The Treasurer is responsible for advising the CFO of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.

All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

10. Policy review

This Treasury Risk Management Policy will be formally reviewed every three years. The CFO/Treasurer has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Finance, Risk and Assurance. The report will include:

- Recommendations on changes, deletions and additions to the policy.
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.
- Analysis of bank and lender service provision, share of financial instrument transactions, etc.
- Comments and recommendations from the Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- Total net debt servicing costs.

The policy review will be completed and presented to ~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee within five months of the financial year-end. ~~Finance, Risk and Assurance~~ Finance, Risk and Assurance Committee will approve any resulting policy changes.

Finance, Risk and Assurance Committee
16 February 2021
Report 21.32

For Information

STATUTORY COMPLIANCE REPORT

Te take mō te pūrongo
Purpose

1. To provide an update to the Finance, Risk and Assurance Committee (the Committee) on the yearly review of Greater Wellington's compliance with its legislative obligations.

Te horopaki
Context

2. Greater Wellington has completed a legal compliance review of the major Acts that impact Greater Wellington and its operations. A list of the relevant Acts are attached to as **Attachment 1.**

3. This review was completed in respect of the year ending 30 June 2020 for Greater Wellington and the WRC Holdings Group (excluding CentrePort Ltd, which undertakes its own review).

4. The review uses a number of checklists for the various business groups within Greater Wellington, an example checklist is attached to this report at **Attachment 2**. These checklists were originally drafted and then updated in the 2018/2019 financial year by senior legal counsel at Simpson Grierson. In the 2019/2020 financial year, the lists were again reviewed and updated; including on the basis of the SOLGM Mandatory Documents Register issued in 2020, to accommodate an election cycle within the surveyed period, and to accommodate emergency legislation enacted during the response to COVID-19.

5. The checklists were then distributed for completion by the relevant business group. On completion by each group, the appropriate General Manager reviewed and approved the contents of the checklist and returned them to the Senior Legal Advisor for collation and analysis.

Te tātaritanga
Analysis

Amended approach

6. For the 2019/20 year, the survey took an amended approach by requesting more from responders than a yes/no answer with comment. The survey attempted to draw from the responder evidence on Greater Wellington compliance rather than a tick box

approach. If partial or non-compliance was noted, the responder was asked why and what steps were being undertaken to remediate the issue.

No major concerns identified

7. The survey isolated no major concerns in relation to statutory compliance across Greater Wellington.

Evidence of compliance

8. The additional questions in the survey this year relating to how parts of the organisation know they are compliant has highlighted that the organisation as a whole is good at collating compliance information to be used within a discrete team. Officers are readily able to point to their processes and policies as evidence of compliance.

9. As an example of evidence based compliance, the Public Transport team was able to highlight the relevant resources, processes and activities in relation to the legislatively mandated requirement to work in partnership with transport operators with a view to maintaining and improving reliability, frequency and coverage to enhance passenger growth; a remit that falls discretely within their team.

Self-reported partial compliance

10. Conversely, there were instances of self-reported partial compliance or a lack of knowledge of whether or not compliance had occurred. In general, these were noted in relation to:

    a Information management at operational level;

    b Environmental management at operational level in particular, resource consents and the Resource Management Act.

11. On review, the above did not prove to be issues of actual non- or partial- compliance and instead were due either:

    a A flaw in the survey process

    b A lack of knowledge of where to get the information on compliance or

    c A lack of readily accessible business or analytics information available to responders from a centralised source.

Analytics

12. As an indicative example of self-reported partial compliance, the survey asked the following:

> In FY19/20 did the Council comply with its obligations under section 35 [of the Resource Management Act 1993 (RMA)] by monitoring the matters listed in section 35(2) of the RMA and making these results available to the public no more than every five years (s35(2A) RMA).

13. The matters listed in section 35(2) include consultation, monitoring and reporting processes that occur across the organisation without it being a discrete task that the group in question is asked to monitor and report on. For example:

> [T]he efficiency and effectiveness of processes used by the local authority in exercising its powers or performing its functions or duties (including those

> delegated or transferred by it), including matters such as timeliness, cost, and the overall satisfaction of those persons or bodies in respect of whom the powers, functions, or duties are exercised or performed.

14. Business informatics and information management is one of the key weaknesses encountered in risk assessment surveys of this type. In the above example, information may be held across a variety of units within Greater Wellington including (in this case where the information is likely held and disseminated as part of the annual and long term planning process) the team itself, Planning and Strategy, Finance, and potentially Democratic Services.

15. The solution rests with the wider organisation as the organisation's information management practices mature. However, in the interim there remains a residual risk that there are instances of non-compliance where Officers are unaware of non-compliant activities.

Survey flaws

16. In relation to survey design flaws, the survey asks:

> Did the Council obtain resource consents and/or designations for all activities it undertook in FY19/20 requiring resource consents under relevant regional and district plans and national environmental standards? If yes, did the Council comply with requirements and/or conditions of those consents or designations?

17. The above question is allocated to Environmental Regulation as the team most associated with the consenting process. However, the information on whether a particular team within the organisation had applied for and was compliant with, consent to undertake a particular function would rest within each operational team unless Environmental Regulation had noted that it was a consent they had issued and was targeted for monitoring.

18. The question should be more properly addressed to all teams within Greater Wellington that may apply for consents under the RMA. This will be amended in future surveys.

Non-compliance

19. There was one instance of partial or non-compliance reported in the survey response in relation to a surviving section of the Local Government Act 1974.

20. Section 339 of the LGA 1974 relates to the erection of bus shelters on a footpath. The inclusion of this section in the survey was triggered by an objection to the location of a bus shelter which highlighted procedural issues in relation to, in particular, the identification of an affected property 'owner' to enable issuing them notice of an intention to locate a shelter.

21. Relevant Officers have reviewed the processes undertaken to issue a notice and made immediate reasonable corrections to capture both resident and non-resident owners of affected properties to enable the correct submission process. Other additional complexities, such as the interaction between territorial authorities and resource consent requirements, and how that affects and informs the s339 notice and submission process are to be reviewed as resource allows.

22. There is reported non-compliance with the requirements of the Holidays Act 2003 in relation to the calculation of holiday pay. This is a known issue and a Holidays Act remediation project is underway.

Ngā tūāoma e whai ake nei
Next steps

23. Officers will continue to review and improve the statutory compliance survey process, monitor the instances of partial or reported non-compliance, commence a further survey for the 2020/2021 financial year and continue to keep the Committee advised of progress at appropriate meetings.

Ngā āpitihanga
Attachments

Number	Title
1	Legislation Surveyed
2	Example Template Questionnaire

Ngā kaiwaitohu
Signatories

Writer	Deborah Kessell-Haak - Senior Legal Advisor
Approver	Samantha Gain - General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference The monitoring of the risks associated with statutory compliance fall within the remit of this Committee's Terms of Reference.
Implications for Māori There are no known impacts for Māori.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies Indirect impact. The statutory compliance process informs the Committee on past compliance with legislation acting as a check to ensure that Greater Wellington continues to comply with and improve on its compliance with, its obligations under relevant legislation.
Internal consultation Ongoing within the relevant teams especially in relation to survey improvements and noted instances of partial or non-compliance.
Risks and impacts - legal / health and safety etc. As noted above, the statutory compliance process informs the Committee on past compliance with legislation acting as a check to ensure that Greater Wellington continues to comply with and improve on its compliance with, its obligations under relevant legislation. A potential knowledge or informational gap has been highlighted in relation to cross organisational information and processes evidencing statutory compliance. A risk remains, therefore, that Officers may be unaware of non-compliance. Continued surveying and current programmes to improve Greater Wellington's information management processes will mitigate that knowledge gap over time.

Attachment 1 to Report 21.32

Legislation Surveyed

Legislation Surveyed

Accident Compensation Act 2001

Arms Act 1983

Animal Welfare Act

Biosecurity Act 1993

Civil Defence Emergency Management Act 2002

Companies Act 1993

Covid-19 Response (Urgent Management Measures) Legislation Act 2020

Employment Relations Act 2000

Goods and Services Tax Act 1995

Hazardous Substances and New Organisms Act 2017

Health and Safety at Work At 2015

Holidays Act 2003

Human Rights Act 1993

Income Tax Act 2007

Kiwisaver Act

Land Transport Act 1998

Land Transport Management Act 2003

Local Electoral Act 2001

Local Government Act 1974 (surviving sections)

Local Government Act 2002

Local Government (Financial Reporting and Prudence) Regulations 2014

Local Government Official Information Act 1987

Local Government (Rating) Act 2002

Parental Leave and Employment Protection Act 1987

Privacy Act 1993 (noting that the enactment of the Privacy Act 2020 fell outside the surveyed period)

Rating Valuation Act 1998

Rating Valuations (Local Authority Charges) Regulations 1999

Railways Act 2005

Reserves Act 1977

Attachment 1 to Report 21.32

Legislation Surveyed

Resource Management Act 1991

Tax Administration Act 1994

Wellington Regional Water Board Act 1972

Council as Information Manager

Attachment 2 to Report 21.32

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist	Policies and process in place to monitor and/or ensure compliance	Have we complied with those policies and processes or otherwise complied? If not why not?	Evidence of compliance	Comments
Privacy Act 1993. Regulates the collection and management of personal information.	Manager, Democratic Services Chief Information Officer	Council is required to collect, store, correct and delete personal information in compliance with the requirements of the Act.	Section 6 Principle 5	Does the Council have security safeguards that protect private information. From unauthorised access, use, modification or disclosure.				
			Section 45	From loss From unauthorised access, use, modification or disclosure From any other misuse				
			Principles 6 and 7	Does the Council have systems to ensure that individuals, about whom information is held are entitled to access, confirm and where necessary correct the information.				
			Principle 8	Does the Council have systems to ensure that they do not use the information without taking reasonable steps to ensure that the information is accurate, up to date, complete, relevant and not misleading.				
			Principle 9	Does the Council have systems to ensure that private information is not kept for longer than is required.				
			Principle 10 and 11	Does the Council have systems to ensure that personal information is not used or disclosed except if authorised by the individual concerned or for good reason.				
			Section 23	Has the Council appointed a person responsible for encouraging compliance with and dealing with requests made under the Act.				
			Section 28	Does the Council have systems to ensure that private information that is commercially secret or sensitive is not disclosed.				
			Section 67	For the compliance period has the Council received any complaints from the Privacy Commissioner regarding the use of private information that it holds. If yes, has the complaint been satisfactorily resolved.	No			

Attachment 2 to Report 21.32

Decision Making

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist Within the compliance period (FY19/20):	Policies and process in place to monitor and/or ensure compliance	Have we complied with these policies and processes or otherwise complied? If not why not?	Evidence of compliance
Local Government Act 2002. Provides the general framework and powers under which local authorities operate.		Relevant to this checklist, the Act governs and the Council must comply with: (a) organisational requirements and mechanisms for altering that structure (b) the principles of governance and management of local authorities (c) requirements as to consultation, planning decision making, and reporting	Section 16	Did the Council undertake any significant new activities as defined by section 16 of the LGA.			
				If yes, did the Council comply with the requirements of section 16.			
			Section 17A	Did the Council review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.			
				If no, what plans are in place.			
			Sections 76 - 81	Did every Council decision comply with the decision making requirements of the LGA as applicable to the decision.			
			Sections 93 - 93G Sections 95 - 95B	Did the Council comply with LGA requirements for the adoption or amendment of the Long Term Plan and Annual Plan.			
			Section 76AA	Did the Council have a significance and engagement policy.			
			Schedule 10	Do the Annual Report, Annual Plan and LTP comply with the applicable requirements of LGA.			
			Section 82	Did the Council establish or become a shareholder in a council-controlled organisation. **If yes,** did the Council undertake consultation in the manner required by the LGA.			
		The content of the Long Term Plan (LTP) must meet the purpose of local government to: (a) promote the accountability of local authorities to their communities, and (b) promote the social, economic, environmental, and cultural well-being of their communities, taking a sustainable approach s3, LGA 2002	Schedule 10 Section 93	Did the LTP and Annual Plan comply with the applicable requirements of LGA.			
			Section 93E	Did the Council make: (a) a decision to alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, including a decision to commence or cease any such activity; or (b) a decision to transfer the ownership or control of a strategic asset to or from the local authority **If yes,** did the Council ensure that the decision was explicitly provided for in its long-term plan and the proposal to provide for the decision was included in a consultation document in accordance with section 93E?			
			117B(3)(c)(i) of the Local Government (Rating) Act 2002	Note that this requirement does not apply to a decision to fund a capital project by lump sum contributions under the requirements of the Local Government (Rating) Act 2002.			
			Sections 93 - 93G	Did the Council comply with LGA requirements for the adoption or amendment of the Long Term Plan.			
			Section 93A(a)	In particular, did the Council prepare and/or adopt an LTP consultation document			
			Section 93B	**If yes:** (a) did the document provide an efficient basis for public participation in decision making processes relating to the LTP.			
			Section 93C	(b) did the content of the document describe:	`		
				(i) issues as per the significance and engagement policy			
				(ii) issues of importance			
			Section 101A	(iii) proposed content of the financial strategy under s101A			

Attachment 2 to Report 21.32

Decision Making

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist Within the compliance period (FY19/20):	Policies and process in place to monitor and/or ensure compliance	Have we complied with these policies and processes or otherwise complied? If not why not?	Evidence of compliance
			Section 101B	(iv) proposed content of the infrastructure strategy under s101B			
				(v) significant changes to operating and expenditure capital			
			Schedule 10	(vi) significant changes to rating system under clause 15(5) of Schedule 10			
			Section 93C(4) and (5)	(vii) a report from the Auditor General			
			Section 93E	(viii) any significant commencement or cessation of activity; transfer of ownership or control of a strategic asset.			
			Section 97				
			Section 100	(ix) must have a balanced budget, or be financially prudent as per the clauses in this section			
			Sections 95 - 95B	Did the Council comply with LGA requirements for the contents, adoption and amendment of the Annual Plan			
			Section 95A	In particular, did the Council prepare and/or adopt an annual plan consultation document **If yes**, did the document			
			Section 95A(3)	(a) contain a draft annual plan			
				(b) contain a full draft of any policy			
				(c) contain other detailed information			
				(d) contain information on where the public can obtain more pertinent information			
				(e) identify significant or material differences between the proposed annual plan and the content of the long-term plan			
				(f) explain identified differences, if any, between the proposed annual plan and what is described in the LTP			
				(g) explain any significant or material variations or departures from the financial statements or the funding impact statement			
				(h) contain a description of significant new spending proposals, the costs associated with those proposals, and how these costs will be met			
				(i) contain an explanation of any proposal to substantially delay, or not proceed with, a significant project, and the financial and service delivery implications of the proposal			
				(j) contain an outline the expected consequences of proceeding with matters, including the implications for the local authority's financial strategy			
			Section 83	(k) a summary of the information contained in the proposal			
			Section 83AA				
		The purposes of an annual report are to compare the actual activities and the actual performance of the local authority and to promote the local authority's accountability to the community.	Section 98	Did the Council prepare and adopt an annual report and summary containing:			
			Part 3 Schedule 10	(a) the information required by Part 3 of Schedule 10			
			Section 99	(b) the information required by section 99			
			Section 98(3)	Was the annual report adopted by resolution within 4 months after the end if FY19/20.			
			Section 93(4)	Was the annual report made public with 1 month of its adoption.			
		Other consultation requirements	Section 40 (1)(i)	Does the Council's local government statement have policies for liaising with and memoranda or agreement with Maori			

COs and CCOs

Attachment 2 to Report 21.32

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist Within the compliance period (FY19/20):	Policies and process in place to monitor and/or ensure compliance	Have we complied with those policies and processes or otherwise complied? If not why not?	Evidence of compliance
Local Government Act 2002. Provides the general framework and powers under which local authorities operate.	Company Portfolio and Econ Dev Manager	Compliance with the governance requirements in relation to council organisations (**CO**), council controlled organisation (**CCO**) and council controlled trading organisations (**CCTO**)	Section 57(1)	Did the Council hold and comply with a policy that sets out an objective and transparent process for: (a) identification and consideration of the skills, knowledge and experience required of directors of a council organisation; (b) the appointment of directors of a council organisation; (c) the remuneration of directors of a council organisation.			
			Section 57(2)	Did Council appoint a person to a be director of a CO. If yes, did that person or persons have, in the opinion of the local authority, the skills, knowledge, or experience to: (a) guide the organisation, given the nature and scope of its activities; and (b) contribute to the achieve of the objectives of the organisation.			
			Section 65	Did the Council undertake performance monitoring of its COs, and agreed statements of intent with its CCOs.			
			Section 59	Were the principal objectives of the CCO (see link) met			
			Section 60	Were all decisions relating to the operation of a CCO been made by, or under authority of, the Board in accordance with its statement of intent and its constitution.			
				Has the Council engaged another entity to deliver infrastructure, services, or regulatory functions, the governance of which the Council is responsible for.			
			Section 17A(5)	If yes, did the Council ensure that there is a contract or other binding agreement that specifies the matters in section 17A(5). **Note:** the exemptions referred to in section 17A(6) and (7).			
			Section 17A(8) and (9)	Subject to LGOIMA, did the Council make any such contracts or agreements publicly available.			
			Schedule 8	Do all CCOs have a Statement of Intent (SOI)			
			Section 64(5)	Are the SOI consistent with the constitution(s) of the CCO.			
			Schedule 8, clause 9	Do the SOI include, as appropriate given the organisational form of the CCO (i.e., whether a trust, company or other form of entity) for the financial year immediately following the financial year in which it is required to be delivered, and each of the immediately following two financial years the following information (Clause 9 of Schedule 8).			
			Schedule 8, Clause 2	Did the Board(s) deliver draft SOI to the Council on or before 1 March.			
			Schedule 8, Clause 3	Did the Board(s) consider any comments made by Council (as shareholder) on the draft SOI that were made to it within two months of the 1 March deadline and deliver the completed SOI to the shareholders on or before 30 June each year.			
			Section 65(2)	As soon as practicable after the SOI of a CCO was delivered to Council, did the Council agree to the SOI or, if it did not agree, did it take all practicable steps to require the SOI to be modified.			
			Schedule 8, Clause 4	Did any Board provide written notice that it wished to modify its SOI. If so, did the Council consider and make comment on the proposed changes and were these considered by the Board.			
			Schedule 8, clause 9(2)	Has a CCO undertaken to obtain or has obtained compensation from the Council (as shareholder) If so, was this undertaking recorded in the annual report of the CCO and the annual report of the Council. Has any financial information including (but not limited to) forecast financial information been prepared in accordance with GAAP			

COs and CCOs

Attachment 2 to Report 21.32

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist Within the compliance period (FY19/20):	Policies and process in place to monitor and/or ensure compliance	Have we complied with those policies and processes or otherwise complied? If not why not?	Evidence of compliance
			Section 7	Has (within the compliance period or generally) the Council exempted any entities from being a CCO If so, were the requirements in section 7 met. Did the Council review exemptions granted or alternatively, had the Council planned to review exemptions every three years in accordance with section 7(6).			
			Section 66	Within two months after the end of the first half of FY19/20, did the Board(s) deliver to the Council a report on the organisation's operations during that half year, including the information required to be included by the SOI.			
			Section 67	Within three months after the end of the relevant financial year, did the Board(s) of a CCO deliver to the shareholders, and make available to the public, an annual report on the CCO's operations during that year, including the information required by:			
			Section 68	section 68; and			
			Section 69	section 69.			
			Section 62	Has the Council given any guarantee, indemnity, or security in respect of the performance of any obligation by a Council Controlled Trading Organisation (CCTO)			
			Section 63	Has the Council lent money or provided any other financial accommodation to a CCTO on terms and conditions more favourable to the CCTO than those that would apply if the Council (without charging any rate or rate revenue as security) was borrowing the money or obtaining the financial accommodation.			

Governance and Elections

Attachment 2 to Report 21.32

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist Within the compliance period (FY19/20):	Policies and process in place to monitor and/or ensure compliance	Have we complied with those policies and processes or otherwise complied? If not why not?	Evidence of compliance
COVID-19 Response (Urgent Management Measures) Legislation Act 2020.		Amendments to the requirements to be physically present for meetings and making meetings and documents "open" to the public.	Parts 3 & 4 C-19 RUMMLA 2020	Did the Council comply with the amended requirements for meetings as necessary.			
Local Government Act 2002 and **Local Electoral Act 2001**		Elections		Was an election held. **If yes:**			
			Section 99A Schedule 10 Section 36	Did the CE prepare a pre-election report containing the required information.			
			Section 99A	Was the report published no later than the day that is 2 weeks before the nomination day for a triennial general election of members of a local authority under the Local Electoral Act 2001			
			Section 52	No later than 28 days before the electoral roll closed or nominations were received, did the electoral officer give public notice of the election containing the following: (a) Date of election or poll (b) Local government area (c) Electoral officers (d) Electoral system (e) Voting method (f) Other information required by the regulations			
			Section 53 Section 54	(g) other information in section 53 and section 54			
			Section 39 Section 42				
			Section 65	As soon as practicable after the close of nominations or the closing of the electoral roll, was a further notice to electors issued containing: (a) Date of election or poll (b) Day and time voting period begins and ends (c) Electoral system (d) Voting method (e) Number of vacancies to be filled (f) Names and affiliations of the candidates			
			Section 112F Section 112A	Is the electoral officer keeping all returns filed under section 112A as required and are they available for public inspection.			
			Section 86	Did the electoral office give public notice declaring the official result as required by section 86			

Governance and Elections

Attachment 2 to Report 21.32

Legislation	Responsible Manager	Required Compliance	Sections of Act	Compliance Checklist Within the compliance period (FY19/20):	Policies and process in place to monitor and/or ensure compliance	Have we complied with those policies and processes or otherwise complied? If not why not?	Evidence of compliance
			Section 15	Did the Council enter into a triennial agreement within the time required by section 15.			
			Section 40	Within 6 months of the election, did the Council prepare and make publically available a local government statement that complied with the requirements of section 40			
		The understandings and expectations adopted by the local authority about the manner in which members must conduct themselves.	Cl15, Sch7	Does the Council hold a Code of Conduct for elected members			
			Cl27, Sch7	Has the Council adopted appropriate standing orders for the conduct of its meetings and committee meetings.			
Local Government Official Information Act 1987 (LGOIMA)			Section 45				
			Section 46A				
			Clause 28(1), Schedule 7 LGA				
			Section 5 Section 6 Section 7	Is information only withheld on the allowed grounds.	.		

Finance, Risk and Assurance Committee
16 February 2021
Report 21.19

For Information

QUARTERLY RISK UPDATE – DECEMBER 2020

Te take mō te pūrongo
Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) on:

   a Changes to the Greater Wellington Regional Council (Greater Wellington) risk register during the December 2020 quarter

   b Risk management in the Environment Group, as part of ongoing risk reporting to the Committee by each business group.

Te horopaki
Context

2. Each quarter, the risks at business group level are considered and reported to the Chief Executive. This process involves adding new risks, archiving old risks if these are no longer relevant, reviewing the controls (risk mitigation/modifying management strategies) and checking that the scoring of the risk reflects its current state. Coupled with this a status update on the risk.

3. The Risk Report for the December 2020 quarter, containing the top 10 risks, is included as **Attachment 1**. Definitions of the columns in the Risk Report are included in **Attachment 1**. Commentary on changes to risks, and on the Risk Report, follows below.

Te tātaritanga
Analysis

Changes to the risks – December 2020:

4. During the December 2020 quarter, as part of the review of Greater Wellington's risk register, 12 new risks were added and five risks were archived. **Attachment 2** - New risks added during the December 2020 period, provides details on new risks, and **Attachment 3** - Risks archived during the December quarter 2020, provides details on the risks that have been archived.

Summary of new risks

5. Over the December 2020 quarter the following 12 risks were added to Greater Wellington's risk register (**Attachment 2**). All the additions relate to Metlink who

completed a comprehensive review of their risks during the quarter. This is timely given the management changes that have occurred.

6. Metlink is currently considering which of the below risks may eventually become controls:

   a. Risk 174: relating to the risk that the condition of our rail assets (non-fleet) to withstand mismanagement, under-investment or reduced funding is compromising our ability to provide service continuity.

   b. Risk 175: relating to the risk that the condition of our rail assets (non-fleet) to withstand mismanagement, under-investment or reduced funding is compromising our ability to provide safe and healthy services.

   c. Risk 176: relating to the risk that the condition of our rail assets (non-fleet) to withstand mismanagement, under-investment or reduced funding is compromising our ability to attract and retain customers on the network.

   d. Risk 177: relating to the state of our Public Transport network to deal with the accessibility needs of customers is compromising our ability to provide safe and healthy services.

   e. Risk 179: relating to the state of our Public Transport network to deal with the accessibility needs of customers is compromising our ability to provide service continuity.

   f. Risk 180: relating to the condition of third party bus stop location assets to withstand under-investment or reduced maintenance is compromising our ability to provide safe and healthy services.

   g. Risk 181: relating to the ability of our finances to withstand a decision to fund activities which are not contained within the Waka Kotahi NZ Transport Agency model is compromising our ability to deliver strategic and operational objectives for service.

   h. Risk 182: relating to the state of current contracting arrangements with bus operators may lead to them having a competitive advantage at the next tender round compromising our ability to manage costs in the provision of services.

   i. Risk 183: relating to the nature of our current bus commercial contracts /arrangements to deal with contractual variations is compromising our ability to manage costs in the provision of services.

   j. Risk 184: relating to our ability to accurately forecast operational and capital costs to withstand legislative changes is compromising our ability to manage costs.

   k. Risk 185: relating to the nature of our current commercial contracts /arrangements to deal with operator non-performance is compromising our ability to manage costs in the provision of services.

   l. Risk 186: relating to the nature of our current commercial contracts /arrangements with third party rail asset owners to withstand contract renegotiation is compromising our ability to manage costs in the provision of services.

Summary of archived risks

7. During the December quarter the following five risks were archived (**Attachment 3**):

   a Risk 140: Fragmentation and volume of communication outputs. The risk has been archived as it has been eliminated.

   b Risk 80: Bus, ferry or rail services suffer major disruption caused by unplanned significant event (severe weather, adverse environmental conditions, industrial action, security threat, pandemic) resulting in sustained service disruption. The Risk has been incorporated in Risk 51.

   c Risk 82: Contracted ferry services fail to operate, are unreliable or of poor quality, (e.g. due to operator staffing levels, industrial action, insolvency, fleet management, maintenance or safety issues), which causes a loss of customer confidence in services. The Risk has been incorporated in Risk 51.

   d Risk 107: Contracted rail services fail to meet acceptable levels of service, reliability and/or quality targets, which causes a loss in customer confidence in the services thereby reducing patronage and revenue. The Risk has been incorporated in Risk 51.

   e Risk 136: Inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event. The risk has been archived as Greater Wellington has moved into the new Cuba Street office which is 100 percent of the National Building Standard rating.

Summary of changes to the top 10 risks

8. The following is a summary of the changes to the top 10 risks over the three month reporting period.

Moved out

9. Risk 141: The risk of a Greater Wellington having a breach of privacy leading to adverse publicity and loss of reputation has been re-assessed and moved out of the top 10.

10. Risk 136: The risk of Great Wellington's inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event has been archived. This has been archived although a seismic event could occur at any time, our ability to recover (better premises) and withstand (working from home) has improved. It was ranked eighth at the end of September 2020.

Moved in

11. The new risk No 186 relates to the nature of our current commercial contracts/arrangements with third party rail asset owners to withstand contract renegotiation is compromising our ability to manage costs in the provision of services and is ranked sixth as at the end of December 2020.

12. Risk 169, which states that the three waters reform could have adverse impacts on Council's balance sheet and could negatively impact the Council's Local Government Funding Agency financial covenant ratios. The risk has moved up to 10th place.

Presentation on risks

13. At each Committee meeting a presentation is made of the risks facing a particular activity group. Over the course of a year, Greater Wellington's key activities are covered. An updated indicative schedule of presentations is provided as **Attachment 4**.

14. The Environment group will provide a presentation on their topical risk issues at this meeting.

Definitions of report headings

15. The attachments 1-3 contain the various risk reports. The definitions of the columns in these reports are appended at the base of **Attachment 1.**

Ngā tūāoma e whai ake nei
Next Steps

16. Officers will consider any comments from the Committee and report back if applicable.

Ngā āpitihanga
Attachments

Number	Title
1	Quarterly Risk Report - December 2020 quarter
2	New risks added December 2020 quarter
3	Risks archived during the December 2020 quarter
4	Indicative schedule of Group risk presentations for 2020/21

Ngā kaiwaitohu
Signatories

Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Committee's terms of reference The Committee has a specific responsibility to "review the effectiveness of Greater Wellington's identification and management of risks faced by Council and the organisation. This review includes whether Greater Wellington is taking effective action to mitigate significant risks"
Implications for Māori There are no known impacts for Māori arising from this report.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies Risk management is about considering impediments to achieving Greater Wellington's objectives in the Long Term Plan, with policies and processes designed to support delivery of these and act as controls. The risk management policy and risk management framework support the risk management function at Great Wellington.
Internal consultation All business groups contribute to Greater Wellington's risk register, with that contribution reflected under the specific risks and controls stated.
***Risks and impacts: legal / health and safety etc*.** This report is focused on the identification and management of risks to Council and Greater Wellington.

Attachment 1 to Report 21.19

Attachment 1: Quarterly Risk Report - December 2020 quarter

QUARTERLY RISK REPORT 31 DECEMBER 2020

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score 2)	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
1 (1)	155	Physical harm to the general public Health & safety to staff and contractors Legislative and regulatory	GW people , or other road users, could be killed or seriously harmed in an accident involving GW vehicles, or other vehicles used to carry out GW duties. This includes all on and off road (4WD, LUV's, quads & motorcycles) fleet, rented vehicles and use of personal vehicles for GW duties.	Very High Risk	Statutory Compliance Health & Safety Plan Standard Operating Procedures E Road monitoring system as part of vehicle policy Standard Operating Procedures for Quad bikes, trailors and Motor bikes Vehicle Procurement policy provides minimum safety standards e.g. for 4 star ANCAP rating Monitoring via E Road system of Statutory requirements COF and WOF for Vehicles. Core driver training as part of Induction Process	High Risk	1295 (1295)	Averse	improving ↑	Nigel Corry	Transportation FSR Standard and essential controls approved by ELT and implementation is underway. Treatment plan to be reviewed in Q3 to further reduce risk. This will include recommendation Optifleet GW Fleet review report.
2 (2)	166	Financial	The state of our finances/cash flow to withstand non-forecasted revenue drop uncertainties is compromising our ability to provide service continuity	High Risk	Consider raising PT fares Consider reducing services Raise funds through loans liaise with NZTA, MOT and Treasury to seek financial support Patronage projections and analysis of current trends	High Risk	1225 (1225)	Balanced	stable ↔	Scott Gallacher	Status update 15/12/20 Description has been amended At Alert Level 1 patronage is at approximately 80-85% of levels from the equivalent period in 2019. At Alert Level 2 patronage is at approximately 70% of levels from the equivalent period in 2019.
3 (3)	135	Loss, failure or damage to assets Physical harm to the general public Financial Political Environmental Damage	The integrity of Birchville Dam (Parks Asset) to withstand earthquake or extreme flooding which could result in potential loss of life and damage to property downstream. In addition there is an inability to address on going risk due to regulatory restrictions.	Very High Risk	Active programme to remove risky/poor assets Dam Safety Assurance Programme Parks asset management plan Special inspections of high risk assets following earthquakes/floods	High Risk	1200 (1200)	Averse	stable ↔	Jo Frances	Status update In December 2020 GW was convicted and fined $90k for discharging sediment from the dam to Clarks Stream. This received light media coverage. Safety risk remains as previously noted due to inability to operate or maintain the valves of this dam without resource consent. A comprehensive Dam Safety review will be undertaken in Q3, which will inform whether resource consent should be sought, or if other pathways are appropriate.
4 (4)	77	Physical harm to the general public Legislative and regulatory Political Environmental Damage	Significantly contaminated site(s) either known or unknown that release substances that harm environment and/or human health which compromises our organisational mandate, legislative requirements and reputation	Very High Risk	Resourcing - additional admin resource has been provided to ensure that the database is updated regularly. Also the reports provided to the public have been reviewed and reformatted to be more user friendly. Additional technical expertise has also been allocated to review the data provided by the TA's.	Medium Risk	630 (630)	Averse	stable ↔	Lucy Baker	Status update GWRC secured funding from MfE to investigate the historic Miramar gasworks site. Jacobs' soil and groundwater sampling showed that there are no human health risks from contaminants migrating offsite and that the contaminant levels have been falling over time. A further contract with Jacobs for the final round of sampling is being developed to close the investigation. The work will include reinstatement of a key borehole and groundwater sample collection and analysis from 10 wells. A standalone factual report will be delivered including: summary table, comparison to 2019 results, updated plume maps and an updated piezometeric surface. Risk treatment has included the use of a Communications Plan, which has involved making affected parties aware of the work.

1) The number in brackets is the risk ranking as per the end of the previous quarter. 2) The number in bracket is the residual risk score as at the end of the previous quarter.

Attachment 1 to Report 21.19

QUARTERLY RISK REPORT 31 DECEMBER 2020

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
5 (6)	162	Health & safety to staff and contractors Human Resources	Staff mental health and wellbeing affected by stress and other workplace issues leading to adverse physical and psychological effects, increased sick leave, turn-over and loss of productivity.	Very High Risk	Employee Assistance Programme Good Yarn - staff mental health awareness training Organisation 5 Year Wellbeing plan as part of the GW People Strategy Rehabilitation Support for remaining and/or returning to work after a mental wellbeing event Trained Mental Health First Aiders	Medium Risk	490 (490)	Averse	improving ↑	Nigel Corry	Recruitment of new Mental First Aiders and refresher training for existing Mental First Aiders is planned in the third quarter
6 (new)	186	Financial	The nature of our current commercial contracts/arrangements with third party rail asset owners to withstand contract renegotiation is compromising our ability to manage costs in the provision of services	Medium Risk	Contract renegotiation Relationships with Ministry of Transport & KiwiRail	Medium Risk	490 (new)	Balanced	stable ↔	Fiona Abbott	This has been added as a new risk. Controls are currently classed as ineffective. Treatments added: Option 1: Build relationship with MOT/KiwiRail Option 2: Develop further contract oversight Option 3: Seek additional funding from NZTA to fund oversight of third party owned assets (1% of total pass through funding) Option 4: develop long term ownership strategy for Wellington Station Option 5: renegotiate Wellington Network Agreement to better reflect risks with KiwiRail in network
7 (7)	103	Health & safety to staff and contractors	Fatality or permanent disability to CM staff arising from use of a quad bike in a manner that doesn't comply with organisational Health and Safety	Very High Risk	Department Hazard Registers Working Alone Procedures & Equipment Departmental Plans - Maintenance Schedules Health & Safety Plan Standard Operating Procedures	Medium Risk	468 (468)	Averse	improving ↑	Wayne O'Donnell	Status update A minor LUV event, no injury, occurred with Land Management staff this winter. This event, 3657, resulted in many positives including assurance that hazard controls worked effectively and team engagement to improve culture and behaviours.
8 (9)	115	Services being severely curtailed Financial Political	The condition of third party rail network asset to withstand mismanagement, under investment or reduced funding is compromising our ability to provide service continuity	High Risk	GW ensures that KiwiRail has a robust emergency response plan that: - provides for efficient bus replacements - provides for effective customer communications in the event of a failure - includes a separate set of operational parameters relating to earthquake magnitudes and readings from network based ground acceleration sensors GW ensures that KiwiRail has a robust network management plan that: - focuses funded renewal activities on critical components of the network - provides for infrastructure maintenance, monitoring and inspections Maintain strong relationships with network owner and the rail operator, including regular meetings and reporting against a clear set of performance targets GW partners an application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure GW participates in Metro Operating Model review led by MoT & Treasury	Medium Risk	455 (455)	Balanced	stable ↔	Fiona Abbott	The description has been amended. There has been no change to the status of this risk. Controls amended Control effectiveness reviewed - Controls are currently classed as ineffective. New treatments added: Option 1: Increase oversight of KiwiRail (we will receive funding from NZTA to build capability and capacity to enable us to take the oversight) Option 2: Build relationship with MOT/KiwiRail Option 3: Develop further contract oversight Option 4: Develop long term ownership strategy for Wellington Station Option 5: Renegotiate WNA to better reflect risks with KiwiRail in network

Attachment 1 to Report 21.19

QUARTERLY RISK REPORT 31 DECEMBER 2020

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
9 (10)	126	Health & safety to staff and contractors	Fatality or harm to staff working in or near water	High Risk	FPSOP46 Working in or near water Driver training general and 4WD SOP for working with heavy machinery	Medium Risk	432 (432)	Averse	stable ↔	Wayne O'Donnell	Status update No change
10 (12)	169	Financial Legislative and regulatory Political	The three water reform could have adverse impacts on Council's balance sheet. Assets, liabilities, debt and Interest rate swaps need to potentially be transferred to a separate organisation. The values these are transferred at and the potential loss of liquidity contingency funds will impact Council's LGFA financial covenant ratios .	Medium Risk	Assets and Debt of of Bulk Water are easily identified. Council will likely need to approve the transfer transaction, and unlikely to sign off on something that has an adverse financial impact on Council's Balance sheet.	Medium Risk	420 (420)	Balanced	stable ↔	Samantha Gain	Status update Government policy in this area is under development. Discussions with CFOs in the region have taken place this quarter. In the next quarter, work will commence on assessing balance sheet impacts of transfer of assets, and potential options for how the transfer could be implemented. This will be done in a manner consistent with the sector.

A brief description of the Greater Wellingtons risk report columns and what they mean, is as follows:

Overall ranking by residual risk score: This essentially lists Greater Wellingtons risks by residual risk score discussed below. A lower ranking means it has a higher residual risk score relative to others. The risk rating as per the end of the last quarter is shown in brackets.

Risk ID: This is a unique system number assigned to a risk.

Risk Category: This is a category/ies of risk that the risk belongs to. Each category has a risk appetite which measures GWRC's propensity to accept risk. See risk appetite below.

Description: Brief description of the risk.

Inherent Risk level: The risk is assessed/scored and placed into a classification category (Very High, High, Medium, or Low) before any controls are in place. Or put another way, without controls

Controls: These are processes which mitigate/modify a risk. They reduce the likelihood of occurrence of a risk or reduce the consequences when it occurs or both.

Residual risk level after Controls: This is the risk classification category after the controls have been put in place and are working as expected.

Residual risk score: This is at a high level the multiplication of the residual likelihood value score multiplied by the weighted residual consequence value score.

Risk Appetite: Is the amount and type of risk that the Council is prepared to accept in the pursuit of its objectives. Each risk is assigned a risk appetite based on its risk category. Appetite can be either averse, balanced or tolerant. Health & safety, Legislative & regulatory and Environmental damages categories are risk averse. All other risk categories are balanced, there is no risk appetite for tolerant presently as per policy. The target residual risk level for Averse is Low. The target residual risk level for Balanced is Medium or Low.

Outlook / Trending: This is the current status of where the residual risk is compared to the last quarter. Improving means the residual risk score is likely to improve/reduce over the next quarters. Worsening means the risk is deteriorating and likely to show a higher residual risk score next quarter. Stable means the residual risk score is unlikely to change over the coming quarters.

Risk Owner: The person/group responsible for the risk. There is also a person assigned to each control who is not normally the risk owner.

Status Change since last quarterly review, including any risk treatments being considered: This provides a discussion around the risk, and any risk treatments being considered, which, if adopted, will become controls.

Attachment 2 to Report 21.19

Attachment 2:

New Risks added December 2020 quarter

QUARTERLY RISK REPORT 31 DECEMBER 2020

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score 2)	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
6	186	Financial	The nature of our current commercial contracts/arrangements with third party rail asset owners to withstand contract renegotiation is compromising our ability to manage costs in the provision of services	Medium Risk	Contract renegotiation Relationships with Ministry of Transport & KiwiRail	Medium Risk	490	Balanced	stable ↔	Fiona Abbott	This has been added as a new risk. Controls are currently classed as ineffective. Treatments added: Option 1: Build relationship with MOT/KiwiRail Option 2: Develop further contract oversight Option 3: Seek additional funding from NZTA to fund oversight of third party owned assets (1% of total pass through funding) Option 4: develop long term ownership strategy for Wellington Station Option 5: renegotiate Wellington Network Agreement to better reflect risks with KiwiRail in network
17	182	Financial	The state of current contracting arrangements with bus operators may lead to them having a competitive advantage at the next tender round compromising our ability to manage costs in the provision of services	Medium Risk	No controls entered	Medium Risk	315	Balanced	worsening ↓	Dawn Wilce	New risk included in register. There are no current controls for this new risk. The following treatments have been added: Option 1: Investigate GW owning and developing the depot capacity required for network growth. Option 2: Investigate GW owning all additional EV fleet. This has the potential to reduce the cost of the fleet as GW can access funding at a cheaper finance rate.
22	184	Financial Legislative and regulatory	Our ability to accurately forecast operational and capital costs to withstand legislative changes is compromising our ability to manage costs	Medium Risk	Close working relationship with Ministry of Transport/Waka Kotahi Cost potential implications and put them in planning documents Review and submit on proposed legislative amendments	Medium Risk	210	Balanced	stable ↔	Tim Shackleton	New risk added Treatment: Option 1: Lobby Minister of Transport on issues
35	177	Physical harm to the general public	The state of our Public Transport network to deal with the accessibility needs of customers is compromising our ability to provide safe and healthy services	Medium Risk	Planning Public Transport Advisory Group Accessible buses and trains Influence third party asset owners (e.g. bus stops)	Medium Risk	140	Averse	stable ↔	Bonnie Parfitt	New risk added Treatment added: Option 1: Develop network accessibility policy

Attachment 2 to Report 21.19

QUARTERLY RISK REPORT 31 DECEMBER 2020											
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score 2)	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
52	183	Financial Political	The nature of our current bus commercial contracts/arrangements to deal with contractual variations is compromising our ability to to manage costs in the provision of services	Low Risk	No controls entered	Low Risk	70	Balanced	stable ↔	Dawn Wilce	New risk added No current effective controls. Treatments added: Option 1: Consider use of the contract Transferring Asset provisions. Option 2: Investigate whether GW should own the EV fleet. Option 3: Investigate GW owning and developing the depot capacity required for network growth.
53	175	Physical harm to the general public Health & safety to staff and contractors	The condition of our rail assets (non fleet) to withstand mismanagement, under investment or reduced funding is compromising our ability to provide safe and healthy services	Medium Risk	Annual condition review Asbestos management plan Earthquake strengthening programme CCTV at stations/park and ride Emergency telephones at stations Lighting at stations/park and ride Train managers Asset Management Practices	Low Risk	60	Averse	improving ↑	Fiona Abbott	New risk Controls assessed as satisfactory. New treatment added Option 1: Develop asset management maturity
54	181	Financial Political	The ability of our finances to withstand a decision to fund activities which are not contained within the NZTA model is compromising our ability to deliver strategic and operational objectives for service	Medium Risk	Business case approval Ensure that decisions are subject to NZTA approval NZTA planning documents Planning	Low Risk	60	Balanced	improving ↑	Tim Shackleton	New risk added Controls assessed as satisfactory. New treatment added: Option 1: Standardise requirement for NZTA approval in reports/decision-making

Attachment 2 to Report 21.19

QUARTERLY RISK REPORT 31 DECEMBER 2020

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score 2)	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
56	174	Loss, failure or damage to assets Services being severely curtailed Financial	The condition of our rail assets (non fleet) to withstand mismanagement, under investment or reduced funding is compromising our ability to provide service continuity	Medium Risk	Insurance is in place Earthquake strengthening programme Annual condition review Asbestos management plan Long Term Plan Park and ride strategy Shuttle buses (for station closures) Strong working relationship with Waka Kotahi and MOT Planning Minimum vehicle operating standards	Low Risk	50	Balanced	improving ↑	Fiona Abbott	New risk created Controls considered effective. Treatment added: Option 1: Consider development of bus replacement scenarios that take buses from existing services when certain criteria are met Option 2: Develop asset management maturity
63	179	Political	The state of our Public Transport network to deal with the accessibility needs of customers is compromising our ability to provide service continuity	Medium Risk	Influence third party asset owners (e.g. bus stops) Public Transport Advisory Group lAccessible buses and trains PT Planning Digital informations	Low Risk	36	Balanced	improving ↑	Bonnie Parfitt	New risk identified and added. Controls considered effective. Two treatments added: Option 1: On board announcements Option 2: RTI 2.0
70	176	Services being severely curtailed Financial	The condition of our rail assets (non fleet) to withstand mismanagement, under investment or reduced funding is compromising our ability to attract and retain customers on the network	Medium Risk	Earthquake strengthening programme Annual condition review Shuttle buses (for station closures) Annual passenger satisfaction survey Customer communications Park and ride strategy Planning	Low Risk	20	Balanced	improving ↑	Fiona Abbott	Status update 9/12/20 New risk added
74	180	Physical harm to the general public Health & safety to staff and contractors	The condition of third party bus stop location assets to withstand under investment or reduced maintenance is compromising our ability to provide safe and healthy services	Medium Risk	GWRC ensures that there is a robust fault reporting process in place for all bus stop assets Regularly seek status of asset condition from asset owner	Low Risk	6	Averse	improving ↑	Fiona Abbott	Status update 15/12/20 New risk added
78	185	Financial	The nature of our current commercial contracts/arrangements to deal with operator non performance is compromising our ability to to manage costs in the provision of services	Low Risk	relationship with operators	Low Risk	0	Balanced	improving ↑	Dawn Wilce	New risk added Controls considered effective. Treatment added: Option 1: Reviewing KPI regime (currently)

Attachment 3 to Report 21.19

Attachment 3:

Risks archived during the December quarter

QUARTERLY RISK REPORT 31 DECEMBER 2020								
Ranking per 30.09.2020	Risk ID	Description	Inherent risk level	Controls	Residual risk level	Residual score 2)	Owner	Reason for archiving the risk
63	140	Fragmentation and volume of communication outputs	High Risk	Correct supplier Governance Ownership of Comms outputs Right comms competencies	Low Risk	20	Lindsey Brittain	The risk has been eliminated.
22	80	Bus, ferry or rail services suffer major disruption caused by unplanned significant event (severe weather, adverse environmental conditions, industrial action, security threat, pandemic)	Medium Risk	Department Business Continuity Plans Appropriate insurance arrangements put in place Appropriate plans in place with Civil Defence Emergency Management Appropriate preventative maintenance plans put in place on Rail network Asset management plans in place Dedicated rail CCTV monitoring centre (RMC) GW is part of the Regional Transport Response Team (RTRT), along with NZTA, Police, WCC GW staff undergoing CIMS training GW has emergency response and communications plan for management of events. Confirmed communication plan with NZTA Transport Operations Centre (TOC Planning with operators Business Continuity Plan (for disruptions)	Medium Risk	245	Melissa Anderson	The Risk has been incorporated in Risk 51

Attachment 3 to Report 21.19

Ranking per 30.09.2020	Risk ID	Description	Inherent risk level	Controls	Residual risk level	Residual score 2)	Owner	Reason for archiving the risk
54	82	Contracted ferry services fail to operate, are unreliable or of poor quality, (e.g. due to operator staffing levels, industrial action, insolvency, fleet management, maintenance or safety issues), which causes a loss of customer confidence in services resulting in patronage and revenue reduction	Medium Risk	Enforceable Contracts with suppliers Department Business Continuity Plans Disaster Recovery Plan Maintain strong relationships with the ferry operator, including regular meetings and reporting on performance Harbour safety management by GW appointed Harbour Master Compliance with Maritime NZ and Maritime Safety Authority regulations	Low Risk	40	Melissa Anderson	The Risk has been incorporated in Risk 51
14	107	Contracted rail services fail to meet acceptable levels of service, reliability and/or quality targets	High Risk	GW ensures that the rail operator has an emergency response plan that: - provides for efficient bus replacements - provides for effective customer communications in the event of a service disruption Maintain strong relationships with the rail operator, including regular meetings and reporting against a clear set of performance targets, including health and safety New performance based operating and maintenance contract	Medium Risk	385	Melissa Anderson	The Risk has been incorporated in Risk 51
9	136	Inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event	Medium Risk	Insurance is in place Department Business Continuity Plans Disaster Recovery Plan Appointment of Business Continuity and Emergency Manager	Medium Risk	456	Samantha Gain	The risk has been archived as GW has moved into the new Cuba Street offices which are 100% of NBS. Greater Wellington staff is well placed to work remotely.

Attachment 4 to Report 20.377

Indicative schedule of Group Risk presentations – 2020/21 year

Committee meeting date	Group
20 October 2020	Catchment Management - *Completed*
26 November 2020	Wellington Water- *Completed*
16 February 2021	Environment Management
4 May 2021	Metlink
3 August 2021	Catchment Management
12 October 2021	Wellington Water
30 November 2021	Corporate Services/Strategy/People and Customer

Finance, Risk and Assurance Committee
16 February 2021
Report 21.8

For Information

HARBOUR MANAGEMENT – RISK AND COMPLIANCE UPDATE (FEBRUARY 2020)

Te take mō te pūrongo
Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) on any significant compliance issues or emerging or changing risks affecting the Harbour Management department.

Te tātaritanga
Analysis

Kings Wharf ferry berth

2. Interislander and Kiwirail have decided to drop their proposal for an inner harbour ferry terminal and will instead concentrate on redevelopment of the Kaiwharawhara site for the new ferries.

Shelly Bay wharves

3. There was an on water inspection done of the wharves with representatives of Egmont Dixon and the Wellington Company in early December 2020. The inspection confirmed the poor condition of the structures and the difficulty of dealing with this.
4. Those parties are currently considering their options in regards to the structure.
5. In February 2021, a Harbourmaster's Direction was issued for vessels not to tie to or go under the wharves. Notices will be attached (from the water) to this effect.
6. We are looking at a single Greater Wellington Regional Council (Greater Wellington) approach that covers both Maritime Transport Act 1994 (hazard to navigation) and Resource Management Act 1991 (illegal and unsafe structure). The Environment Regulation department are attempting to make contact with the last consented owners to discuss.

Port user's Forum

7. Further to the Committee meeting in November 2020, the issues regarding the Wellington Harbour entrance and approaches are being refined and will be shared with specialist marine consultants to formulate a proposal for assessing and recommending on these issues.

8. Vessel sizes have grown over time and speeds have increased. Acceptable risk in regards to shipping is changing both domestically and internationally, as is maritime best practise. The traffic management we have at present has grown and been adjusted over time.

9. The intention is to take a holistic view of the area (roughly) between Ward Island and the Pilot boarding grounds (about three nautical miles south of the entrance) to consider if changes are required looking at current and future requirements. Are the systems in place "Fit for the Future"?

10. We have identified a specialist marine consultant and will work with them and CentrePort to develop a scope for this work and a proposal to progress this.

Reduced channel soundings

11. In July 2019 a five yearly hydrographic survey by Centerport found some shallowing along the recommend traffic routes. Some on the inward tracks and some on the outward tracks. The shallowing was around 100-200mm.

12. A Standard Operating Procedure (SOP) was put in place in September 2019 after discussion with CentrePort with regards to managing deep drafted outward bound ships. This saw a planned and agreed deviation from the recommended routes that occasionally requires an inward vessel to slow or delay their approach to the harbour to enable this to happen. This has worked successfully.

13. It was agreed that the channel would be re-surveyed after a year. This was completed in October 2020. This showed similar shallowing in the same areas as the 2019 survey.

14. After discussing with CentrePort, Centrport proposed reducing the draft for arrivals from 9.8m to 9.6m plus the height of tide. Reductions were also made for the depth of departing ships. With current shipping patterns CentrePort believe there is little commercial impact in the short term. And this reduction will be shared with their relevant customers. This is an acceptable solution while Centerport consider future options.

15. CentrePort has formalised their survey plan for the port relating to checking the depths at the berths and in the channels.

Sunken/Derelict vessels

16. From time to time we have vessels come to our attention that may be unsafe or are abandoned or wrecked. The Maritime Transport Act 1994 has provisions for addressing these issues. Currently we have two vessels of particular significance.

Sealion

17. This is a large 24m vessel berthed at Queens wharf. It is notable due to its location and the artist's work that saw penguins/seals/seagulls painted all over the cabin.

18. The vessel is too large for the various travel lifts around the harbour and cannot be easily lifted from the water in Wellington. It has been in Wellington for close to 30 years and has not left its berth for around 10 years.

19. The vessel was sold mid last year and the former owner was not forthcoming with details on the new owner.

20. To address concerns about the state of the vessel and establish the owners intentions, a Harbourmaster’s Direction was given preventing the vessel from moving due to being unseaworthy and the new owner to make themselves known to the Harbourmaster.

21. The owner contacted the Harbourmaster and we discussed the future of the vessel. An agreement for berthage was not entered into with CentrePort and no berthage was paid.

22. The vessel was advertised for sale and has been sold again confirmed in January 2021. The new owner has meet with the Harbourmaster and CentrePort marine manager over the future of the vessel.

23. Between ourselves and CentrePort (who are managing the berth) we are working with the owner with regards the future of the vessel and a programme of work to see it seaworthy again.

Ngataki

24. This is a large launch that was on a swing mooring in Lowry Bay. The owner claims his solar panel was stolen, this lead to a flat battery and the vessel flooding and sinking. This happened late last year.

25. There is a Harbourmaster’s Direction for it to be removed however it has been difficult to get this to the owner for unrelated reasons. It is believed the owner does not have the means to recover the vessel.

26. Likely outcome is we will re-float and then dispose of the vessel. We are working with our legal advisor through this process.

Mana bridge jumping

27. There is an on-going issue involving swimmers, mostly teenagers, jumping from the State Highway 1 (SH1) bridge at the entrance to the Pauatahanui Inlet and adjacent to the launching area between the road and rail bridges.

28. Our Bylaws state that no-one should obstruct a launching ramp when there is a boat using it.

29. For the past five summers we have had a security guard on the beach during good weather and busy times, whose role it is to separate the swimmers from the boats. With the use of temporary lane markings (for launching and retrieving boats) on the beach, this has been quite successful while the guards are on site. Porirua City Council (PCC) has partially funded this. Our summer ranger spends a significant amount of time in that area as well.

30. This area is complicated, the agencies involved are Greater Wellington, PCC, Waka Kotahi NZ Transport Agency and NZ Police. There is a lack of clear control over all the issues and an on-site presence is the only way to have any control. Rules and signs are ineffective.

31. There is significant risk between youth crossing the road and the traffic on SH1. This is not our jurisdiction, however with the entire site everything is connected.

32. In terms of the overall issues, no one agency is responsible however if (when) an accident occurs, I suspect, the blame will land in all directions.
33. There is no straight forward solution, the relevant parties are looking at further discussion.

Days bay wharf

34. Days Bay wharf is owned by Hutt City Council (HCC) and provides a berth for the East by West ferries, part of the Public Transport network.
35. The wharf has been undergoing significant maintenance work for several months.
36. In summer it is a popular place to jump for swimmers. There have been issues in the past between swimmers and the ferry. This was largely managed by the ferry using the north side of the wharf and the swimmers the south side.
37. Due to the maintenance work, the ferry has been on the south side since the end of December 2020 and will be for the remainder of summer. The wharf is mostly closed off as a construction site.
38. Swimmers are now accessing the wharf however, and they are jumping in and around the ferry causing considerable risk to themselves and stress to the ferry crews.
39. At the end of December 2020 we placed a buoy between the ferry berth and the beach to warn swimmers of the ferry operation.
40. NZ Police have attended over a couple of days over summer, their presence did help but only while they are there.
41. HCC, NZ Police and the ferry company are looking at options. This wharf issue does land with HCC.

Ngā hua ahumoni
Financial implications

42. Port Users' Forum – we will be seeking a cost estimate from the consultants for the harbour entrance risk assessment work. Timing and funding will be considered at that point.
43. The disposal of vessel/s will be an unplanned expenditure from our operating budget.
44. Any proposal relating to a long term solution at the Pauatahanui bridges would be put to Council as a specific proposal. The main funder would likely be PCC, however other agencies involved are likely to be asked to contribute to a collective solution.

Te whakatūtakitaki
Engagement

45. Port Users Forum will initially involve CentrePort and the ferry companies.
46. Derelict vessel work will be communicated with the owners.
47. Pauatahanui bridges will be on-going discussion with PCC and other agencies.

Ngā tūāoma e whai ake nei
Next steps

48. The Committee will be updated on these risks, and any new issues, in future reports.

Ngā kaiwaitohu
Signatories

Writer	Grant Nalder – Manager, Harbours, Harbourmaster
Approvers	Al Cross – General Manager, Environment Management Samantha Gain – General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference This report allows the Committee to "review… Greater Wellington's identification and management of risks faced by Council and the organisation… [including]… whether Greater Wellington is taking effective action to mitigate significant risks."
Implications for Māori Risk mitigation can protect and preserve taonga.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies This report does not contribute directly to Council's or Greater Wellington's key strategies, plans, or policies.
Internal consultation Metlink were made aware of the Days Bay wharf issue as it affects a transport provider.
Risks and impacts - legal / health and safety etc. Specific risks and related mitigations are discussed in the Analysis section.

Finance, Risk and Assurance Committee
16 February 2021
Report 21.34

For Information

HEALTH SAFETY AND WELLBEING UPDATE

Te take mō te pūrongo
Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington Regional Council's Health, Safety and Wellbeing (HSW) performance and activity.

Te tāhū kōrero
Background

HSW performance scorecard

2. The HSW performance scorecard is outlined in **Attachment 1**.

HSW Fatal and Severe (critical) and Frequent Risk Register

3. A review and update of the HSW Fatal and Severe and Frequent Risk Register was undertaken in December 2020, using the recently revised and approved risk matrix.

4. This is attached for reference with a deeper discussion forming part of the Committee risk workshop in May 2021.

5. Eight fatal and severe risks (FSR's) which still need additional controls or better assurance that existing controls are effective, to reduce them to an acceptable level have been prioritised for action over the next twelve months

6. In summary these are:

Risk Title	Inherent risk	Current residual risk	Target residual risk
Transportation and driving	Very high	High	Medium
Lone and remote working	Very high	High	Medium
Metlink operators	Very high	High	Medium
3rd party contractors (physical works)	Very high	High	Medium
Heavy machinery, mobile plant and equipment	Very high	High	Medium
Tree works	Very high	High	Medium

Risk Title	Inherent risk	Current residual risk	Target residual risk
Working at height	Very high	High	Medium
Volunteers and other PCBU partners	Very high	High	Medium

HSW Fatal and Severe risk controls programme

7. Fatal and Severe Risk (FSR) work programmes currently underway are transportation and driving, lone and remote working, and wellbeing (with a focus on mental health and wellbeing). Progress on each is outlined below.

Transportation and driving

8. Key progress elements are:

   a The Driving for GW Standard and Essential controls are in the implementation phase, with early positive indications of adoption.

   b The treatment plan to further reduce our driving risk is under revision to include recommendations from the Optifleet review undertaken in 2020, will be taken to Executive Leadership Team (ELT) for their consideration in February 2021.

Lone and remote working

9. Key progress elements are:

   a The radio controls network project will commence the delivery and implementation phase in February 2021

   b Due diligence is underway to identify and assess phone app based lone worker tracking solutions for office based and those field workers who do not need to rely on the remote radio network.

Wellbeing

10. The key progress elements are:

   a Mental health and wellbeing risk has reduced to medium following the HSW risk register review in December 2020, due to existing control effectiveness and additional controls now in place. We will continue to monitor to ensure these remain effective, particularly during organisational change in 2021.

Metlink

11. Metlink operators NZ Bus and Transdev were both issued with improvement notices following visits from WorkSafe in November and December 2021.

12. We are working closely with both operators to monitor progress and seek assurance the issues identified by WorkSafe are remedied, and any risk to Metlink passengers is managed as a matter of priority.

13. Metlink operator Tranzurban reported two notifiable events to WorkSafe in December 2020 after a passenger and a member of the public were seriously injured in separate incidents. WorkSafe has advised no further action will be taken in either case.

14. We are working closely with the operator to implement corrective actions identified in their internal investigations.
15. An HSW audit of Metlink operators is currently in progress.

HSW policies revision

16. A number of out of date HSW policies are under revision. These are being reworked as Standards and Guidance which sit under the overarching HSW policy and framework, in alignment with best practice standard ISO 45001, Occupational Health and Safety.
17. Feedback following consultation is included in the final Worker Engagement and Participation Standard and Guidelines which will go the ELT for approval in February 2021. This includes establishing a joint worker/management HSW steering committee.
18. Incident Investigation and Event Learning, and Workplace Rehabilitation Standard and Guidelines are both in the consultation phase.

COVID-19 response

19. The Crisis Management Team is keeping a watching brief on the risk of community transmission, in light of recent events and is confident the organisation is in a robust position to respond should we go into a further national or regional lockdown.
20. This includes the immediate activation and staffing of the Emergency Coordination Centre.

Ngā āpitihanga
Attachments

Number	Title
1	HSW Performance Scorecard December 2020
2	HSW Fatal and Severe & Frequent Risk Register

Ngā kaiwaitohu
Signatories

Writer	Julie Barber, Manager Health, Safety and Wellbeing
Approvers	Samantha Gain, General Manager Corporate Services Nigel Corry, General Manager, People and Customer

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Council's roles or with Committee's terms of reference This report assures the Committee that Greater Wellington's legal obligations under the Health and Safety at Work Act 2015 are met.
Implications for Māori There are no known implications for Māori.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The HSW Policy and Wellbeing Strategy are included in Greater Wellington's Annual Plan 2020/21.
Internal consultation No internal consultation was required.
Risks and impacts - legal / health and safety etc. The HSW risks and treatment are outlined in paragraphs 3 to 10.

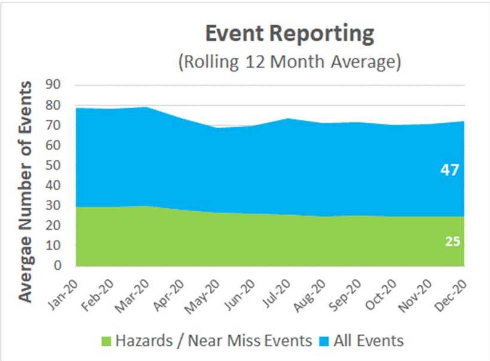
Attachment 1 to Report 21.34

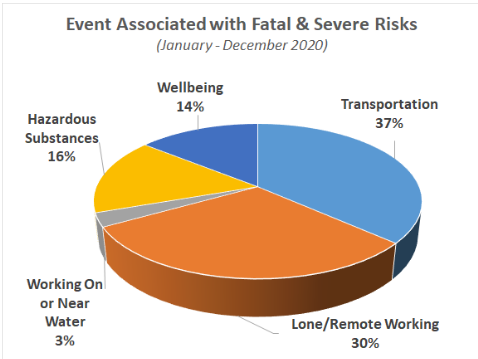
Health, Safety and Wellbeing Performance Scorecard to December 2020

Fatal and Severe Risk (FSR) Controls Programme

FSR title	Inherent risk	Residual risk	Target risk	Activity this quarter	
Transportation and driving	Very high	High	Medium	Driving for GW standard and essential controls implemented. Risk treatment plan update to include recommendations in the 2020 Optifleet report commenced.	On track
Lone and remote working	Very high	High	Medium	Awaiting restart of the next phase of the Radio Network project.	On hold
Mental Health and Wellbeing	Very high	Medium	Medium	Risk target achieved and reduced to acceptable level	Achieved

Event reporting

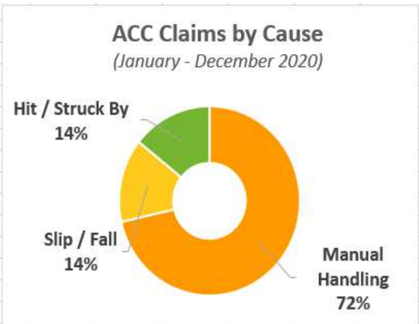


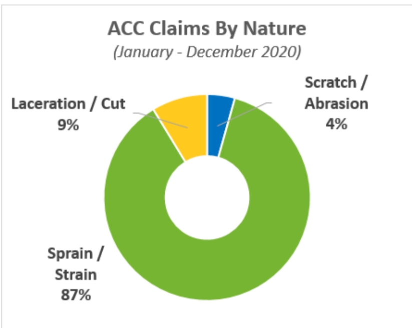


New/ emerging trends Oct - Dec 2020

- Metlink passengers and drivers involved in serious incidents
- Incidents and hazards related to the GW staff Xmas party
- Abusive interaction with landowners, members of the public (includes seasonal anti-social behaviour in Parks)

ACC work injury claims





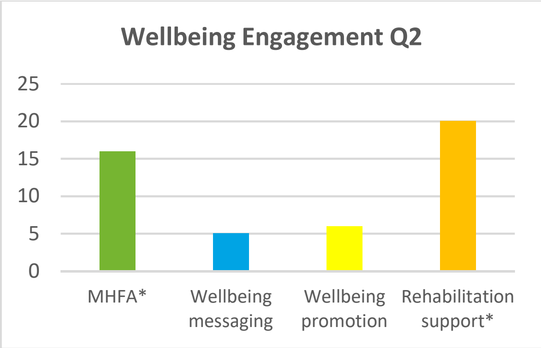
Jan 2020 – Dec 2020	
Total claims	18
Lost time claims	8
Total days lost	85

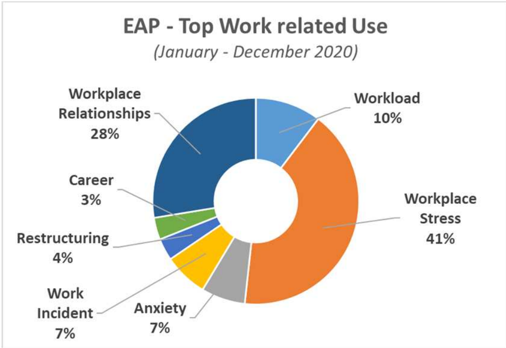
2 new LTI's in Nov & Dec due to minor injuries - a fractured finger and wrist strain

Attachment 1 to Report 21.34

Health, Safety and Wellbeing Performance Scorecard to December 2020

Wellbeing





*Mental health first aid * Work, non-work and illness rehabilitation

EAP – Employee Assistance Programme

High Consequence Events: Nov - Dec 2020

Dept	Event type	Event description	Corrective action
People & Customer	Property damage	Refrigerated trailer hired to transport alcohol to staff Christmas party disconnected from Greater Wellington Regional Council (Greater Wellington) vehicle at slow speed, hitting several parked cars. Trailer was connected by hire staff, but Greater Wellington driver was not been trained to use trailers and essential controls for the trailer use were not followed	Investigation found faulty connector pin not picked up by hire or Greater Wellington staff. Review event plan to ensure staff designated for pickup and delivery are suitably trained and competent to tow the type of trailer, and essential controls applied
HR, E Sci, bio-diversity	Injury	3 staff injured by gazebos and concrete weights lifted and moved by a strong wind gust at staff Christmas party.	Review event plan to ensure that weather forecast decisions can be made closer to the event and that additional equipment (e.g. gazebos) are installed safely and checked off by a designated event manager.
Metlink	Injury	Passenger fell backwards from the top of stairs on a double decker bus after driver commenced driving before the passenger was seated causing serious injuries (fractures, concussion and bruising)	Serious incident investigation undertaken by operator. A number of corrective actions, including engineering controls identified
Metlink	Injury	Bus involved in a collision with a person on a skateboard, resulting in a fractured foot	Serious incident investigation undertaken by operator. Although not at fault the bus driver has been significantly traumatised and unable to drive since the incident
Metlink	Injury	Metlink driver taken to hospital with cuts and bruises after assault by 2 male passengers	Support to driver provided by operator. Police arrested and charged offenders
Parks	Injury	Loss of balance and fall (approx. 2 m) from retaining wall under repair when temporary netting broke resulting in neck and shoulder injuries	Issues with work design identified and rectified

Attachment 2 to Report 21.34

Fatal and Severe Risks

	Risk title	Risk description (the risk is.. which results in ..)	Drivers of the risk include (the risk is caused by)	Inherent risk: Consequence	Inherent risk: Likelihood	Inherent risk: Inherent risk
1	**Transportation and driving**	Accident involving a GW vehicle results in fatality or major injury to GW workers and /or other road users Potential WorkSafe or other statutory authority prosecution	• Inconsistent fleet specifications and driver unfamiliarity / competency for multiple types of vehicle • Driver perception, attitudes and behaviours, over speeding • Distracted driver e.g. phone use • Impaired driver – e.g. alcohol/ medication • Length of journey - fatigue / stress • GW staff travelling in third party vehicles • Mechanical fault • Vehicle not suitable for task / terrain • Unknown / changing environmental and weather conditions • Unsecured loads falling from vehicle / trailers detaching • Unauthorised vehicle modifications ● Aging fleet • Use of own vehicle – lack of visibility and assurance vehicle is fit for purpose, insured and maintained to minimum standard	**Extremely Harmful**	**Possible**	**Very High**
2	**Lone and remote working**	Delay or difficulties accessing emergency support and assistance when GW workers are working alone and remotely results in death or major harm	●Terrain restricting emergency access ●Adverse weather conditions ●Inability to access help in a timely manner Inconsistency in support technology and unknown blackspots ●No man down technology ●Inconsistency in buddy system ●OOH monitoring reliant on Beacon Hill, GW staff and others resulting in inconsistent alert triggers, consistent process and information management ●Lack of emergency response training exercises	**Extremely Harmful**	**Likely**	**Very High**

Attachment 2 to Report 21.34

3	**Metlink operators**	Unsafe operations and work practices results in fatality /major injury to Metlink passengers, members of the public and operators workers	● Driver competence and behaviour ●Passenger / member of public behaviour ●Driver fatigue ●Drug and alcohol use ●Oher road users and road hazards ●Staff/contractor operating alone ●Lack of fleet suitability / maintenance ●Lack of driver supervision ●Poor design - fleet, and bus / train stops ●Contractual HSW requirements not met	Extremely Harmful	Likely	**Very high**
4	**Third Party Contractors (physical works)**	Unsafe operations and work practices results in fatality /major injury to themselves and others, including GW workers	●Inadequate processes and procedures for contractor selection and monitoring, including site inductions, certification and supervision of work ●Contractor and staff's competence and experience for task and risk of work undertaken ●Absence / lack of/adherence to contractors own HSW and risk management procedures	Extremely Harmful	Likely	**Very high**
5	**Heavy machinery / mobile plant and equipment**	Accident involving heavy machinery / mobile plant results fatality, major injury to GW workers or others Potential WorkSafe prosecution	●Machine operator and other workers not trained to required standard and competent in the task ●Machinery not designed with safety features or maintained to manufacturers / GW standards ●Passenger and seat belts controls not consistent across GW ●Falls from height from access/ egress from machinery ●Location, terrain(including near water, steep gradients) ,ground stability of workplace and interaction of public, vehicles, animals and bikes increases risks ●Inadequate communications between operators and other workers Hired equipment does not meet industry standard and operators are not competent to use	**Extremely Harmful**	**Likely**	**Very High**
6	**Tree works**	Falling trees or use of equipment results fatality, major injury or gradual harm to GW workers Potential WorkSafe prosecution	●Lack of targeted/specific training and competency: - equipment use - experience - assessment ●Location/environmental challenges ●Condition of tree and variety of tree types ●Reliance on PPE	**Extremely Harmful**	**Likely**	**Very High**

Attachment 2 to Report 21.34

7	**Working at height**	GW workers and others falling from height, steep slopes or elevated workplaces(e.g. banks) results in fatality / major injury	●Inconsistency of safety design of structures ●Remote, locations, with steep terrain, extreme weather conditions and a range of single manning operations ●Working at height location classification inconsistency with appropriate permit to work and safety plan ●Workers using ladders and other equipment not safe or fit for purpose ●Difficulty to put effective physical controls in place and/o to match nature of the task being performed	**Extremely Harmful**	**Likely**	**Very High**
8	**Volunteers and other PCBU partners**	Unsafe operations and work practices results in fatality /major injury to themselves and others, including GW workers	●Inadequate resources processes and procedures for volunteer selection and monitoring, including site inductions, certification and supervision of work ●Volunteer competence and experience for task and risk of work undertaken ●Absence / lack of/adherence to volunteers s own HSW and risk management procedures Uncertainty and clarity of GW funding and PCBU accountabilities for volunteer / only funded projects ●Aging volunteers demographic	Extremely Harmful	Possible	**Very High**
9	**Mental health and wellbeing**	GW workers exposure to workplace issues and/ or external factors results in psychological harm Potential WorkSafe prosecution	●Workload and stress ●Workplace relationships ●Bullying / harassment ●Diagnosed mental health conditions	**Very harmful**	**Unlikely**	**High**
10	**Working on / over water**	Working on or near water results in GW workers drowning, suffering hyperthermia, or contracting a water borne illness	●Nature of water body - depth, flow, clarity, channel obstruction, bed/bottom conditions, access & egress ●Weather condition - wind rain ●Contaminated water/site/spill ●Inadequate communications between operators and other workers	**Extremely Harmful**	**Likely**	**Very High**

Attachment 2 to Report 21.34

11	**Hazardous substances**	GW workers and others exposure to hazardous substances. results in short term or long term health effects Potential WorkSafe prosecution	●Unintended exposure through decontainment/spillage ●Lack of knowledge & training by workers in use ● Transportation of hazardous substances ● Inadequate/ improper storage and containment ●Toxicity of substance used	**Extremely Harmful**	**Likely**	**Very High**
12	**Powered tools(combustion, electricity or gas)**	Electrocution, release of stored energy (gas, electricity, or inertia) or toxic gas emissions results in fatality or major injury to GW workers or others	●Inconsistent training and competency ●Design of equipment not fit for purpose or safe to use/ to recommended standard ●Inadequate maintenance , pre use check , guarding and lock out / tag out system ●Inadequate or incorrect use of PPE	Extremely Harmful	Unlikely	**High**
13	**Aggressive / abusive behaviour (People)**	GW workers exposure to abusive and aggressive behaviour of others results in fatality, major injury and/or psychological harm	●Protest activity relating to GW activity e.g. 1080 drops ●MOP aggrieved towards GW ●Going onto a person's property ●Staff/contractor operating alone ●Undertaking enforcement activity as a Warranted Officer of GW	Very harmful	Likely	**High**
14	**Confined spaces**	GW workers exposure to noxious atmospheres, ingress of water, lack of access to emergency support and assistance, and entry / egress limitations results in fatality or major injury	Awareness and prevention of any person entering a confined space Inadequate training and use of appropriate equipment and PPE Uncontrolled workplace where either unsafe oxygen levels , flammable gases or explosive gases or engulfment with water or other liquid Confined space location classification inconsistency with appropriate permit to work and safety plan	Extremely Harmful	Likely	**Very High**

Attachment 2 to Report 21.34

15	**Aggressive animals**	GW workers contact with aggressive domestic and feral animals (e.g. dogs, cattle, birds, cats, pig or deer) results in fatality / major injury	●Unknown presence of aggressive animals when entering properties or animals territory ●Failure to communicate with land owner and discussing access / restraining requirements ●Seasonal issues - lambing, calving and the Rut (deer), wasps Injured animals	Very harmful	Likely	**High**
16	**Use of firearms**	Uncontrolled discharge, theft of firearm and ammunition or weapon used for illegal purposes results in fatality or major injury to GW workers or others Potential Police and WorkSafe prosecution	●Accidental discharge when transporting, carrying ●Incorrect target siting / procedures and use of equipment technology (thermal imaging) ●Inadequate storage and transportation resulting in theft ●Lack of or inadequate maintenance resulting in weapon malfunction ●Incorrect safety protocols for safe weapon during shooting and storage ●Inadequate wellbeing management for fatigue during night shooting Risk of police involvement, WorkSafe and confidence from public to carry out pest animal activities safely	Extremely Harmful	Likely	**Very High**
17	**Helicopters**	Catastrophic failure and crash, fall from helicopter, hit by rotors or loss of load results in fatality / major injury to GW workers and others	●Use of non-approved contractor - no assurance of providers systems and capabilities - especially for specific technical operations ●Inappropriate helicopter for task Adverse and changing weather conditions Experience of staff working with helicopters - generally and specific tasks Behaviour of other around operational sites failure to adhere to industry regulations	Extremely Harmful	Likely	**Very High**

Attachment 2 to Report 21.34

18	**Drones**	Loss of control from operator error or drone malfunction resulting in collision with other aircraft , vehicile ,people results in fatality / major injury to GW workers and others	●Use of non-approved contractor - no assurance of providers systems and capabilities - especially for specific technical operations ●Inappropriate drone for task Adverse and changing weather conditionse Experience of staff operating the drone Behaviour of other around opearational sites Failure to adhere to industry regulations	Extremely Harmful	Likely	**Very High**

Frequent risks

	Risk title	Risk description (the risk is.. which results in ..)	Drivers of the risk include (the risk is caused by)	Inherent risk: Consequence	Inherent risk: Likelihood	Inherent risk
19	**Manual handling and tasks**	Lifting carrying and moving objects results in a harmful injury (strain and sprains) to GW workers	●Requirement to move, lift, shift and carry objects ●Heavy , bulky loads ●Lack of awareness on correct manual handling techniques ●Lack of availability of aids such as trolleys ●Ageing workforce	**Very Harmful**	**Likely**	**High**
20	**Slips and falls**	Slips and falls caused by hazards in GW workplaces results in a harmful injury to GW workers and others. Workplace hazards	●Environmental conditions - poor weather & ground condition - variation of individual risk perception ●Terrain ●Poor housekeeping / maintenance ●Spills ●Altered workplace layout ●Worker inattention ●Building refurbishment. Condition of personal Multi-tasking - carrying loads over difficult terrain Awkward /heavy loads (e.g. backpack, arm load of sampling	**Very Harmful**	**Likely**	**High**
21	**Ergonomic set up and work practices**	GW workstation equipment, set up and workers working practices results pain and discomfrot or gradual onset injury	●Incorrect workstation set up ●Unsuitable and / or non-adjustable furniture ●Sustained postures ●Repetitive movements / forceful keying ●Pressure to meet deadlines ●Lack of awareness of exercise and breaks and / or failure to self manage	Harmful	Likely	**Medium**

Attachment 2 to Report 21.34

Current controls	Control effectiveness	Residual risk: Consequence	Residual risk: Likelihood	Residual risk: Current risk	Residual risk: Target risk
●Driving for GW standard, Essential and supplementary controls , implemented and conformance monitored ●Motor vehicle policy and vehicle purchase specifications ●Evidence of current drivers license required ●License requirement for specialist driving ●Training to meet competency requirements for specialised vehicles e.g. trailers ●Rescue and recovery training for off road vehicles ●E-Road fleet management and driver monitoring system installed in all GW vehicles ● SOP's and requirement to follow protocols for specific driving conditions e.g. driving through water ●Regular maintenance and WOF checks	**Partially effective**	Extremely Harmful	Unlikely	**High**	**Medium**
●Ad hoc BU and team SOP's , ●Buddy systems (Local team based, white board, in-house IT systems or App(GHS) ●Out of hours support Beacon Hill ●Staff trained in task, bush skills and emergency first aid ●Safety plans for high risk remote working ●Vehicle tracking via ERoad ●Ah hoc lone worker phone app use ●Emergency equipment- Mobile phone, radio, PLB and task based PPE	**Partially effective**	Extremely Harmful	Unlikely	**High**	**Medium**

Attachment 2 to Report 21.34

●HSW requirements in bus operator contracts ●Operators HSW plans ●Monitoring operator incident and injury reporting ●Operators HSW RASCI and quarterly forum	**Partially effective**	Extremely Harmful	Unlikely	**High**	Medium
●Existing contractor selection and management processes ●HSW clauses in contracts ●KESAW contractor audit tool - ad hoc use currently ●Site Induction ●Contractors safety plans ●Contractor incident monitoring	**Partially effective**	Extremely Harmful	Unlikely	**High**	Medium
●Contractor competency assurance ●Workers trained by external provider or by in-house competent person ●Department SOP ●Supervisor by competent person ●Licencing	Partially effective	Extremely Harmful	Unlikely	High	Medium
●Worker trained by external provider or in house competent person to required ●NZQA unit standard applied ●Departmental SOP ●Equipment pre use checks and maintenance schedule ●Emergency FA and resources available ●Refreshers ●Use of qualified contractors for technical tree work	**Partially effective**	Extremely Harmful	Unlikely	High	**Medium**

Attachment 2 to Report 21.34

●Fall and edge protection equipment is fit for use to GW or industry standard ●Personnel working at heights are trained and competent ●Anchor points and barriers used during working at heights are fit for purpose ●Scaffolding / Mobile elevated work platforms erected, inspected and certified by trained competent persons ●SOP's , Safety plans and JSR's tools used for risk assessments ●Permit to work ●Adherence to Worksafe's best practice guidelines for working at height	Partially effective	Extremely Harmful	Likely	**High**	Medium
●Existing volunteer selection and management processes ●Volunteer audit - ad hoc currently ●Site Induction ●Volunteer safety plans ●Volunteer incident reporting ●PCBU Policy ●MOUs	**Partially effective**	Extremely Harmful	Unlikely	**High**	Medium
●Work design and change management ●5 year wellbeing plan ● Mental Health Leadership training ●Trained MH First Aider Cohort, ●Well at work reporting(imminent), ●Resilience training ●Covid 19 resources and artefacts ●EAP, ●Good Yarn Mental Health and Awareness training	**Mostly effective**	Harmful	Highly unlikely	Medium	Medium
●Wader/Water Safety training ●PPE - PFD, throw ropes, waders, mud cramp-on ●Identification of multi-person jobs/tasks and sites ●Water body assessment practices ●SOP's ●Emergency response procedures in place and tested	**Mostly effective**	Extremely harmful	Unlikely	**Medium**	**Medium**

Attachment 2 to Report 21.34

● Adherence to hazardous substances regulations ●Hazardous substances register /storage, handling & transportation procedures & inventory ●Register of current accredited/certified users- agrochemicals & controlled substances Staff trained (Relevant chemical handling/ application / dangerous goods) ●Selection of substance suitable to purpose with least toxicity & risks ● SOP's - PPE, Safety data sheets(SDS) Spill management, emergency response, first aid training ●Register of usage per site ●Health monitoring - pre employment & annual.	**Effective**	Extremely Harmful	Highly Unlikely	Medium	Medium
●Worker trained un use by manufacturers , external provider or in house competent person ●Departmental SOP ●Pre use checks and maintenance schedules ●Guarding ●Compliance with electrical safety standards ●Tag and test / maintenance schedule ●PPE ●Supervision	**Mostly effective**	Very harmful	Highly unlikely	Medium	Medium
●CERT/All safe/TUF training - dealing with people and their potential response/behaviour during interactions ●SOP's ●Reception design and technology features (e.g. CCTV, duress alarms, barriers and safe rooms ●Debrief and support ●EAP	**Mostly effective**	Harmful	Unlikely	Medium	Medium
●Practical training , refresher courses by GW approved trainer to AS/NZ 2865-2009 standard (+NZQA unit standards) ● Approved safety equipment, gas monitoring equipment provided and maintained ● Risk assessment, permit to work, SOP and emergency procedures ●Industry standard PPE and equipment supplied and maintained ● Use of intrinsically safe plant and equipment around potentially flammable environments ● Mobile plant – catalytic converters ● Using qualified contractors for specialist work ●Workers Fist Aid and emergency response trained	**Effective**	**Very harmful**	**Rare**	**Medium**	Medium

Attachment 2 to Report 21.34

●Dangerous Dog Training ●SOP ●Landowners animal register ●Ensure land owners are contacted before working on their land ●Coaching on new staff on live stock behaviours and dangers ●Annual awareness of wasps and additional first aid resources (Stingoes, antihistamine and in some case epipen)	**Mostly effective**	Harmful	Unlikely	**Medium**	**Medium**
●Licenced and competent staff working in known and familiar areas. ●Target identification protocols in place ●SOP and SWMS document in use but not consistent across GW departments (e.g. Biosecurity and Parks) ●Essential firearms controls in place prior to discharge of weapon and made safe after each shot ●Safety flag in breach, bolt removed , ammunition removed when weapon not in use ●HSW plan for each activity with Firearms duty person. Police, PCBU's and other land owners notified ●Technology e.g. thermal imaging with competent staff ●Carrying of weapons on vehicles in correct holders ●Weapons maintained and cleaned ●Fatigue management , maximum work times, rest and stand down times Internal expertise	**Effective**	Extremely Harmful	Rare	Medium	Medium
● Operator assurance. Small number of approved /preferred companies used - known helicopter fleet to allow appropriate aircraft and experience to be match to work ●Key staff trained in NZQA Working around helicopters unit standards ●Increasing use of unmanned drones rather than manned helicopters for tasks ● SOP and Safety Plan in use ●Site controls	**Effective**	Extremely Harmful	Rare	Medium	Medium

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● Operator assurance. Small number of approved /prefered companies used with equipment experience to be match to work • All drone operations conducted by GW staff or must be in compliance with Civil Aviation Authority of New Zealand Rules Part 101 GWRC RPAS Operators must be either deemed competent to fly under Part 101 rules, through a process of supervision from a Part 102 qualified operator, after having worked through the Drone 101 Airbook (or a similar introductory course), or, have completed Part 102 RPAS Certification through a recognised course provider. ●Drone specification and maintenance programme ● SOP, Flight Plan and Safety Plan in use ●Local Site controls	**Effective**	Extremely Harmful	Rare	Medium	Medium

		Residual risk			
Current controls	**Control effectiveness**	**Consequence**	**Likelihood**	**Residual risk**	**Target risk**
●Identification and planning in JSR ●Use of mechanical aids ●Rotation and alternative rosters for heavy work tasks ●Investment in equipment to eliminate / reduce MH tasks ●Training specific to team/group normal work ●Monitor and review of injury & pain and discomfort reporting, early intervention programme	Mostly Effective	**Harmful**	**Unlikely**	**Medium**	**Medium**
●Identification and planning in JSR ●H&S briefing before commencing work, ●Quality footwear supplied for field workers, ●Awareness of fatigue impacts ●Monitor & review of injury & pain and discomfort reporting	Mostly Effective	Harmful	Likely	**Medium**	**Medium**
●Investment in high specification intuitive ergonomic workstation equipment, ●Training videos & artefacts, ●Flexible and agile working policy and guidelines implemented ●Support / advice available from HSW specialists , ●Procedures in place for those working from home regularly, monitor and review of injury pain and discomfort reporting.	**Effective**	Slightly harmful	Highly Unlikely	**Low**	Low

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Further controls reduce or better manage the risk	Review: Last review	Review: Next review
Update treatment plan and implement recent Optifleet review recommendations ,- in particular, ●Centralised fleet management ●Phase out older vehicles ●Fleet manager appointed ●Fleet coach online training implemented ●Better use of EROAD data to manage risk ●Eroad Inspect implemented ●Revise motor vehicle policy Implement monitoring and assurance programme	**Dec-20**	**Jun-21**
●Consistent organisational approach - FSR standard guidelines and essential controls implemented ●Radio network project deliverables, monitoring and training implemented ●Emergency management response testing ●Assess lone workers phone app functionality for organisational use ● Monitoring and assurance programme	Dec-20	May-21

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●Annual operator HSW audit and corrective action planning ●Improved visibility and monitoring of HSW incidents and operators investigations ●Combined operators HSW charter implemented and risk information sharing ●Monitoring and assurance programme - contractual obligations and HSW plans	**Dec-20**	Jun-21
●Revision and overhaul of Contractor HSW standard and guidelines in conjunction with legal and procurement upgrades, with a focus on high risk work and contractors ●Improved contractor pre-qual, monitoring auditing and assurance processes - against contracts and safety plans	**Dec-20**	Jun-21
●FSR standard and essential controls implemented ●Consistent training, competency and refreshers requirements for staff and contractors ●Consistent approach for contractor pre qual and management ●Consistent risk assessment for machine operation and site access management ● Review and guidance of additional safety equipment e.g. sensors, cameras, warning lights for GW minimum standard	Dec-20	Jun-21
ensure skills match risk and include work/tree assessment to ensure work that requires higher expertise is identified and acted on Implement tree works FSR standard and guidelines and essential controls Making use of working alongside contractor to build and maintain competency and consistent refresher programme across GW	**Nov-20**	Jun-21

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• FSR standard and essential controls implemented • Review of work at height process and locations	Dec-20	Jun-21
•Finalise Volunteer strategy, Standard and guidelines . Review of PCBU policy. Seek legal opinion for GW PCBU accountability •Improved volunteer , monitoring auditing and assurance processes - against project scope and safety plans •Establish audit programme for regular and ongoing contracts	**Dec-20**	Jun-21
•Tier 3 leadership Training •Review EAP provider •Accept and monitor	Dec-20	Jun-21
Accept and monitor	**Dec-20**	Dec-21

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●Accept and monitor	Dec-20	Dec-21
●Accept and monitor	**Dec-20**	Dec-21
●Accept and monitor	**Dec-20**	Dec-21
●Accept and monitor	**Dec-20**	Dec-21

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● Accept and monitor	**Dec-20**	Dec-21
● Accept and monitor	**Nov-20**	Nov-21
●Accept and monitor	**Dec-20**	Dec-21

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● Accept and monitor	**Dec-20**	Jul-21

	Review	
Further controls reduce or better manage the risk	**Last review**	**Next review**
●Accept and monitor	**Dec-20**	Dec-21
●Accept and monitor	Dec-20	Dec-21
●Accept and monitor	Dec-20	Dec-21

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HSW RISK MATRIX

		Consequence				
		Minimal or no foreseen harm Negligible or no injury. No lost time	**Slightly harmful** Minor injury/first aid treatment. No lost time	**Harmful** Moderate injury. Medical treatment. <7 days lost time	**Very harmful** Major injury. Hospital admission. >7 days lost time	**Extremely harmful** 1 or more fatalities. Severe disabling injuries. Long term effects
Likelihood	**Almost certain** (>90%)	Low	Medium	High	Very High	Very High
	Likely (<90%)	Low	Medium	Medium	High	Very High
	Unlikely (<70%)	Low	Medium	Medium	High	High
	Highly unlikely (<30%)	Low	Low	Medium	Medium	Medium
	Rare (<5%)	Low	Low	Low	Medium	Medium

CURRENT RISK PROFILE

Consequence

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			Minimal	Slightly harmful	Harmful	Very harmful	Exremely harmful
			1	2	3	4	5
Likelihood	Almost Certain	5					
	Likely	4			19		
	Unlikely	3			13, 15,18		1,2,3,4,5,6,7,8
	Highly Unlikely	2		20	9,10,11, 12		
	Rare	1				14, 16,17	

ACTION and ESCALATION

Very High	**UNACCEPTABLE RISK** Work does not start or is stopped immediately. Immediate action is required to reduce and control the risk to as low as reasonably practicable, regardless of cost. If this can't be achieved the activity must be abandoned The risk is escalated to the CEO, ELT and brought to the attention of FRAC. Not tolerated as an acceptable risk.

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High	**UNACCEPTABLE RISK IF LEFT UNMANAGED** Work must be paused and priority action taken to reduce and control the risk as low as reasonably practicable. May be accepted as a tolerable risk by ELT and FRAC in some circumstances, provided robust controls are in place and the risk is unlikely to be reduced regardless of additional controls. Managers and workers must remain vigilant for any changes that could increase the risk.
Moderate	**ACCEPTABLE RISK IF ACTIVELY MANAGED** Work can continue with controls in place to manage the risk. Further controls may be required to better manage and/or reduce the risk. Requires active monitoring that controls are and remain in place, and are effective. Managers and workers must remain vigilant for any changes that could increase the risk.
Low	**ACCEPTABLE RISK** Work can continue. Managers and workers must remain vigilant for any changes that could increase the risk.

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TARGET RISK PROFILE

Consequence

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			Minimal	Slightly harmful	Harmful	Very harmful	Exremely harmful
			1	2	3	4	5
Likelihood	Almost Certain	5					
	Likely	4			19		
	Unlikely	3			13, 15,18		
	Highly Unlikely	2		20	1,2,3,4,5,5,7,8,9 ,10,11,12,		
	Rare	1				14, 16,17	

MONITORING

	Function	Frequency	Function	Frequency	Function	Frequency
Very High	*Not an acceptable level of residual of risk*					
High	ELT	Monthly	FRAC	Quarterly	Line manager / workers	Daily
Moderate	ELT	Annually	FRAC	Annually	Line	Ongoing

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					manager / workers	
Low					Line manager / workers	Ongoing

Finance, Risk and Assurance Committee
16 February 2021
Report 21.31

For Information

AUDIT NEW ZEALAND MANAGEMENT REPORTS

Te take mō te pūrongo
Purpose

1. To provide to the Finance, Risk and Audit Committee (the Committee):
   a. The June 2020 management report action items from Audit New Zealand (Audit NZ), the Council's external auditors
   b. An update on progress in addressing the recommendations raised previously by Audit NZ.

Te tāhū kōrero
Background

2. Audit NZ completes annual audit reviews as part of the 30 June financial year-end audit of Greater Wellington Regional Council.
3. **Attachment 1** - Audit NZ Report to the Council on the audit of the Greater Wellington Regional Council, sets out the audit findings, draws attention to areas where Greater Wellington is performing well and recommends areas for improvement.

Te tātaritanga
Analysis

4. Greater Wellington management comments on the audit findings are included in the report at Attachment 1. An action plan on the recommendations from Audit NZ will be provided at the next Committee meeting in May 2021.
5. Greater Wellington management has provided an update to the action plan on the audit issues raised in the 30 June 2019 financial year in **Attachment 2.**
6. Progress in implementing the recommendations and associated actions will be reported back to the Committee on a quarterly basis.

Ngā hua ahumoni
Financial implications

7. There are no financial implications arising from this report.

Ngā tūāoma e whai ake nei
Next steps

8. Officers will report to the Committee on progress in implementing the actions to address Audit NZ recommendations at its meeting in May 2021.

Ngā āpitihanga
Attachments

Number	Title
1	Audit NZ management report to the Council – 30 June 2020
2	Audit NZ management report action items – 30 June 2019

Ngā kaiwaitohu
Signatories

Writer	Ashwin Pai – Financial Controller
Approvers	Alison Trustrum-Rainey - Chief Financial Officer Samantha Gain - General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Council's roles or Committee's terms of reference The Committee's specific responsibilities include to "review the Council's responses to any reports from the external auditors."
Implications for Māori There are no known impacts for Māori.
Contribution to Annual Plan / Long term Plan / Other key strategies and policies External audit provides assurance that the policies, controls, processes and systems in place at the Council will enable efficient delivery of the Long Term Plan and Annual Report.
Internal consultation The Finance, Treasury, Procurement, Information Technology and Public Transport departments were consulted.
***Risks and impacts: legal / health and safety etc*.** The Council's management of relevant risks is addressed in the report.

Audit New Zealand
Mana Arotake Aotearoa

Report to the Council on the audit of the Greater Wellington Regional Council

For the year ended 30 June 2020

Contents

Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the Greater Wellington Regional Council and Group (collectively referred to as the Regional Council) are doing well and where we have made recommendations for improvement.

Audit report

We have issued our audit report on 17 December 2020 which included an unmodified opinion. This means that we are satisfied that the financial statements and performance information fairly reflects the activities for the year and their financial position at the end of the year. We issued our audit report on the summary of the annual report on 11 January 2021.

Without modifying our audit opinion, the audit reports included two emphasis of matter paragraphs relating to:

- uncertainties arising from the impact of the Kaikoura earthquake; and
- the impact of Covid-19 on the financial statements specifically in relation to the material uncertainties associated with valuing the Regional Council's investment property and operational port land.

The financial statements and performance information are free from material misstatements, including omissions. There was one significant misstatement identified during the audit that has not been corrected. Please refer to 2.2 below of this report.

Matters identified during the audit

Impact of Covid-19

The Regional Council undertook a detailed assessment of the impact of Covid-19 on its financial statements and service performance information. This was appropriately disclosed in the financial statements and, as noted above, we drew the readers' attention to these disclosures in our audit report.

Fair value of infrastructure assets and other revalued assets

A revaluation of flood protection assets was undertaken at year end which resulted in an increase of $27.2 million in their value (after adjusting for the below misstatement).

We considered and assessed the significant assumptions used by the experts in the valuation and determined that these assets were overvalued by $65.4 million. This was subsequently adjusted and we are satisfied that the flood protection assets are fairly stated in the financial statements.

Impact of the November 2016 earthquakes

CentrePort Limited (CPL) has received a full and final settlement of $472.5 million in respect of insurance proceeds resulting from the Kaikoura earthquake in November 2016.

A key consideration for this year's audit has been the assumptions applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. A ruling and a factual review are being sought from Inland Revenue on these assumptions.

A second uncertainty relates to the impairment of operational port land. As new information becomes available as a result of completed repairs and investigations the costs associated with the repairs is becoming more accurate for the purpose of calculating the provision.

We are satisfied that the risks, material assumptions and sensitivities related to the impact of the earthquake have been adequately disclosed in the financial statements and the related notes.

Public Transport Operating Model (PTOM)

Bus contracts under PTOM commenced July 2018. Since then, a number of issues relating to service, performance, and operator capability have arisen. The Regional Council has acknowledged that from the commencement of this contract until the time of our review there have been a number of issues which have arisen and areas which require improvement. There were well publicised issues with the implementation of this new model which has resulted in ongoing issues with delayed and cancelled services.

The Regional Council continues to work on addressing implementation issues such as ensuring that there are enough buses and drivers and having accurate real-time transport information. A number of monitoring mechanisms are in place which include quarterly reports, monthly performance management reports, and monthly project reporting access from the Snapper reporting portal and the Real Time Information (RTI) system installed on each bus. Meetings with operators also run regularly, ranging from senior management updates through to weekly operational meetings.

A restructure of the Public Transport Group took place during the year and a new management team put in place from March 2020.

There are no matters which we need to bring to your attention.

Thank you

We would like to thank the Council, management and staff for their positive engagement and assistance during the audit. The audit was undertaken over an extended period of time and we would like to thank you for the support provided.

Clint Ramoo
Appointed Auditor
29 January 2021

1 Recommendations

Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	**Needs to be addressed *urgently*** These recommendations relate to a significant deficiency that exposes the Regional Council to significant risk or for any other reason need to be addressed without delay.
Necessary	**Address at the earliest reasonable opportunity, *generally within six months*** These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	**Address, *generally within six to 12 months*** These recommendations relate to areas where the Regional Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Unallocated Receipts Unallocated receipts should be actively monitored and allocated to the correct debtor account in a timely manner.	4.1	Necessary
Update the sensitive expenditure and fraud policy All policies should be reviewed on a cyclical basis to ensure they remain fit for purpose and reflect current good practice.	4.2	Necessary
Capitalisation policy An Asset Capitalisation Policy should be developed and implemented which is applicable to other group entities as well.	4.3	Beneficial

Recommendation	Reference	Priority
Accuracy of accruals A process should be put in place to identify accruals more accurately and to place less reliance on purchase orders.	4.4	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Implemented or closed	0	2	1	**3**
In progress – to be followed up during our next audit	0	5	0	**5**
Total	**0**	**7**	**1**	**8**

2 Our audit report

2.1 We issued an unmodified audit report

We issued an unmodified audit report on 17 December 2020. This means we were satisfied that the financial statements and statement of service performance present fairly the Regional Council's activities for the year and its financial position at the end of the year. We issued our audit report on the summary of the annual report on 11 January 2021.

Without modifying our audit opinion, our audit reports included two emphasis of matter paragraphs drawing the readers' attention to:

- uncertainties relating to the Kaikoura earthquake; and
- the impact of Covid-19 on the financial statements specifically in relation to the material uncertainties associated with valuing the Regional Council's investment property and operational port land.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatement that has not been corrected is listed below along with management's reasons for not adjusting this misstatement. We are satisfied that this misstatement is immaterial.

	Assets ($000)	Liabilities ($000)	Equity ($000)	Financial performance ($000)
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Over accrual of expenditure and related income receivable	6,166	(6,166)	Nil	Nil
Total	6,166	(6,166)	Nil	Nil

Explanation of uncorrected misstatements

Rail Transition costs were incorrectly accrued at year end. As the funds are recovered from KiwiRail, a corresponding receivable was raised resulting in income, expenditure, assets and liabilities all being overstated.

Management explanation for not correcting misstatement

We note that the assets and liabilities double accruals error offset in the financial reports, having no net impact on the result and the misstatement is not material to the accounts.

Significantly the decision was made because the error was identified at a late stage in the accounts preparation and making the change in the numbers and the disclosures would have increased the risk of not achieving finalisation of the Annual Report in time to meet Council's statutory deadline.

2.3 Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
None noted	

2.4 Uncorrected performance reporting misstatements

Detail of misstatement	Management's explanation for not correcting
None noted	

2.5 Corrected misstatements

We identified a misstatement that was corrected by management. This corrected misstatement had the net effect of decreasing assets by $65,349,696 and comprehensive income by the same amount.

	Assets ($000)	Liabilities ($000)	Equity ($000)	Financial performance ($000)
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Movement in Fair Value of flood protection assets	(65,349)			65,349
Total group	(65,349)			65,349

Explanation of corrected misstatement

Flood protection assets were over-valued due to the incorrect assumptions (unit rates) being used.

2.6 Corrected disclosure deficiencies

Detail of disclosure deficiency
Investments in subsidiaries: As a result of the amalgamation of Port Investments Limited, Centre Port Limited became a subsidiary of WRC Holdings at year end. A further note was included to reflect this change.

Detail of disclosure deficiency
Classification of interest rate swap derivative liabilities: Split between current and non-current derivative liabilities was updated.
Disclosure of operating leases: The operating lease note in respect of lessees was updated to reflect management's revised workings.
Remuneration disclosure: The top remuneration bracket was expanded to cover all employees in the $240,000 -$459,999 salary band.
Warm Wellington – The current/non-current split was corrected.
Operating lease commitments – Lessee: Lessee operating commitments was overstated and adjusted accordingly.
Operating lease commitments – Lessor: Lessor operating commitments were understated and adjusted accordingly.
Retained earnings: GWRC Parent - Retained earnings included fair value reserves and was adjusted to reflect fair value reserves separately.
Capital commitments: The disclosure was updated to reflect actual capital commitment as at 30 June 2020.
Impairment disclosure: Disclosure updated to reflect requirements of relevant accounting standard.

2.7 Corrected performance reporting misstatements

Detail of misstatement
The results for measure "Restore significant degraded environments" did not match the description provided. The reported result was updated.
Results for Measure: FP 2 - % of Floodplain management plans recommended structural improvements implemented, specifically around the Pine Haven results was updated.

2.8 Quality and timeliness of information provided for audit

Management needs to provide information for audit relating to the annual report of the Regional Council and the Group. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management. This included the dates we required the information to be provided to us.

Management responded in a timely manner to our requests; however information relating to the valuations were delayed which created some inefficiencies.

3 Matters raised in the Audit Plan

In our Audit Plan dated 25 June 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Impact of the November 2016 earthquake	
The November 2016 earthquakes caused damage to several Regional Council owned property and assets, particularly buildings and investment properties owned by the CentrePort Limited Group (CPL).	We reviewed the returns submitted by the auditor of CPL and noted that insurance income has been recognised to the extent of cash received and payments agreed to by the underwriter. CPL received a full and final settlement of $472.5m for the port insurance claim during the year ended 30 June 2020. The settlement of the insurance claim has given rise to some uncertainties relating to the tax treatment of these proceeds. A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is an allocation of $268.2m of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes. A ruling and a factual review are being sought from Inland Revenue on these assumptions. A second uncertainty related to the impairment of operational port land. As new information becomes available as a result of completed repairs and investigations the costs associated with the repairs is becoming more accurate for the purpose of calculating the provision. We are satisfied that the risks, material assumptions and sensitivities related to the impact of the earthquake have been adequately disclosed in the financial statements and the related notes. We included an emphasis of matter paragraph in our audit report drawing attention to the uncertainties relating to the impact of the Kaikoura earthquake.

Audit risk/issue	Outcome
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	Our audit response to this risk included: • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties. There are no matters which we need to bring to your attention.
Impact of Covid-19	
On 11 March 2020 the World Health Organisation declared the outbreak of coronavirus (Covid-19) a pandemic. The New Zealand Government has taken steps to deal with the spread of Covid-19 which has included significant restrictions on the movement and interaction of people within New Zealand.	The Regional Council considered the impact of this event on various aspects of its operations and included relevant disclosures in the annual report. We are satisfied that these disclosures are adequate and complete and drew attention to this in our audit report.
Public Transport Operating Model (PTOM)	
The PTOM process has progressed significantly with the introduction of the new bus services coupled with a number of new initiatives in the previous year. The Regional Council has acknowledged that there have been a number of issues which have arisen and areas which require improvement. The Regional Council continues to work on addressing implementation issues. An independent review of its implementation process has been commissioned and management is implementing the findings of the review. There is a risk that ineffective implementation of the findings of the review, or failure to monitor the contract, could result in further service delivery failures for the Regional Council and	The Council continues to work on addressing implementation issues such as ensuring that there are enough buses and drivers and having accurate real-time transport information. A number of monitoring mechanisms are in place which include quarterly reports, monthly performance management reports, and monthly project reporting access from the Snapper reporting portal and the Real Time Information (RTI) system installed on each bus. Meetings with operators also run regularly, ranging from senior management updates through to weekly operational meetings. A restructure of the Public Transport Group took place during the year and a new management team put in place from March 2020.

Audit risk/issue	Outcome
financial losses due to poor contract management.	We selected the following performance measures related to bus services as material for the purposes of our audit opinion: • percentage of bus users who are satisfied with their trip overall; • percentage of scheduled bus services on-time at origin (punctuality); and • percentage of scheduled bus services on-time at destination (punctuality). We were satisfied that the reported results for these measures were materially correct.
Fair value of infrastructure assets and other revalued assets	
The Regional Council obtained valuations for its Flood Protection infrastructure assets in the year under review. These valuations resulted in an increase of $27.2 million in the carrying value of these assets.	To gain assurance over the valuations we performed the following procedures: • assessed relevant controls that management has put in place for the valuation; • obtained an understanding of the underlying data; • evaluated the qualifications, competence and expertise of the expert used to perform the valuations; • reviewed the method of valuing the flood protection assets and assessed if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used; • ensured changes to values and depreciation charges have been appropriately accounted for; and • assessed the presentation and disclosure of information related to the valuation in the financial statements. We identified that the Regional Council did not have sufficient evidence to support the rates used in the valuation which resulted in the flood protection assets being over valued by $65.4 million. This was corrected by the Regional Council.

Audit risk/issue	Outcome
	We are satisfied that flood protection assets are fairly stated. The Regional Council, as required by PBE IPSAS 17 *Property Plant & Equipment*, also performed an assessment of whether the fair value and carrying value of revalued asset classes not subject to revaluation this year do not materially differ. The Regional Council concluded that the fair values and carrying values were materially consistent and therefore revaluations were not required. We reviewed the Regional Council's assessments and agree with the conclusion. We assessed the methodology and assumptions applied to complete this assessment as appropriate.
Procurement of a new Financial Management System (Project Optimus)	
Given the geographical spread of the Regional Council's operations, information systems are critical to the Regional Council's performance. The Regional Council continues to invest in IT systems to support its service delivery and back-office functions.	We: • reviewed the Regional Council's progress in delivering the IT work streams of its strategic projects; • performed an Information Technology General Controls review, including design and operational testing for the purpose of our audit; • performed application controls reviews and interface testing of key systems; • reviewed the security of the Regional Council's IT applications and service channels; and • assessed the Regional Council's IT capital programme and obtained an understanding of how associated risks are being managed. Overall controls were satisfactory and reliance could be placed on the Regional Council's IT environment for the purposes of our audit.

4 Matters raised during the audit

4.1 Unallocated receipts

We recommend that unallocated receipts be actively monitored and allocated to the correct debtor account in a timely manner or refunded to the payer.

As part of our testing of accounts receivable, we noted that there were several unallocated receipts included in the balance; one dating back as far as 2014.

Management comment

We have engaged a debt management specialist who is working on the debtor processing and collection backlog. Furthermore, we are undertaking a data cleansing process for the data transfer to our new debtor system in our new ERP. A new position of Credit Controller has been established to continue this work.

4.2 Sensitive expenditure and fraud policy have not been updated

We recommend that all policies be reviewed on a cyclical basis to ensure they remain fit for purpose and reflect current good practice.

We noted the sensitive expenditure and fraud policies have not been updated or reviewed since 2014. The policies state the next review should have occurred by 31 December 2016; however no update or review was performed.

Management comment

The CFO has taken the responsibility to address the backlog and to maintain the review programme.

The draft updated Fraud and Corruption policy will be presented to ELT for approval in February 2021. An earlier draft was provided to Audit NZ. The review of the Sensitive Expenditure policy, along with a number of policy updates is underway. The Sensitive Expenditure policy will be completed by 30 June 2021.

4.3 Capitalisation policy

We recommend that the Regional Council develop and implement an Asset Capitalisation Policy (that governs the transfer of completed assets from work in progress to property, plant and equipment), which is applicable to other group entities as well, that at the very least outlines the following:

- criteria that are required to be met for when costs are ready to be capitalised;
- the extent and quality of documentation that is required to be kept for the capitalisation process;

- a delegation list of who is equipped to approve the capitalisation of the costs; and
- an adequate audit trail to reflect approval of the capitalisation.

We noted that there is no formalised policy for the approval of capitalisation costs, nor is there a delegated authority list or guidance setting out the level of documentation to be maintained to support any costs that are capitalised.

In summary, there is currently no clear process as to when assets are ready to be capitalised, who has the delegation to capitalise assets and the level of documentation required to be kept. As there are no set procedures, capitalisations and approvals are based on e-mail confirmations and excel spreadsheet workings from business advisors which creates risks around the accuracy and completeness over the capitalisation of assets. We did not identify any issues with regard to the approval of capital expenditure.

Management comment

A new Asset Accounting policy including a guideline on capitalisation is ready for presentation to ELT for approval in February 2021.

Processes and delegations will be reviewed and updated with the implementation later in 2021 of the new Asset Management system as part of the ERP implementation.

We acknowledge that further clarity is required on the process of approving transfers from work-in-progress to final asset capitalisation.

4.4 Accuracy of accruals

We recommend that a process be put in place to identify accruals more accurately and to place less reliance on purchase orders.

During testing of expenditure accruals, we identified accruals which did not align with the amounts that were subsequently invoiced or paid. The underlying reason for this was because the accruals are based on purchase orders which are subject to changes. We also identified duplicates in the amounts being accrued.

Management comment

Management acknowledges we had some issues with accruals this year end. A new process is currently being implemented to ensure all accruals are supported by valid underlying documentation and assumptions.

5 Public sector audit

The Regional Council and Group is accountable to the ratepayers and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Regional Council and Group said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Regional Council and Group has fairly reflected the results of its activities in its financial statements and Performance information.

We also considered if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Regional Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the Regional Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Regional Council or by one or more of its Councillors or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the Regional Council or by one or more of its Councillors or employees.

There are no matters which we need to bring to your attention.

As noted in section 8: *Useful Publications*, the Auditor General has recently updated his good practice guide on sensitive expenditure. We suggest that the Regional Council (and its subsidiaries, including CPL) reviews its own policies against that updated guidance.

6 Group audit

The group comprises:

- WRC Holdings Limited
- Greater Wellington Rail Limited; and
- CentrePort Group

We have not identified any of the following during our audit for the year ended 30 June 2020:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

7 Key changes to the Government Rules of Sourcing

As from 1 October 2019, the new Government Procurement Rules (the Rules) came into force. The Rules are a revision of the previous third edition of the Government Rules of Sourcing. Much of the content is consistent with the third edition with some re-numbering of Rules. The new Rules and a table of rule changes can be found in this link Table of Rule Changes. A few important changes to watch out for are noted below.

Whilst these Rules are not mandatory for the Regional Council, the Government encourages the wider public sector, including all Regional Councils and Territorial Authorities, to apply the Rules as good practice.

Government Procurement Charter

The new rules include a Charter for the first time. The Charter sets out the Government's expectations of how agencies should conduct their procurement activity to achieve public value. The Charter applies even when the Rules do not. The Regional Council will need to demonstrate how they are meeting these expectations in their procurement activity.

Broader outcomes

The new Rule 16 outlines a number of secondary benefits that it is seeking from the way in which procurement is conducted in the public sector. These secondary benefits relating to the costs and benefits to society, the environment and the economy are required to be considered (where appropriate) along with the whole of life costs of the procurement.

To maximise the effects of these priorities, the Government will be designating some contracts or sectors where the outcomes must be prioritised. These will be published at www.procurement.govt.nz.

Procurement planning

A new Rule 15 includes guidance and expectations related to procurement planning. Rule 22 has been amended so that significant procurement plans must be submitted to the Ministry of Business, Innovation, and Employment for review on request

Threshold changes

The thresholds for when the Rules apply (contained in Rules 6 and 7) have been taken out of the Rules document and will now be found at www.procurement.govt.nz. We understand this is to facilitate changes in the thresholds as necessary, without a full change to the Rules. The immediate change is to the threshold for new construction works, which reduces from $10 million in the previous edition to $9 million.

We encourage procurement staff to understand the changes, and prepare for their implementation by considering the changes that are required to the Regional Council's procurement policies, procedures and practices.

8 Useful publications

Based on our knowledge of the Regional Council and Group, we have included some publications that the Councillors, external members of the Finance, Risk and Assurance Committee, and management may find useful.

Description	Where to find it
Long-term plans and consultation documents	
Having audited long-term plans (LTPs) since 2006, we understand the significant effort that councils invest in preparing an LTP. We want to make the audit process for the 2021-31 LTPs and consultation documents as straightforward as possible, so we've put together some information to help councils to: • understand our responsibilities and our main focus areas in the audit; • prepare better documents for their communities; and • develop project plans that make their LTP process go smoothly.	On our website under good practice. Link: Long-term plans and consultation documents
Conflicts of interest	
The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have. The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz. These can all be used as training resources for your own employees.	On the Office of the Auditor-General's website under publications. Link: Conflicts of interest

Description	Where to find it
Sensitive expenditure	
The Auditor-General has updated his good practice guide on sensitive expenditure. The guide provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the OAG's website under publications. Link: Sensitive expenditure
Covid-19 Impact on Public Sector Reporting	
The state of emergency in response to the Covid-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact. We are developing a series of Bulletins in response: • revaluations of property, plant and equipment and investment property; • service performance reporting; and • financial reporting;	On our website under good practice. Link: Covid-19 bulletins
Tax matters	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters. This includes new guidance on the reduction in deferred tax on buildings that was reintroduced as part of the Covid-19 response package.	On our website under good practice Link: Tax Matters Link: Reduction in deferred tax on buildings

Description	Where to find it
Severance payments	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	On the OAG's website under publications. Link: Severance payments
Good practice	
The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on: • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments.	On the OAG's website under good practice. Link: Good practice
Procurement	
The OAG are continuing their multi-year work programme on procurement. They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened. Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.	On the OAG's website under publications. Link: Procurement article

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Risk and Assurance We recommended that the Regional Council revisit the effectiveness of the risk and assurance function as a fundamental process to support business decision making by: • performing a fraud risk assessment; • developing and formalising the assurance function in addressing the key risks facing the Regional Council; • enhancing the Regional Council's risk management approach by implementing an integrated entity-wide approach which incorporates strategic, operational and programme/project risks; and • updating its risk management policy/framework so it aligns with an entity-wide risk approach.	**2019**	**In progress** The risk management policy is due to be updated and a new risk management procedures document will also be produced that will provide the detail on how risk management operates at the Regional Council. The Regional Council is also in the process of updating the Business Assurance programme, which will be risk based and align with the risk management framework.
Public transport performance measures To support the presentation of accurate and relevant information aligned with the business objectives of the Regional Council we recommended that management: • Ensure that the basis for preparing these measures are appropriately aligned, including establishing a consistent basis for extracting and using data from both the Snapper reporting portal and the RTI system. • Review the system and processes for preparing these measures with the aim of reducing manual calculations and process (as these are more time consuming and have a higher risk of error).	**2019**	**Open** The systems and processes for preparing the measures will be reviewed and documented as part of the 2021-2031 LTP development process. Management noted that some of the key data definitions relating to these performance measures need to be improved.

Recommendation	First raised	Status
• Formally document the basis in which the performance measures related to bus services will be measured in the forthcoming years, including key data definitions.		
Procurement and Contract Management We recommended that the Regional Council: • reviews its procurement and contract management processes to ensure there is sufficient central oversight over individual business unit practices; • ensures that its organisational procurement policy and guidelines are finalised; and • ensures that its organisational procurement policy and guidelines are finalised.	**2017**	**Open** The updated policy, procurement guidance material and training packages are still to be reviewed and updated. The have been no changes to overall contract management processes. The Regional Council is in the process of filling vacancies in the Procurement Team before this refresh can take place.
Transdev (Rail Revenue) We recommended that the Regional Council: • obtains formal feedback from Transdev on its progress against the recommendations made by PwC in previous years; and • continue with the annual assurance reviews over the farebox revenue process to provide comfort and assurance over the implemented Transdev systems and controls.	**2018**	**Open** Management is continuing to engage with PwC and Transdev on an appropriate process to be followed in order to obtain the necessary assurance over the systems and controls in place for Transdev revenue.
Snapper (Bus revenue) We recommended that management utilise Snapper's data to develop tools and diagnostics to help assess the accuracy and completeness of bus fare revenue reported by Snapper to the Regional Council.	**2019**	**Open** The first phase of the project was completed in the current financial year with further phases on going.

Implemented or closed recommendations

Recommendation	First raised	Status
Revaluation of assets To enhance the current practises when revaluing assets we recommended that during the intervening years where formal asset revaluations are not performed, the Regional Council undertake a robust assessment to consider all potential factors to satisfy itself that the fair values of these assets are appropriately reflected in the financial statements on an annual basis. Whilst management have reconsidered the appropriateness of the indices applied in arriving at the assessment they should, in conjunction, also conduct an annual assessment of the asset costs relative to the indices to make an informed decision.	**2019**	**Closed** As noted in section 3 above, the Regional Council undertook a fair value assessment of assets not subject to revaluation and concluded that the fair values and carrying values were materially consistent. We reviewed the Regional Council's assessments and agree with the conclusion. We assessed the methodology and assumptions applied to complete this assessment was assessed as appropriate. No issues were noted.
Account lock-out and reset criteria We previously noted that the criteria for account lock-out and reset criteria have only been set up with a short duration. This increases the risk that an automated but low-level attack or attempt to gain access to the Regional Council's network would succeed. To mitigate this risk, we recommended increasing both criteria to at least 15 minutes and consider requiring the service desk to unlock accounts or provide lock-out self-administration processes (which typically require additional information known only by the user), two-factor authentication or both as opposed to the automatic reset as currently configured.	**2019**	**Closed** This will form part of the "Solution Architecture (Lite) Modern Workplace: MFA & SSPR CRE" programme of work and will be followed up as part of our future work on Information Security.

Recommendation	First raised	Status
IT Business Continuity Plan (BCP) Testing We noted that a large scale "dry-run" of the BCP has not been done. This would provide a better idea of how the BCP may support an actual event. Due to the Wellington region's recognised risk of a significant disaster event and the role the Regional Council fills in the region, we recommended that this be done.	**2019**	**Closed** A new Regional Council Business Continuity Manager started in February 2020 and has started to work through all business groups to assess BCP including the ICT department. Covid-19 lockdown allowed for an opportunity to test the current ICT plan e.g. ICT migrated all staff to laptops who had previously only had access to desktops and increased bandwidth which worked well. With M365 and a move to OneDrive and Sharepoint Online, the Regional Council expects to be in a better position for future events. The lockdown was a real run exercise, not a dry run.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Regional Council or its subsidiaries of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners,* issued by New Zealand Auditing and Assurance Standards Board. In addition to our audit and our report on the disclosure requirements, we performed agreed upon procedures in respect of the Greater Wellington Regional Council – Wellington Metropolitan Rail special purpose financial statements, a limited assurance engagement related to the Regional Council's debenture trust deed, and assurance services related to the procurement of the ITS financial services and the procurement of an integrated fares and ticketing system. Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities.

Area	Key messages
Fees	The audit fee for the year is $228,535 as detailed in our Audit Proposal Letter. Other fees charged in the period totalled $75,590 for the agreed upon procedures in respect of the Greater Wellington Regional Council – Wellington Metropolitan Rail special purpose financial statements, a limited assurance engagement related to the Regional Council's debenture trust deed, and assurance services relating to the procurement of the ITS financial services and the procurement of an integrated fares and ticketing system. No other fees have been charged in this period.
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Regional Council or its subsidiaries that is significant to the audit. During the year ended 30 June 2020, an employee of Audit New Zealand joined the finance team at the Regional Council and was closely involved in the audit. We put in in place the appropriate mitigations to ensure that our independence risk was managed. Other than this, we are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Regional Council or its subsidiaries during or since the end of the financial year.

Attachment 1 to Report 21.31

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6014
Phone: 04 496 3099

www.auditnz.parliament.nz

Attachment 2 to Report 21.31

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Audit management report					
Risk and Assurance	Treasurer	Medium	Completed	**January 2020** The risk management policy is due to be updated and a new risk management procedures document will also be produced that will provide the detail on how risk management operates at the Regional Council. Council is also in the process of updating the Business Assurance programme, which will be risk based and align with the risk management framework. **September 2020** The Risk Management Policy, Guidelines and Procedures were approved by ELT on 31st August. These were reviewed by PwC against best practice and updated accordingly. A Business Assurance programme was approved in February in conjunction with PwC for the next 3 years by the FRAC committee it is risk based and covers a numbers of ares of the business including those raised in your audit Management letter.	✓

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Public transport performance reporting	GM Public Transport	Medium	December 2021 (with various elements to be completed by March and June 2021)	**January 2020** The underlying systems used for extraction of data are complex and will involve a significant effort to resolve. The systems and processes for preparing the measures will be reviewed and documented as part of the next Long Term Plan development process. Management note that some of the key data definitions relating to the performance measures need to be improved. **September 2020** We agree with the recommendations and note the following : • We have already been reviewing the basis for preparing these measures and will be working to ensure they are appropriately aligned, including reviewing the basis for extracting and using data from both the Snapper reporting portal and the RTO system, with a view to ensure greater consistency. • We are reviewing the systems and processes for preparing these measures with a vew to reducing manual calculations and provesses, ultimately focused on strengthening all apects of our reporting framework. • We are starting to more formally document the basis in which the performance measures related	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
				to bus services will be measured, including key data defnitions. We are working to conclude the foregoing work streams by the end of the current financial year. **January 2021** The replacement of our core Data Warehouse has become a priority for Metlink in order for us to meet the above objective. The RTI 2.0 Project within the LTP currently includes this as part of the scope. However, we are looking at separating the projects and bringing the Data Warehouse replacement forward. We are hoping to have a Proof of Concept stood up prior to June 2021. Most of the processes have been recently reviewed and documented. Some time consuming aspect have been reduced and with the Data Warehouse replacement in the near future we are looking to automate all these processes completely to require no or extremely minimal intervention. The documentation has already been completed but the automation will only likely to be in place around December 2021. All the KPIs have recently been audited by an external party and minor modifications have been agreed to these KPIs. During this process we are documenting the data definitions and the sources from which the data will be extracted. This is likely to be completed by March 2021.	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Procurement and Contract Management	Manager Legal & Procurement	Medium		**January 2020** Council is focused on the continued improvement of procurement process and contract management practices. The Integral Group Ltd has been engaged to assist in completing the procurement policy, develop relevant guidance materials, procurement templates and complete training across the relevant business units. **September 2020** A draft Procuement Policy has been written and a Senior Procurement Advisor has been hired to shepherd this through, along with other required documents. There is expected to be an internal audit of contract management processes in this coming year. The timetable for internal audits is being worked out at the moment. The move to the new ERP includes contract management aspects, which are the subject of workshops at present. While as yet not finalised, this is likely to include some ability to record details of contracts in that system, including possible alerts for milestones such as impending expiry and due dates and it is likely to be linked to the finance system as suggested in the 2019 Audit letter. An informal in house review of the legal function is underway.	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
			March 2021 To be determined at the May FRAC meeting	**January 2021** We are on track for the completion of a Procurement Policy and accompanying documents by the end of March 2021. The timetable for internal audits, including of the contract management system, will be the subject of discussion with FRAC at the May meeting. Work on the ERP continues, including on contract management system aspects of it.	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Transdev (Rail revenue)	GM Public Transport	Medium	Completed	**January 2020** Management are working through the PwC recommendations with Transdev and seeking their feedback as to the appropriateness of implementing the recommendations. Management are also currently engaging with PwC as to an appropriate process to obtain assurance from Transdev on their systems and controls going forward. **September 2020** We agree with the Recommendations and note: • We are in the process of obtaining feedback from Transdev on its progress against the recommendations made by PwC last year. • We are continuing with the annual assurance reviews over the farebox revenue process to provide ongoing comfort and assurance over the implemented systems and controls by Transdev. **January 2021** The annual fare box revenue protection survey was completed and showed a significant continued improvement from historical surveys. Findings have been communicated to the Operators and are being actioned. A longer term Revenue protection policy including the possibility of authorised revenue protection officers is currently under discussion/development with the NZ Police.	✓

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Snapper (Bus revenue)	GM Public Transport	Medium	Ongoing	**January 2020** Management have signed off a business case and are in the first phase of implementing a project to leverage Snapper data to develop additional Business Intelligence capabilities. The first phase is intended to be completed next financial year with a view of expanding the scope in future years. This is additional to existing controls in place to review completeness and accuracy of bus fare revenue and key KPIs. **September 2020** We agree with the Recommendations and are already working with Snapper on the strengthening of the processes and systems that underpin revenue received from Snapper. **January 2021** There have been some developments to the approach to completing the actions around Snapper and reporting, and some of the milestones will be achieved in an incremental basis. Complete satisfaction is unlikely by 30 June 2021 due to the dependency of the completion of the projects to which the issues relate: • Snapper's systems and control processes have previously been externally audited to assure us they were fit for purpose and were given a clean	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
				bill of health i.e. once the transaction was in the system it was processed correctly and accurately. • The intent to start revenue protection surveys with a hand held device was to measure how completely the tag-ons and tag-offs reflected the actual journeys and appropriate concessions but the contract requirement and what Gravitas were prepared to do did not fit. We are exploring revisiting a different methodology for cost and effectiveness, this will be completed by June 2021. • Snapper Insights (see action above for Jan 2020), work still continues to evolve to support KPIs and actionable feedback to operators to improve schedule adherence, fare collection, automatic penalty refunds, and data integrity.	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Policy refresh	Chief Financial Officer	Medium	June 2021	**January 2020** The draft procurement policy is currently being revisited by the Regional Council. We also noted that several other policies have not been reviewed and updated in a timely manner. These include the Asset Management policy, Credit Card use policy, Entertainment and Hospitality Expenditure policy, Internal Fraud policy, Sensitive Expenditure policy, and ICT Security and Use policy. We recommend that these policies are refreshed also. **September 2020** A plan has been agreed for review of all the stated policies in 2021. It has not been possible to progress the work sooner due to competing demands arising from systems replacement project, staff changes, Covid-19 restrictions. **January 2021** Policy reviews are being progressed with expected completion date: Fraud and Corruption policy - February 2021. Sensitive Expenditure and Travel policy - June 2021. Procurement and Purchasing policy - March 2021. Asset Management policy - June 2021.	

Finance, Risk and Assurance Committee
16 February 2021
Report 21.12

For Information

BUSINESS ASSURANCE UPDATE: PROJECT MANAGEMENT OFFICE REVIEW AND AUDIT STATUS UPDATE

Te take mō te pūrongo
Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) about:

    a A report from PricewaterhouseCoopers (PwC) on Project Management Office (PMO) review and follow up actions

    b The status of prior business assurance (internal audit) reviews.

Te horopaki
Context

PMO internal audit review

2. PwC is Greater Wellington's internal auditor. PwC conducted an audit as part of the audit programme on the PMO's activities at Greater Wellington Regional Council (Greater Wellington).

3. Project management is a key discipline for Greater Wellington to ensure Greater Wellington delivers on its programmed works and capex projects as articulated in the Long Term Plan (LTP) on a timely basis, are within allocated budget and deliver the outcomes as anticipated. The focus is on reducing risk of not achieving the objectives in the LTP and ensuring Greater Wellington processes follow good practice.

4. The focus of the audit review was to ensure that the PMO has been mobilised, structured and is operating to maximise the success of the programme/projects delivery function. This includes a review of the delivery framework, whether the function is fit for purpose, the organisation's adherence to policy, reporting, culture/optimisation, project governance, effectiveness of multi-party projects, and post-project review. Assessing what is good practice and what this might look like for us.

5. PwC applied its 12 Elements of Delivery Excellence framework across four key roles undertaken by the PMO to see how well the PMO delivers its programme and how it 'Governs, Informs, Supports, and Assures' Greater Wellington. This audit framework and how it is assessed is further articulated in their report.

6. PwC's review report is included as **Attachment 1** and includes comments from Greater Wellington.

Te tātaritanga
Analysis

PMO internal audit review

7. The PwC review report is appended as **Attachment 1** and at a high level scores the elements of the Project Management service delivery maturity against a target state PwC see as practical (value for money) good practice for Greater Wellington.

8. Overall the Audit report indicates, that while we have implemented Project Management well with limited resources, compared to other comparable organisations, our current maturity profile provides an opportunity to develop it further to enhance and build on the work to date.

9. To this end the report has provided 35 opportunities. In order to prioritise these it is recommended as the next step we work with PwC to develop a mapped out process to prioritise and sequence the opportunities over the next 3-5 years.

10. PwC have also suggested Greater Wellington review the delegation with regard to business cases. This will be considered as part of the procurement process and policy review which is occurring in March.

Recommendations and status of previous audits

11. The prior audit reports and the status of actions to address any related recommendations have been updated in **Attachment 2**. Attachment 2 also includes the summarised recommendations regarding the PMO review.

12. The P-Card action items have now been completed and consequently no further reporting on these is anticipated.

13. The action points in Attachment 2 from the Cyber Security Audit have been extracted from the PwC Cyber Security Internal Audit report and incorporate our response to the PwC's report provided to the Committee at the 20th October 2020 meeting - report 20.359

14. Progress on these action points will continue to be reported back to the Committee at each meeting.

Ngā tūāoma e whai ake nei
Next steps

15. Officers will report back on the implementation recommendations in Attachment 1 at the Committee's meeting on 4 May 2021.

Ngā āpitihanga
Attachments

Number	Title
1	Greater Wellington – Programme Management Office (PMO) PwC internal audit February 2021
2	Audit Status Updates – February 2021

Ngā kaiwaitohu
Signatories

Writer	Mike Timmer – Treasurer
Approver	Samantha Gain – General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Council's roles or Committee's terms of reference The Committee has specific responsibility to "review the effectiveness of the implementation and delivery of actions to address audit recommendations from Greater Wellington's internal auditors". Audit of the PMO function, and review of the audit points from prior audits is part of this process.
Implications for Māori There are no known impacts for Māori.
Contribution to Annual Plan / Long term Plan / Other key strategies and policies The audit function is about providing assurance that the policies, controls, processes and systems in place at Greater Wellington will enable efficient delivery of the Long Term Plan and safeguard the organisation's assets. The PMO audit is part of this process. Internal audit supports Greater Wellington's risk management policy and risk management framework.
Internal consultation For the PMO review, there was consultation with 12 individuals including the PMO team and a number of Greater Wellington Managers including the Chief Executive.
Risks and impacts: legal / health and safety etc. The PMO function is about de-risking project delivery. The audit tests whether the PMO function is doing this as intended.

Attachment 1 to Report 21.12

Greater Wellington Regional Council

Programme Management Office internal audit
Summary Observations Pack
February 2021

pwc

Attachment 1 to Report 21.12

In reading this report we request you note the following:

Private and confidential

This report is provided solely for the Greater Wellington Regional Council for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.

Users of the report

This report is intended solely for the use of Greater Wellington Regional Council. This report contains confidential information. Please treat the report with confidentiality in every respect.

Conclusions

We have performed our engagement in accordance with relevant ethical requirements of the Code of Ethics issued by the New Zealand Institute of Chartered Accountants, and appropriate quality control standards. Our engagement does not constitute a review or audit in terms of standards issued by the New Zealand Institute of Chartered Accountants.

Accordingly, this engagement is not intended to result in either the expression of an audit or legal opinion, nor the fulfilling of any statutory audit or other requirements.

Contents

1 Executive Summary

Attachment 1 to Report 21.12

Greater Wellington Regional Council (GWRC) Programme Management Office (PMO)

Overview of the PMO

The GWRC PMO was established in 2015 and is part of the Corporate Services Group.

The main role of the PMO is the provision of project and programme advisory services to the organisation, using the PRINCE2 definition of project management to deliver against the Project Management Policy and Delivery framework in place. Most BAU activities are excluded from the PMO's definition, except those that are unique/one-off or have a finite timeline.

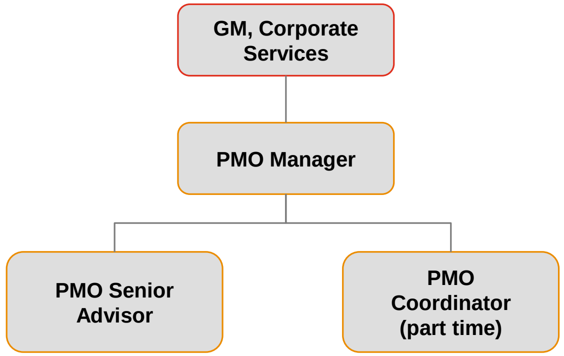
PMO function in practice

The function operates as an advisory service, fostering and developing project and programme management culture and practice in GWRC through the provision of tools, templates, training (a combination of in-house '101' courses and external expert coaching), and reporting for the Executive Leadership Team on projects classified as 'major' and other related activities. The PMO supports both internal projects and multi-party delivery, where GWRC delivers as part of a wider set of organisations.

Prior to the PMO's establishment, project and programme management delivery in GWRC was ad-hoc and delivery progress/success accordingly hard to measure. Since the PMO was established, a **strong focus** has been placed on **building a foundation** in **fundamental project management practices**, equipping staff with a **common approach, methods and tools for delivery**, including the introduction of business cases and regular performance reporting. The **function continues to evolve** as the discipline of project management becomes more embedded, helping to **drive new and consistent behaviours**, **improve governance standards and support effective project delivery**.

PMO structure and resources

There are currently three members in the PMO team, reporting to the General Manager of Corporate Services



The **PMO team** is **small in comparison** to other New Zealand government organisations of a similar nature, but **provides high quality, value for money PMO services given the resources and tools available** and **large volume of projects** the PMO supports.

The constraints of the PMO resources and lack of digital tools however means the team spends a significant portion of time on administrative tasks, manually processing information at the expense of value adding services. The team has achieved a significant cultural shift in the organisation to date and success in driving and supporting the adoption of core PMO practices, despite the limitations of size and scale of the team.

Attachment 1 to Report 21.12

Summary findings

Overview

In summary, we found the PMO to have strengths in:

- Accessibility and levels of support available, tailored to the wide-ranging activities, levels of maturity and differing delivery approaches of the business. This was consistently highlighted despite a comparatively small team and high level of manual work-arounds
- Driving the business case process and providing additional rigour around project definition and scope
- Training delivery, around governance and project management
- Developing the quality of reporting for ELT/Council

The PMO and the wider organisation is however on a maturity journey and there are opportunities for improvement and capability development to support the long-term cultural shift that the PMO is driving. This is particularly relevant with the number and complexity of GWRC's projects. We have therefore assessed the PMO against these longer term needs of GWRC, and reflected this in the current and potential target state scoring in our maturity assessment to help GWRC and the PMO identify the investment required to build on the useful foundation developed to date.

Overall, we saw a good level of take-up of the available tools, templates and practices, pointing to positive direction of travel for the emerging cultural shift and improvement in organisational capability.

Our detailed report for this engagement '*GWRC PMO Internal audit – Final.pdf* ' was provided to management on 2 February 2021

Attachment 1 to Report 21.12

Recommendations

	Recommendation	Rationale
1	That GWRC undertake further work to create a ‘blueprint’ for the next 3-5 years in order to progress to the next level of maturity / stage of delivery for the PMO	To progress improvement based on a prioritised, sequenced set of agreed actions, informed by the opportunities identified in this report.
2	That GWRC considers the ‘handbrake’ effect on PMO process that the low-level Delegated Financial Authority levels have, in the context of DFA maturity for the organisation	To test the maturity of the organisation and explore where there may be potential to adjust the DFA levels, bringing more in line with other comparable organisations.

Attachment 1 to Report 21.12

Summary observations of process and practice

The following summarises the PMO's current state performance, as reflected in the current state maturity score against our Delivery Excellence Framework.

How effectively the PMO governs

The current state of the PMO is a low but growing level maturity that is fit for purpose in the majority of its current framework around process, controls, tools and templates. A culture of engagement with project management and governance/oversight has been established and is moving well toward being embedded.

Focussing on developing core capabilities in basic project management and governance principles and practices (business cases, regular reporting, consistent templates etc.) has established a strong foundation to build the next level on, being progressively adopted by the organisation.

Effectiveness can be improved by tailoring PMO activities to suit the diverse range of projects, and leveraging existing capabilities in other parts of the organisation.

How effectively the PMO informs

The PMO is providing oversight for major, high priority and important projects in a way that aligns with GWRC policies. Detailed reporting is made available on a monthly basis that is welcomed by ELT and has been refined/iterated over time. Moving from manual reporting will greatly enhance this function and better enable the PMO to generate insights and advice as well as performance reporting.

Improving the alignment between the PMO and other enabling functions such as strategy, finance and procurement would significantly enhance the ability of all of these functions to inform investment decisions around the change portfolio. A full end-to-end map of the process and stakeholders would identify gaps and opportunities for improvement, particularly for multi-party projects.

How effectively the PMO supports

The PMO is providing support to differing degrees across the organisation, depending on the level of existing capability and spend, as well as willingness to engage. The support given where capability is low is regarded as high quality and the coaching / development is raising capability consistently. Where there are higher levels of expertise and experience, or a lack of engagement/buy-in the PMO support is less visible and more likely to be regarded as a 'handbrake' on progress.

Support is further constrained by Delegated Financial Authority (DFA) levels that are often low in comparison to the level of spend required by the projects (e.g. NZTA, Metlink) creating business case and sign off activity that requires many hand-offs that slows down the process flow.

How effectively the PMO assures

There is a growing trust in the PMO processes and the value that having a consistent approach brings to transparency in decision making. The current level of maturity and project engagement makes assurance for complex projects an area for development and improvement - there is currently not enough resource and clear enough roles and responsibilities to deliver this consistently.

As governance maturity continues to develop and the line of sight between strategy and delivery becomes clearer, the ability to effectively use assurance tools will accelerate.

Delivery Excellence Framework scoring and application

Maturity framework scoring

The maturity score in each of the Delivery Excellence Framework elements is based on the following scoring criteria:

Level	Definition
0	**Absent: N**o evidence of process or practice in place
1	**Ad-hoc**: Few processes or practices, inconsistently adopted or applied
2	**Developing**: Basic and consistent process or practices established and repeated
3	**Established**: Processes and practices are well defined, documented, standardised and consistently applied
4	**Mature** : Processes and practices are integrated for the entire organisation, regularly reviewed and updated
5	**Optimised**: Proactive process and practice improvement is core, standards and performance are followed by others

It is important to note that the **scores represent a possible range** rather than a target. Achieving **level 5** across the board is **not necessarily desirable** or **achievable** for most organisations given the level of investment required.

We have found most government organisations in New Zealand work toward achieving a level of **three** or **four**, depending on their organisational priorities and available resources.

Applying to GWRC PMO

In the context of the GWRC, the **maturity assessment scores should be understood** in the context of the **areas of focus for the organisation** (tools, process, practice, governance). The **scoring has not been weighted** and is **applied equally across all nine** of the **elements** assessed.

It is also **important** to **consider** that the **adoption** and **embedding** of PMO **culture** and **practice** takes the **whole of the organisation**, **not just the PMO** to deliver sustainably and successfully.

Attachment 1 to Report 21.12

Summary of Delivery Excellence framework maturity assessment

Element Description	Maturity Assessment		High Level Commentary	
	Current State	Potential Future State	Current State	Target State
Clear Scope	3	4	• Business case process in place and embedding in the organisation • Low Delegated Financial Authority (DFA) thresholds require multiple sign-off points	• Tailored business cases, including programme case available • DFA and sign off requirements reflect complexity of projects
Focused Benefits Management	1	3	• Low level of maturity, frameworks largely absent • Benefits management not a core delivery or reporting discipline	• Consistently applied in delivery, reporting and governance decisions • Clear line of sight through entire project lifecycle
Engaged Stakeholders	2	4	• Existing focus on stakeholders however key roles, responsibilities and accountabilities could be clearer/more visible to the organisation	• Stakeholder management closely aligned with change management • Key roles etc. clearly communicated and understood across GWRC
Governance Enabling Decision Making	2	4	• Governance capability and oversight of delivery growing steadily • Monthly reporting well received by ELT but produced manually	• Reporting supported by integrated technology solution that drives evidence-led decision making
Managed Risks & Opportunities	2	3	• Risk management compliance is the responsibility of the project • PMO offers templates, support, advice and guidance	• PMO has in-depth collated view of risk across projects • Risk-based approach applied to project dependencies and impacts
Smart Financing	1	3	• Finance, Procurement and PMO not closely linked as part of end-to-end lifecycle, impacting line of sight from planning to delivery	• Closer alignment of functions allows decisions to be made on dependencies and sequencing, supported by accurate forecasting
Delivery Enabling Plans	1	3	• PMO has framework, templates and support available but there is no integrated view of delivery across projects in plan and in delivery	• Delivery against plan is standard for governance considerations • PMO has collated view of plans and reports on progress as standard
Active Quality Management	1	3	• Quality management is considered but no GWRC policy in place • Focus on lessons learned is strong, with templates, database etc.	• GWRC quality principles in place for reference, driving delivery • Quality management plans in place for relevant projects
Embedded Lifecycle Assurance & Learning	1	3	• Elements of assurance are considered (close out/lessons learned) but specific assurance planning is not a standard requirement or element of the PMO framework	• Assurance planning is a standard element of project planning and delivery, covering a range of assurance options

Attachment 1 to Report 21.12

Summary observations of current and target PMO delivery

The following shows the current state delivery reflected in the maturity assessment scoring, and that which we would expect to see in a PMO operating at level three to four on the Delivery Excellence framework (target state).

	People	Process	Governance	Technology
Current state	The PMO is broadly established within the organisation among the community of regular users and receivers of information. Visibility is more patchy outside of these communities and there is opportunity to raise the profile of the function and the services it offers to the wider organisation and external stakeholders. Capability is growing in key project management disciplines.	The PMO frameworks and support with their application is available to the organisation through tools, templates, advice and guidance. Processes are largely manual across reporting, including information collection and collation. Standard processes and cycles are becoming more visible, but there is work to be done to fully embed adoption across the organisation.	Governance capability is growing within the organisation, supported by the adoption of standard approaches to oversight and business cases. Benefits management and measures of success are nascent, but this is acknowledged as a focus area for growth.	Delivery of PMO functions is highly manual, with very few technology solutions available. The PMO runs without a dedicated project management technology solution while options are being explored around the tool(s) to be adopted.
Target state	The PMO is a trusted advisor for the organisation and a centre of excellence in project management and governance capability. Delivery capability is established across the organisation and ‘right sized’ for the requirements of that function/service. Project management and governance skills and capabilities are embedded in role descriptions and linked to the performance framework.	The organisation is familiar with the role and function of the PMO, the services it offers and standards it upholds. Process and procedure are tailored to the requirement of the service or function using the service in line with organisational risk, finance and quality management standards. The PMO has a comprehensive handbook for all process and practice support delivery and act as an organisational point of reference.	The line of sight between organisational strategy, delivery plans and outcomes is clear, with prioritisation criteria in place to support transparent decision making. Oversight of multi-party/complex projects and programmes is consistent, with strong relationships supporting delivery activity and the achievement of benefits for all parties involved.	The PMO operates using a suite of integrated and functional project management tools to support information collection, collation, analysis and reporting. Technology drives evidence-led decision making. Tasks have been automated where possible to free up time to deliver high value, high return services to the organisation.

2 Our approach

Attachment 1 to Report 21.12

Our approach to delivery

We used a phased approach for delivery

The three phases of work to deliver the PMO internal audit were:

- Mobilise and define
- Review and analysis
- Reporting

We would like to commend the speed and efficiency with which the documentation was gathered and made available and interview sessions set up

Analysis and recommendations

When conducting our analysis and building our recommendations we used a lens to consider:

- The degree to which current frameworks, tools and practices were fit-for-purpose
- Adherence to GWRC policies (risk, quality, delegations)
- Cultural adoption and acceptance (where relevant)

We also balanced the application of elements with internal GWRC projects and those that involve multiple parties to deliver.

Target state assumptions

The target state suggested for the delivery elements is based on an our assessment of what is possible should the current progress of adoption and embedding continue, resources in the PMO team remain the same and no new areas of priority are identified within the PMO's delivery remit.

It also assumes that a suitable technology solution will be rolled out during 2021.

These should be confirmed when designing the target state blueprint and roadmap.

Attachment 1 to Report 21.12

3

a) PMO Process adoption

Attachment 1 to Report 21.12

Adoption of PMO policy and process

What this section will cover:

Culture/use of PMO practices

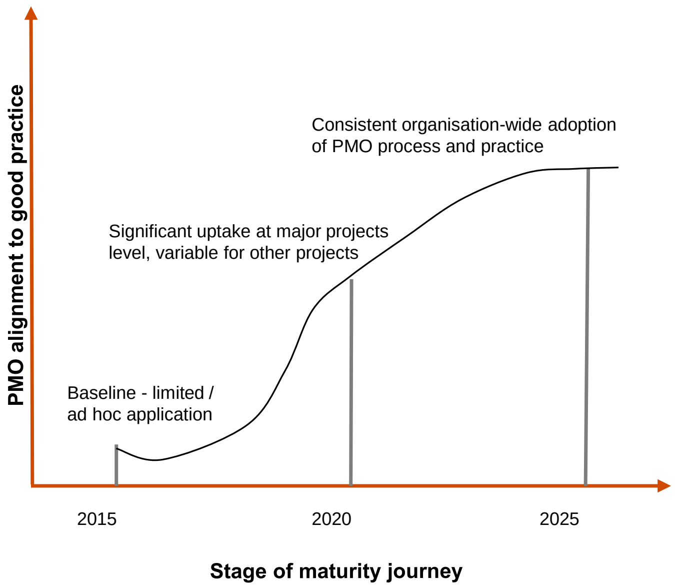
Based on a series of interviews with the change recipients (users/customers of the PMO within GWRC), we assessed the perceived levels of effectiveness of the PMO function, the extent of the cultural shift of compliance to adoption and the degree to which PMO practices are embedded within the organisation.

Attachment 1 to Report 21.12

PMO function adoption across GWRC

PMO adoption journey

Since its establishment in 2015, the PMO function has delivered a significant shift in the way that the organisation approached project management process and practice. This maturity journey is shown in the graph, demonstrating that the function has come a long way since inception, but still has opportunities for improvement in terms of organisation-wide adoption and adherence.



PMO effectiveness

Broadly, the PMO was felt to be effective and welcome in supporting internal and smaller-scale projects to deliver. Elements of practice such as business cases and consistent governance structures/processes have proved particularly effective at establishing structure and transparency of delivery, alongside regular reporting to ELT/Council.

Training and development was additionally highlighted as a strong contribution to a shifting culture, toward using project management practices as a default.

Aspects of the processes for business case development and sign-off were identified as ‘clunky’ and requiring a number of steps, particularly when combined with procurement requirements and low DFAs. The processes were still being adopted, and users keen to support refinement and improvement in the future.

PMO challenges

Multi-party projects were consistently identified as the most significant challenge for the adoption of PMO across GWRC. Often the larger-scale projects have their own processes and practices that the PMO is not able to influence, and has to align with. The capability needs in areas such as Metlink are different in terms of the project’s size and complexity, requiring a different type of support, often dedicated in nature meaning the PMO cannot help.

Achieving clarity of ownership on these projects and associated governance and reporting requirements would help to address these challenges and create a more consistent picture.

Attachment 1 to Report 21.12

3 b) Optimising opportunities

Attachment 1 to Report 21.12

Opportunities to optimise the PMO function

What this section will cover:

PMO comparators

The section offers a **high level comparison** against similar government agencies we have experience of working with (in terms of their PMO delivery environment and stakeholder engagement requirements), highlighting good practice PMO activities across tools, resources and roles.

Optimising the PMO function

Using the 9 elements of the Delivery Excellence framework in scope, this section sets out how the **PMO function could consider optimising delivery** and moving up the scale of the framework's scoring.

Over the short, medium and longer term we have set out suggested **actions** that could be put in place to **improve performance** and **grow maturity** across the organisation, not just the PMO. We also considered any additional roles, tools and templates that may be required to support the adoption of PMO process within GWRC and effective support of multi-party projects.

Assumptions made

The **suggestions** for target levels and focus areas of good practice have been **made** based on the **assumption** that the **PMO function continues** to deliver in its **current form**, with **no additional staff resource** in place but with the implementation of a technology solution in some form.

It is important to note that it is likely that the achievement of improvements may be delivered in a shorter timescale with additional resource, but it is not necessarily required for success. This should be confirmed when determining the blueprint and roadmap for the future state GWRC PMO.

Overview of comparators and good practice PMO delivery

A typical PMO?

It is difficult to think of any organisation that is not engaged in some type of project activity, whether government, commercial, large or small. The ability to successfully deliver projects is what drives the realisation of intended benefits and the achievement of strategies, goals and ideas.

Government in particular is required to manage projects within increasingly complex environments, challenged by the requirement to adopt effective project management process and practice that measures progress and risks while ensuring the right projects are delivered in line with organisational priorities.

While delivering the internal audit of the GWRC PMO, we have used our experience of working with and in PMOs across the New Zealand government, basing our assessment of the capacity and scope on public sector organisations who support a wide range of project sizes and complexities, work alongside an extensive range of stakeholders and have a range of reporting/compliance requirements to meet.

In government organisations with similar requirements to that of the GWRC, we see high performing PMOs that are designed to:

- Take a proactive and supportive role in the successful delivery of project and programmes
- Enforce and support the organisation’s programme and project governance framework
- Mandate the minimum standards (controls) that programmes and projects must follow
- Support delivery activities within the agreed scope of programmes and projects
- Have responsibility to intervene and recommend corrective actions as required.

We note that PMO functions in government go through regular cycles of ‘popularity’ in terms of visibility and investment, as well as areas of practice focus. Currently we are seeing a shift toward broadening of PMO function to support ‘agile’ delivery approaches as well as more traditional PRINCE2-based projects. Many government organisations continue to source expert support and knowledge from external sources to supplement their core in-house offering, particularly in the area of agile delivery.

The adoption of tools and technology to support PMO delivery is increasingly standard, focusing on generating good quality data to support evidence-based decision making and automate previously manual processes. This frees-up resources to focus on capability building and more complex problem solving.

Overview of comparators and good practice PMO delivery

What we see in practice

In practice, we see how PMOs cover a broad spectrum of delivery from **full service** (responsible for all project and programme related activities in the organisation) to a **lighter touch** (an advisory service, responsible for basic reporting, tools and templates).

The depth and quality of coverage offered is often directly related to the maturity of the function - the more mature, the fuller the spectrum of service.

Light touch/core activities:

- Regular status reporting
- Risk and issue management
- Change control
- Maintenance of action and decision registers
- Basic secretariat support for governance and management groups
- Benefits tracking
- Tools and templates

Full service activities:

- Development and maintenance of the programme schedule and plan
- Support to projects with schedule development and maintenance
- Information management
- Project budget tracking
- Quality control and assurance
- Resource allocation and on-boarding
- Full secretariat support for governance and management groups
- Full benefits identification, management and tracking

Standard PMO roles and responsibilities

There are key roles a good practice PMO has in place, some of which may be shared in the team. Large-scale projects/programmes may also have dedicated benefits management resource to work to identify, record and support the tracking and reporting of benefits information.

Manager PMO

- Day to day oversight of the PMO team, responsible for developing and maintaining standard methods and tools, documenting and communicating quality standards/management and PMO framework

Programme Advisor/Analyst

- Support to manager, creating and embedding reporting standards, lead for performance reporting and ad hoc reporting preparation, secretariat services for governance groups, including action and decision tracking, training and development

Programme Coordinator/Administrator

- Provision of administrative support, coordinating and scheduling meetings, supporting assurance activities, coordinating calendars, document management (including folder configuration/access, templates etc.), resource tracking, onboarding and offboarding, assisting with forecasting and budget reporting

Programme Planner

- Creating and embedding scheduling standards and controls, planning scheduling activity including detailed Gantt chants and high-level plans, tracking schedule progress, providing milestone and delivery reporting, supporting projects with planning activity and change requests, dependency and project change control (registers), maintaining project resource registers

Attachment 1 to Report 21.12

Overview of comparators and good practice PMO delivery

Based on a **combination of our work across New Zealand government** and **PwC's insights** into **PMO practice across the world**, we have identified a number of key elements of good practice PMO function and responsibility.

People

When it comes to project success, project or programme managers carry a great deal of the responsibility, but success is

also dependent on the performance and capability of others who are in key project roles (e.g., project team members, project sponsors, customers and stakeholders).

Well developed people management skills and access to capability development are fundamental to a high functioning PMO.

Components in place:

- Project manager skills, development and training programmes,
- Organisational culture, motivation and incentives,
- Career opportunities for project managers.

Process

Effective project management is characterised by the application

of knowledge, skills, tools and techniques to achieve project objectives.

The existence of well defined project management processes — often grouped into a project management methodology or framework — differentiates organisations that are able to consistently deliver superior project results.

Components in place:

- Standardisation and embedding of project management processes,
- Integration with other corporate processes (e.g., procurement, strategic planning)
- Prioritisation of projects and application of a standard project lifecycle
- Utilisation of project portfolio techniques, and continuous improvement.

Governance

Often, management underestimates or completely ignores this element because it is at odds with the established governance processes, of which government is subject to many.

An organisation's project governance framework is fundamental to its project management performance and needs to be viewed in the same light as people, process and technology.

Components in place:

- Resource ownership (mainly staff and budgets)
- Definition of clear roles and
- responsibilities
- Support and involvement of senior and top management
- Access to support from the Programme Management Office.

Technology

Effective technology to support delivery can elevate effectiveness. Often, a great deal of time and money is spent on systems that are subsequently not used.

Organisations need to understand their needs prior to purchasing and/or creating systems and tools to automate and support their project management processes to ensure success.

Components in place:

- Availability of company-wide software
- Integrated software solutions
- User-friendly software used and agreed areas reported on (e.g. programme and project management, capacity management, cost tracking, benefit realisation)

Attachment 1 to Report 21.12

4 Appendices

Attachment 1 to Report 21.12

Appendix 1: Objective and focus of the internal audit

PMO Internal Audit objectives and focus

The overall objective of this internal audit is to determine how well the PMO has been mobilised, structured and is operating to maximise the success of the GWRC's project/programme delivery function. In performing our internal audit we use our **12 elements of delivery excellence** to assess the alignment of the PMO across its key roles:

1. **Governs**, i.e. are the PMO processes, controls, roles, tools and templates fit-for-purpose and how well do they enable GWRC programmes and projects?
2. **Informs**, i.e. does the PMO provide effective oversight of programmes and projects and the broader change portfolio?
3. **Supports**, i.e. is the PMO supporting project success through coaching and mentoring project personnel and teams?
4. **Assures**, i.e. does the PMO provide trust and confidence and positively challenge complex projects?

We will validate the direction, what has been done to date and recommend possible next steps that the GWRC PMO could take.

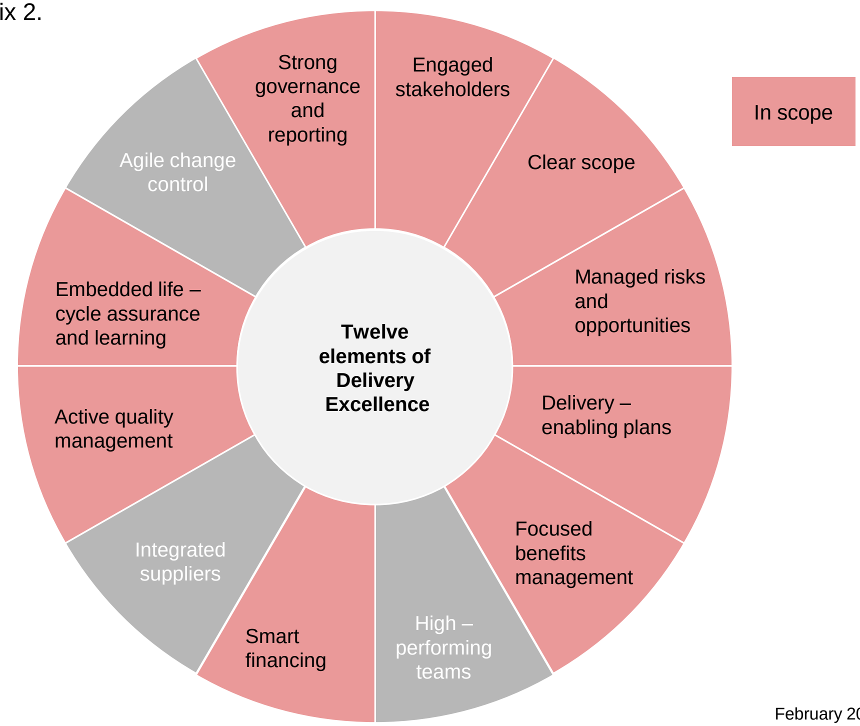
The focus of this work will be the programme management office (PMO) and the portfolio of projects that they provide support for the delivery of, not a detailed assessment of the individual programmes or projects. If the some or all of the programme management delivery services are being performed directly by the programme or project we will note that, but have not included time in the engagement scope to verify.

Engagement Sponsor: Mike Timmer (Treasurer and Head of Internal Audit)

The 12 Elements of Delivery Excellence

The 12 elements of delivery excellence are part of PwC's Transform implementation methodology which outlines what successful programmes and portfolios look like from Initiation through to Close-out, as shown below.

The work done covers **9** of the **12** elements, set out further in the scope of work at appendix 2.



Appendix 2: Using the 12 Elements of Delivery Excellence

Our internal audit leverages our **12 Elements of Delivery Excellence** framework, which is our global approach to evaluating the governance and management of programmes. This framework:

- Describes the objectives that must be met to enable support of effective programme and project governance and management
- Draws on our New Zealand global experience from evaluating many similar programmes of work, at scale.

For each of the elements we have noted whether, or to what degree the PMO's framework is fit-for-purpose, adheres to GWRC policies and the uptake within GWRC across both projects run by GWRC and multi-party projects that fall into the following:

- Out of scope, i.e. activities performed directly by the projects or programmes without any oversight or direct support provided by the PMO. These programme and project responsibilities will be excluded from our assessment
- Oversight, i.e. the PMO has a role in providing guidance/enablers, and/or monitoring programmes and projects. These responsibilities will be included in our scope
- Delivering, i.e. the PMO has a hands-on role in enabling GWRC programmes and projects. These responsibilities will be included in our scope.

We will provide an assessment of the PMO's effectiveness in meeting programme and project needs for each element, where the PMO has an oversight or delivery role.

Scope exclusion

The scope of this internal audit is limited to the assessing the PMO and its supporting processes and controls. Excluded from our scope are:

- Evaluating the governance, management and delivery of individual programmes and projects
- Assessing prior projects, i.e. our assessment will focus on the current effectiveness of the PMO.

Additionally, the following elements of the Delivery Excellence framework have not been considered:

- High Performing Teams (managed by project teams)
- Integrated Suppliers (managed by procurement teams)
- Agile Change Control

Attachment 1 to Report 21.12

Appendix 3: Interviews

The following personal were interviewed during our fieldwork:

Interviewee	Role	Date
Deborah Lacey	PMO Team member	26.11.20
Andrew Marsais	PMO Team member	26.11.20
Wayne O'Donnell	Project Sponsor (General Manager Catchment Management Group)	30.11.20
Tracy Berghan	Project Manager (Riverlink)	30.11.20
Mike Timmer	Head of Internal Audit / PMO service user	30.11.20
Erin Humphrey	PMO training attendee	30.11.20
Fiona Abbott	Project Steering Committee Member (Project Optimus) (Manager, Assets & Infrastructure, Metlink)	01.12.20
Zofia Miliszewska	Strategy Team (PMO linkage)	03.12.20
Samantha Gain	General Manager Corporate Services Group (PMO reports in)	03.12.20
Luke Barron	Finance Business Partner	07.12.20
Barry Fryer	Project Manager (Rail Asset Team Leader)	08.12.20
Greg Campbell	Chief Executive	14.12.20

Attachment 1 to Report 21.12

Appendix 4: Documentation (1 of 3)

The following documentation was provided and read during our assessment:

Document name	Description	Document Date
Intranet PMO page	Screenshots of GWRC PMO intranet content	November 2020
1. Pomare Station demolition and new station build 2. PMO Business Case PFW Sept 20 3. GWRC Shovel Ready Business Case R1	Examples of ELT approved business cases (meeting 19 October 2020)	October 2020
Optimus Project Steering Committee Terms of Reference and Steer Co minutes	Example project documentation	Range July - September 2020
Baseline - full Project Gantt	Example of full project schedule in MS Project	September 2019
Business Case tracker	Collated spreadsheet of business cases, status, PM, GM, approval link and supporting documentation and approval panel dates	November 2020
Case for Change Control form	Example change control template	August 2020
Change request form	Example change request template	August 2020
Collaborative modelling health check	Example project health check report - overview of project status and PMO delivery confidence assessment	July 2020
Schedule template	Example MS Excel schedule template (Gantt chart)	March 2019
Optimus Tech One Risks and Issues register	Example project risk and issue documentation	September 2020
Current GWRC projects database master	Portfolio of active projects the PMO is monitoring	November 2020

Attachment 1 to Report 21.12

Appendix 3: Documentation (2 of 3)

The following documentation was provided and read during our assessment:

Document name	Description	Document Date
ELT Operational Major Projects Report	Example of monthly project reporting to ELT	October 2020
Greater Wellington Business Case Template Combined Version (version 3)	Example of business case template and guidance	2020
GW Project Change Control 04 - Additional EB Config (V2)	Example of project change control request	June 2020
GWRC Crown funded projects Board ToR	Example of newly established governance group terms of reference	October 2020
Lessons learned template	Example of template used to capture lessons learned	2020
PM 101 - final version	Project Management training materials	2020
PM Policy signed	Project Management Policy and Delivery framework (CE signed copy)	May 2017
Project close-out report	Example template used at project close-out stage (used to feed into lessons learned database)	2020
Change Control Delegated Authority Matrix	Project delegated authority matrix with sign off form Tier Four - One, and governance	September 2018
Stocktake template	Example of project stocktake template, used to develop delivery confidence estimate	2020
GWRC Project Management Plan	Example of project management plan template	November 2020

Attachment 1 to Report 21.12

Appendix 3: Documentation (3 of 3)

The following documentation was provided and read during our assessment:

Document name	Description	Document Date
Risk Management Procedures	Sets out risk management accountabilities for GWRC	September 2020
Risk Management Policy	Copy of GWRC risk management policy	September 2020
Risk Management Guidelines	Sets out responsibilities and processes to be followed for GWRC risk management	June 2020
Delegations Manual	Delegations for GWRC	October 2020

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
P- Card					
Promulgation of P-card policy & procedure, training and guidance to participants, including off- boarding of P-card holders.	CFO	High	September 2020 Now BAU	A dedicated resource within the transactions team to manage P-cards training and providing guidance to staff, including off-boarding of card holders is planned to commence in March 2020 and with on-going training for staff from September 2020. The Senior Transactions Officer within the transactions team provides guidance to staff, resolving queries in a timely manner, including off-boarding card holders. P cards training also set up for the first quarter of 2021 with regular training sessions to be held during the year.	Yes ✓
P-card policy is complex and poorly structured; policy to be revisited and in newly adopted format.	CFO	Medium	Feb 2020	P-card policy has been updated with the newly approved template and has taken into account the audit recommendations. ELT to approve updated policy in February 2020	Yes✓
Develop programme of regular P-card monitoring/auditing of P-card usage processes.	CFO	High	September 2020 Now BAU	In conjunction with the above plan, regular monitoring and audit of card usage is expected to commence after September 2020. Monitoring of card transactions to commence in February 2021 by the Reporting team. This will be a sample based approach. Audit of P	Yes ✓

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
				cards will be included in future internal audit program	

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	**Responsibility**	**Audit Priority**	**Expected completion date**	**Action (required/completed) to address audit point**	**Complete** Yes ✓
Policy Framework					
Adopt a principles-based approach to develop a new policy-based template	GM Strategy	High	Oct 2019	Policy template agreed and signed off by ELT, available on GWennie and currently being used as existing policies expiry.	✓
Identify policies that are overdue for review	GM Strategy	High	Ongoing	We have a record of policies that are overdue and GMs are addressing these with their managers on an ongoing basis.	✓
Amalgamate policies that are overlapping	All GMs	High	Ongoing	GMs are aware of the audit review and have advised managers. GMs will consider/check overlaps as policies are refreshed/renewed with new template	✓
Embed policy-related training within staff training and on boarding to ensure all staff/contractors etc. are aware of Council's expectations	GM People & Customer	Medium	July 2022	HR are further developing their plans in relation to on boarding staff, including a new HRIS system which will allow the implementation of more automated processes. They expect to have policy related training largely implemented by the end of June 2022.	
Communicate policy framework, policy and policy changes to all staff. Includes policy register on GWennie (in-house intranet), based on	GM Strategy GM People & Capability	Medium	Ongoing	Policy framework changes and template have been provided to GMs and policy owners. Training and assistance is being provided on an ongoing basis to individual policy owners.	✓

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

logical themes so easy to access				Policies are on Gwennie, which is under review. Any new system will take into account audit points.	
Embed compliance and monitoring function within the policy framework. Introduce control activities that enforce policy principles and identify non- compliance. Policy owners to proactively monitor compliance controls and provide risk based reporting	All GMs	Medium	Ongoing	Management policy review will be integrated into the annual business planning process for 2021-22 to ensure they are monitored and associated risks are considered and addressed.	✓

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Cyber Security (March 2020) In March 2020 PwC in conjunction with ICT performed a maturity analysis on Cyber Security in GW. ICT took that approach deeper conducting various technical assessments underpinning our Cyber Security posture using one of our trusted partners, Voco with support of our security partner LiquidIT. This action plan is a detailed breakdown of what ICT is actively working on to address the high level themes highlighted in the PWC report.					
CS Action 1: Establish Cyber Security Strategy – PWC recommends providing an overall plan which consists of objectives, values and strategies relating to the use of technologies within an organisation to identify, protect, detect and respond to Cyber Security risks. ICT are focusing on delivering the prerequisites required prior to developing a Cyber Security Strategy namely: 1. Security Governance defined and adopted 2. Roles and Responsibilities identified and adopted	Sue McLean | CIO	Iterative and sequential	1. 30/03/2021 2. 30/03/2021 3. COMPLETE 4. **COMPLETE** 5. 31/05/2021	1. Security Governance defined and adopted - **In progress** **2.** Roles and Responsibilities identified and adopted – **In progress** 3. Establish a security framework and standard, and adopt them. 4. Established GCSB (Government Communications Security Bureau) standards NZ Information Security Manual (NZISM) Version 3.3 as preferred framework. Completed September 2020. [NZISM V3.3 link to ICT Arch site.] **COMPLETE**. 5. Key roles recruited 5.1 Security/Systems Analyst role **completed**. 5.2 Security Ops Analyst role failed to attract appropriate candidate. Job sizing to be	

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
3. A security framework and standards identified and adopted 4. Establish Standards – complete 5. Key roles recruited				reviewed. **Starting again in New Year January 2021.**	
CS Action 2: Develop Cyber security policies – PWC advise that a complete set of Cyber security policies should be developed) specifically where key risks are not already covered in existing policies). These policies will provide guidance for controls which management will seek to implement to address key Cyber related risks. GW has identified the Polices that provide the highest impact and will start a series of sprints to address these first. Once the policies have been completed the next set of	Sue McLean | CIO		1 31/10/2021 2 30/06/2021 3 30/06/2021 4 31/07/2021 5 30/06/2021 6 30/06/2021 7 30/06/2021 8 30/06/2021 9 31/05/2021 10 30/06/2021 All due for completion October 2021	1. Periodic Review 2. Sharing Identification and Authentication Information 3. Multi-factor Authentication 4. Change of Roles & Duties 5. Privileged Account Identifiers 6. Account Management 7. Disable Inactive Accounts 8. Privileged Account Inventories 9. Credential Sharing 10. Account Lockout	

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
policies will be identified and scheduled for completion. As the policies are reviewed and adopted they are incorporated into the ICT Standard Operation Procedures for Security Operations. *Policies are a collection of settings and configurations made to our systems to secure information assets.					
CS Action 3: Establish minimum control standards – GW has adopted NZISM which provides control standards.	Sue McLean | CIO		1 31/03/2021 2 30/06/2021 3 31/10/2021	1. Standards are identified and assessed for any current and future work undertaken. 2. A sprint will be initiated to define the minimum standard criteria and to review the NZISM Chapters and identify the minimum control standards. 3. Once the security strategy work is complete any additional minimum control standards will be identified and adopted.	
CS Action 4: Document procedures - GWRC should define activities relating to each control and document	Sue McLean | CIO		1 30/06/2021	1. Identify policies and controls, which will be completed under Audit Point action items:-	

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
them into procedures. This will allow the ICT staff to use it as reference and guidance to perform their responsibilities consistently and effectively.				***Develop Cyber security policies*** ***Establish minimum control standards*** ***Therefore, the work required to address this finding will be covered within the sprints defined for those two themes.***	
CS Action 5: Monitor vendor performance and compliance- Define and embed processes to monitor the performance of the controls managed by third party security providers throughout the business relationship. This will detect any new Cyber security gaps. GWRC should receive real-time alerts if there are any security issues identified.	Sue McLean | CIO		1 31/01/2021 2 31/03/2021	A Review of the GW suppliers has been planned with the commencement due once the ICT Transformation is complete. In the meantime, GW will:- 1. Reach out to all suppliers and: a. Inform suppliers that GW has adopted the Protective Security Requirements (PSR) and NZISM standards. b. Requires information on their security standards and procedures (relevant to the PSR and NZISM) and how these are being applied to GW. 2. Initiate a sprint to identify and develop the key policies relating to Third Parties and Identification and Authentication and Incident Response domains.	

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
CS Action 6: Develop a remediation plan- A remediation plan includes control deficiencies and exceptions items. These come from identification of controls gaps and controls design or operating ineffectively. This will help management focus on priority items based on the severity of the risk identified.	Sue McLean | CIO		30/06/2021	Establishment of a CSIP (Continuous Service Improvement Process) process is underway. - Meet monthly - Identify gaps, inefficiencies and other improvements - Deliver improvements via sprint teams	

Attachment 2 to Report 21.12

Recommendations and responses for internal audit reviews

Audit point action item	**Responsibility**	**Audit Priority**	**Expected completion date**	**Action (required/completed) to address audit point**	**Complete** Yes ✓
Project Management Office review (February 2021)					
Assess and develop with PwC the future requirements of the PMO delivery model in consultation with ELT. Take into account those 35 opportunities identified in the PwC Audit in terms of their priority and sequencing.	Chris Maggs	Medium	August 2021	Work with PwC in consultation with ELT to develop a plan to address PwC opportunities in consultation with ELT. Present plan to FRAC for approval, monitor plan going forward, with progress against milestones as audit action points.	
That GWRC considers the ‘handbrake’ effect on PMO process that the low-level Delegated Financial Authority levels have, in the context of DFA maturity for the organisation	Chris Maggs/Sam Gain	Medium	April 2021	Internal discussion on delegations for the PMO/Purchasing and recommendation to ELT.	

Finance Risk and Assurance Committee
16 February 2021
Report 21.37

For Information

OPTIMUS UPDATE

Te take mō te pūrongo
Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) of the progress to date on the Optimus Programme.

Te tāhū kōrero
Background

2. The Optimus Programme commenced in 2020 to replace Greater Wellington's current suite of financial systems including:

   a SAP: finance, payroll and plant maintenance

   b Essbase: Budgeting and Forecasting

   c Springboard: recruitment.

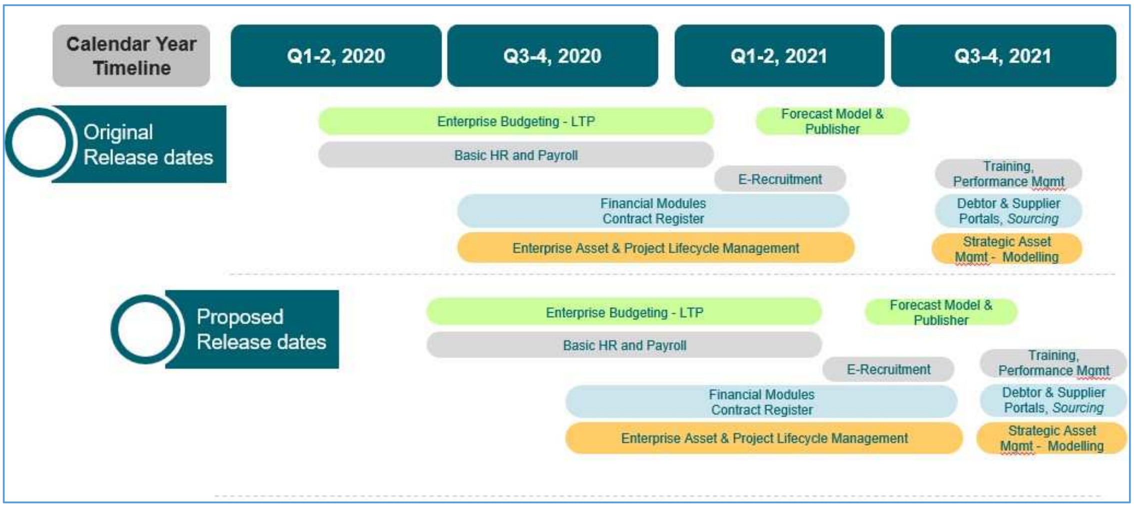
3. The functionality to be delivered by the vendor (TechnologyOne) includes human resource management and payroll, core financial management, contract register, supply chain management, enterprise asset management and project lifecycle management, budget, forecast and reporting.

4. The programme plans to deliver these modules in a phased rollout over the year in 2021. The project commenced in February 2020 and planned to go live in key phases summarised as follows: Budgeting, HR & Payroll Feb 2021; Finance and Enterprise Asset Management May 2021; remaining new functionality by the end of 2021.

Te tātaritanga
Analysis

5. Overall, the programme is on track to deliver in 2021, but later than originally planned.

6. The below infographic highlights release date changes from original plan to proposed plan:



7. The programme of work is progressing towards implementation for Payroll in the next two months. This will be followed by the core operational and financial modules in quarter three of the calendar year.

8. The new timeline has been developed to address the following issues which have arisen:

   a Data quality and readiness

   b Resource Constraints due to business prioritisation of effort

   c Securing Technical resources for the programme team

   d Staff changes in the programme and business teams

   e Business process change.

9. The issues identified result in resource capacity less than required in the programme and business teams. The programme is working closely with the business teams to identify replacement resources and backfill or alternatively to secure short term specialist resources to bridge the gap.

10. The programme is working with the business teams to enable the new planned delivery dates to align with the above, and business readiness.

Foundation Review

11. Pricewaterhouse Coopers (PwC) have been engaged to provide advisory and independent quality assurance to the programme management team and steering committee. The first PwC foundation review was completed in December 2020. The report overall delivered a high level of confidence in the programme governance, management structure and controls. Issues identified relate to the following four areas:

Development of the detailed data migration and systems integration scope

12. Greater Wellington response: Data migration specialist resource has now been engaged to accelerate the work planning and scoping

Technical roles not yet recruited require immediate action to keep the programme on track

13. Greater Wellington response: re-engagement with the market this year is in progress

Engage with the vendor to work with GW holistically beyond the delivery of their solution responsibilities

14. Greater Wellington response: discussions are ongoing with the vendor to secure further resource commitment and strengthened engagement model

Continue to explore how business readiness to accept and operate deliverables can be accelerated and realised within the project timeframes

15. Greater Wellington response: Planning is in place within the change team to work with Business Owners to ensure they are engaged and committed to delivery.

Ngā hua ahumoni
Financial implications

16. The programme expect the changes to delivery dates to fall within the overall delivery window of 2021 and any financial implication of the extension of phases to be within the available funding. The programme will request to re-budget a portion of the 20/21 budget into 21/22 due to the rate of programme spend being slower than planned.

Ngā kaiwaitohu
Signatories

Writer	Jenni Horton – Optimus ERP Programme Manager
Approvers	Alison Trustrum-Rainey - Chief Financial Officer Samantha Gain - General Manager, Corporate Services

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference The Committee's specific responsibilities include providing assurance to the Council on the programme progressing satisfactorily to plan, in line with its stated objectives.
Implications for Māori There are no known impacts for Māori.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The programme contributes to the council by providing Greater Wellington staff the business management and reporting tools to enable business groups to plan, manage and deliver our core activities. The programme creates a foundation for continuous process improvement and efficiency across the organisation.
Internal consultation This paper is an information only paper and therefore no wider consultation has occurred.
Risks and impacts - legal / health and safety etc. The Council's management of relevant risks is addressed in the report.

Finance, Risk and Assurance Committee
16 February 2021
Report 21.45

For Decision

RESOLUTION TO EXCLUDE THE PUBLIC

That the Committee excludes the public from the following parts of the proceedings of this meeting, namely:—

Pay Code Review and Employer Superannuation Contribution Tax – Report PE21.35

The general subject of each matter to be considered while the public is excluded, the reasons 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 (the Act) for the passing of this resolution are as follows:

Pay Code Review and Employer Superannuation Contribution Tax – Report PE21.35	
Reason for passing this resolution in relation to each matter	*Ground(s) under section 48(1) for the passing of this resolution*
Information contained in this report relates to legal advice addressing tax matters arising from a pay code review. Release of this information would mean waiving of legal privilege. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override the need to withhold the information.	The public conduct of this part of the meeting is excluded as per section 7(2)(g) of the Act (to maintain legal professional privilege).

This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.