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Committee Finance, Risk and Assurance Committee
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General Managers' report to the Finance, Risk and Assurance Committee, 18 May 2016

1. Purpose

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

2. Corporate Services

Good progress continues to be made on improving processes and systems, which is creating capacity for higher value, customer focused activities and initiatives.

There are many streams of work across the various Corporate Services functions, with the most significant projects being the replacement of our backend ICT systems (Nutanix) and the review of our current finance, HR and asset management systems. Both projects are progressing as planned.

Legal and Procurement, and PMO functions are taking shape and face the challenge of establishing the processes, while serving strong business demand for the services of both functions.

2.1 Finance

2.1.1 Finance Summary

A number of initiatives are progressing with a focus on continuous improvement.

A major focus has been the continued review of our current finance, HR and asset management system. This work has focused on determining user requirements and engaging with vendors. A procurement approach and business case will be developed for decision in Q4.

Also during the period, considerable effort has gone into the 2016/17 budgeting and planning process, with the draft 2016/17 budget now out to ratepayers for consultation.

Finance contributed to the planning of a Value for Money – s17A Service Delivery Review programme. Scoping of the programme will begin in the next month with the aim of developing a series of reviews to be completed.

Significant time was spent on planning for the transition to the new rail operator. The Finance team will now begin the programme of work to implement the new processes and activities required under the new contract e.g. daily receipting of fare revenue.

A rates modelling system has been procured which will reduce the risk of errors and enable different scenarios to be completed when the revenue and finance policy is reviewed next year. Implementation is expected to be completed in early June.

A function to celebrate the Warm Wellington schemes insulation of 10,000 homes was held. EECA and key suppliers appreciated the recognition by GWRC for the achievements of this successful programme.

The interim audit, focusing on processes, systems and controls has commenced with no significant issues identified to date.

2.2 ICT

2.2.1 ICT Summary

The ICT team is now fully resourced and making significant progress to strengthen ICT systems and improve support to the organisation.

Most significantly, good progress has been made in installing an enhanced computer backend system (Nutanix), replacing existing aging datacentre infrastructure. This has been a major undertaking utilising a large part of ICT resource. The project improves the resilience of our IT systems by enhancing backup and data replication capability. The project is expected to result in significant operational efficiencies and systems performance improvements. It is expected to be fully configured and commissioned by early June.

Rollout of tablet computers has also commenced, supporting ICT's mobility strategy. Also supporting this strategy is work to complete the migration of all email to Office 365 over the next quarter.

A procurement strategy is being developed for key ICT network infrastructure services such as WAN, Telecommunications and Border Services, which are expected to result in significant savings.

Following the successful completion of Phase 1 of the document management system (SPIEDO), planning has commenced for the second phase of, focusing

on team workspaces. As a part of this, the review, retention and disposal process will be examined, focusing on our offsite document storage repositories, which may result in a significant reduction of aged documents. This review will be undertaken in accordance with Archives NZ guidelines and with the assistance of external specialist consultants.

Investigation has also commenced into a framework to facilitate single sign-on for existing and anticipated new cloud business applications

Work is also continuing to complete the Metlink CRM system for contact centre.

2.3 Treasury

2.3.1 Treasury Update

In February the council raised \$25 million debt from the LGFA for 8.5 years (15 June 2024) with a margin of 0.8675%. The margin has increased in comparison to the December 2015 borrowing. This is mainly due to the recent decline in long term interest rates and the market nervousness over possible corporate failures stemming from the falls in commodity prices.

In March the Reserve Bank of New Zealand reduced the cash rate by 0.25% to 2.25%. This will assist us with our floating rate debt interest cost; however, our deposits will show lower returns later in the year when they come off fixed rate. Further reduction in the cash rate is a possibility with the Reserve Bank of New Zealand indicating a lower projection for the 90 day interest rate going forward.

Treasury therefore entered into a \$10 million fixed receiver swap, which eliminates the downward interest rate risk on one of our investments. The valuation of our swaps is now \$42 million adverse, which is \$18 million higher than in December. The further decline in short and medium term rates, making historical lows is the main reason for the unfavourable movement.

We are presently updating our Commercial Paper issuance documentation for both Council and WRC Holdings Limited to comply with the new Financial Markets Conduct Act. This process is in its final stages and will be completed by the end of May.

We continue to have discussions with The Treasury over the repayment terms of our Public Transport \$26.5 million zero interest loan, which is due for repayment in June 2017.

2.3.2 WRC Holdings Update

There were a number of director movements during the quarter with Fran Wilde retiring as Chair and Paul Swain stepping down. They both made solid contributions and will be missed. They are replaced by Chris Laidlaw and Nigel Wilson, with Prue Lamason moving back to the Chair role she previously occupied and supported by Samantha Sharif one of the independent directors.

As part of improving the governance of the group a formal report from the group beginning with this quarter will be presented to Council on a quarterly basis to better inform Council of the group's activities.

2.3.3 Insurance and Risk Management

The Insurance Strategy will be brought to the FRA Committee for review when there is more clarity with regards to the Government's initiative to place greater responsibility on councils to manage their own infrastructure insurance. There is an expectation that Government will advise their intentions later this month, which will be open for sector consultation.

In the meantime efforts have been focused on updating the Risk Management Policy, which is now complete and available for the committee's consideration. The document has been updated, drawing heavily in ISO 31000:2009 on Risk Management and updated to reflect what could be considered best practice.

We are looking at joining a collective with the two Hutt Councils, Porirua City Council and Kapiti Coast District Council to purchase insurance. The main focus will be in the Material Damage Business Interruption insurance as this where the bulk of the Council insurance bill is. A memorandum of understanding has been drawn up and is presently undergoing legal review and refinement. As part of this arrangement we are looking at moving our Insurance renewal date to 30 September from 30 June in line with the other Councils. This will involve extending our existing insurances for 3 months and then remarketing them for the new insurance year beginning in October.

Investigation has continued into the establishment of an internal audit function. Various internal audit models have been assessed and a preferred approach decided, involving engaging externally for structure and oversight, but drawing on internal staff to resource the function. The function will be established in the new financial year.

2.4 Legal and Procurement

2.4.1 Legal and Procurement Summary

Demand for legal advice relating to contracts and procurement continues, with high demand for advice from across the Council's business.

Work on the refresh of the Council's procurement policy continues, in consultation with other teams and Departments. Assistance with specific procurement activities has been provided, in relation to some aspects of major projects (PTOM, PT infrastructure, Hutt City Centre Project) and general consultancy and other procurements.

A major focus in the asset management area has been on scoping the asset management requirements for the ERP system review project, and assistance with gathering and interpreting information provided in response to requests from the Local Government Commission.

2.5 Programme Management Office

The Programme Management Office (PMO) continues to develop functionality and services with a part time PMO Advisor adding greater capability and increasing productivity.

A portfolio view of projects across the business has been established and continues to be refined. Major projects' reporting is a standard feature each month at the Executive meetings. Individual reporting is being rolled out starting with major projects and will progressively become standard practice for all projects. It is planned to carry out reviews of all projects across the organisation to check alignment with new PMO project management processes, tools and identifying need for support and/or training.

Through direct coaching, mentoring and facilitation the PMO will continue to lift the level of project management capability and skills through professional education and PMO support. Development of a suite of templates to cover all stages of the project lifecycle is progressing and being refined with user input. A review and update of existing Project Management Policy will also be completed later this year.

A simple two step new project approval process will be implemented. The current long term plan business case template will be reviewed and adjusted to align with the PMO template for continuity and to reduce duplication.

3. People and Customer

The People and Customer Group continue to work across the organisation to provide specialist knowledge and expertise to our customers. The structural change to centralise these functions has provided excellent opportunities to view our services from an organisational perspective, maximise the synergies by bringing together complimentary functions and improve our work processes and efficiencies.

3.1 Human Resources

The metrics for monitoring our recruitment activity, turnover, gender and training and development are detailed in our performance report for the second quarter.

In addition to business as usual, the Department has been involved in designing the new document management system to enable managers and staff to store their personal information electronically rather than in a paper based filing system. All relevant contractual and personal information held on personal files has been scanned and saved into the new document management system.

The Department has worked closely with the Communications and Marketing Department to design and develop the Chief Executive's leadership programme. This programme will deliver outcomes for both departments. It will provide information to assist in developing our core values, which will be integrated into our Human Resources policies and systems. It will also assist the Communications and Marketing Department by developing our engagement framework.

3.2 Health and Safety

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

3.3 Customer Contact

The Customer Contact Department covers the centralised administration function and our organisational contact centre.

There have been a number of changes in our centralised administration function, including centralised catering, dedicated fleet management and facilities. A standardised approach has been developed for a number of processing activities which enables work to be allocated across our offices rather than relying on staff having capacity within a specific location. The reception for Shed 39 has been transferred to the Contact Centre and during the next quarter the reception for Mabey Road, Upper Hutt and Masterton will be transferred to the Contact Centre. The mail processing has moved from the Information Services team to the Administration team.

The Contact Centre has taken on a number of additional functions including reception for Shed 39, the Environmental Help Desk, info@gw email and social media channels. Staff within the Contact Centre are being upskilled to provide first resolution assistance to customers as part of our increased focus on providing excellent customer services.

3.4 Communications and Marketing

The Communications and Marketing Department continues to provide a wide range of services to our customers, including:

- Consultation on amendments to the LTP/Annual Plan

- Development of a Stakeholder Engagement framework for the organisation

- Reviewing and rationalising our surveys and research, including use of our Citizens Panel

- Delivering the Great Outdoors Summer Event programme

- Communications support for organisation wide projects and issues

- Engaging with the Kapiti community to develop appropriate access to Queen Elizabeth Park, particularly for users with disabilities

- Channels development/improvements/strategy development

- Leading a programme to capture customer/stakeholder views and expectations of the organisation.

An area of particular work for the team has been public transport. We have carried out extensive investigative and remedial work to the back-end of the Metlink website to ensure it is a one-stop for public transport information. This means changing the site from primarily a journey planner to an information

rich, dynamic site that can take over all forms of customer messaging and updating when the Tranzmetro website is retired at the end of the current rail contract.

The team has organised and delivered several events for public transport including the hybrid electric bus, double decker diesel bus, opening of the Upper Hutt railway station and is currently planning the ceremonial signing event for the new rail contract. The Marketing and Communications team has developed, and is currently implementing, a communications plan for changes to rail and buses, including design for the livery of Metlink branded bus and uniforms, and changes to rail tickets.

4. The decision-making process and significance

No decision is being sought in this report.

4.1 Engagement

Engagement on this matter is unnecessary.

5. Recommendations

That the Committee:

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

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