

Report 2017.39  
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Committee Finance, Risk and Assurance Committee  
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## **General Managers' report to the Finance, Risk and Assurance Committee**

### **1. Purpose**

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

### **2. Corporate Services**

#### **2.1 Finance**

##### **2.1.1 Finance summary**

The Finance team's main priority continues to be the review of our finance, HR and asset management system. A Request for Proposal (RFP) was released and responses were received from five vendors. The RFPs were evaluated and a short list of two was chosen, with vendor demonstrations completed in February. The next step is for evaluation of the demonstrations, followed by the completion of reference site visits. A full business case is being developed for decision in April. Careful consideration will be needed in determining implementation timelines in relation to other priorities.

The updated draft budget for the proposed 2017-18 Annual Plan was completed, proposing a rate increase of 5.6% and water levy increase of 6.1%.

Planning work has started to develop the Long Term Plan 2018-28 and a Finance and Infrastructure project team has been established. This comprises of GW staff plus external consultants to provide expert advice. This project will review the Revenue and Financing Policy and develop the Financial and Infrastructure Strategies.

Wellington Water (WW) plans to improve operational efficiency by combining controllable operating expenditure into a single budget to be managed by WW. This initiative is known as 'One Budget.'

Currently shareholding councils pay a management fee to WW with other costs paid directly by council within their own finance system, which causes considerable duplication and inefficiencies in both the planning and payment processes to both WW and the shareholding councils. One Budget will eliminate this duplication, while maintaining full visibility through detailed reporting provided to councils, giving assurance the delivery of the work programme is carefully managed and monitored.

## **2.2 ICT**

### **2.2.1 ICT Summary**

ICT was heavily occupied over the November to January period providing support for the relocation of GWRC staff to Walter Street and the reorganisation of accommodation at Shed 39. The core IT infrastructure performed well during and after the earthquake, with the investment in system resilience and remote connection capability limiting the impact of the earthquake to Council operations.

ICT is in the process of reviewing GWRC's IT Security environment, and ICT's Operational Processes. These will be finalised in March.

## **2.3 Treasury**

### **2.3.1 Investment Management**

Standard & Poor's reaffirmed our AA long term and A1+ short term rating, no impact from CentrePort property damage.

We are considering our options around the refinancing of our \$50 million December 2017 LGFA bonds as there is a large concentration of debt (both Council and other debt) maturing around this time. This could be refinancing early, buying back our bonds or issuing short dated debt and refinancing at a later date.

### **2.3.2 WRC Holdings**

A new Chair (Samantha Sharif) has been appointed to WRC Holdings limited.

Directors received the six monthly accounts from CentrePort (CPL) with significant fair value and impairment adjustments as a result of the 14 November Kaikoura earthquakes, culminating in a reported loss for the six months of \$85 million, which excludes future expected insurance proceeds.

The draft CPL Statement of Intent (SOI) has been received by the Port Investments Limited Board. The final SOI is due to be completed in May.

### **2.3.3 Insurance**

A number of potential claims arising from the Kaikoura earthquakes and subsequent storms are in progress. These include damage to the:

- *Ava Bridge* which had seismic issues prior to the earthquake. The amount able to be claimed is not likely to exceed the \$200k deductible.

- *Kingsley Pump Station* damaged in a storm by a tree falling on the building. Costs to repair are around \$200k including deductible payable by Wellington Water of \$50k.
- *Silverstream rail line* A pipe burst under rail line, costs are estimated at \$40k. This is a liability insurance claim as damage was caused to KiwiRail. The deductible is \$20k. We are dealing with our insurers to resolve this.
- *Shed 39* – Damage to our fitout and business interruption due to Kaikoura earthquakes. Costs are currently estimated to be in the vicinity of \$700k. Our excess is \$400k.

We finalised coverage for Council’s insurances with a two-year deal for Material Damage and Business Interruption via a shared service arrangement with other councils in the region.

The valuation of our buildings is underway to update our collective arrangements with other local Councils. The valuation of Greater Wellington Rail Ltd trains and buildings is in progress and will inform insurance renewal for Transdev.

#### 2.3.4 Risk Management

A separate detailed risk report accompanies this report with changes to the risk register and updated risk presentation from the Environment group.

#### 2.3.5 Business Assurance (internal audit)

We have partnered with PwC to provide the framework for this function and assist us with undertaking this work internally. The focus of the work will initially be more compliance related with an emphasis on a risk based approach, with an increasing focus over time on added value areas by examining processes to improve business performance and reduce risk.

We are presently working through the areas to address over the next six months and expect the assurance work to begin towards the end of the financial year. A separate paper on this accompanies this report, as well as a presentation from PwC.

### 2.4 Legal and Procurement

Most of the activities of the Legal, Procurement and Asset Management department relate to the Committee’s responsibilities, in that they have an element of risk management, statutory or legal compliance.

We are involved in planning work for the Long Term Plan 2018-28, and are on the Finance and Infrastructure project team. The Infrastructure Strategy is a key focus for us, and we will be coordinating the asset management inputs to that Strategy.

We are working with Finance on the implementation of the Wellington Water ‘One Budget’, ensuring that the arrangements are in accordance with the LGA and that the new processes are appropriately documented.

Work continues on procurement policy and developing procurement templates.

We are providing input from a legal and procurement point of view to the Living Wage work.

## **2.5 Programme Management Office**

The Programme Management Office (PMO) has been actively involved project managing the accommodation planning, shifts and changes as a result of the November 14<sup>th</sup> Kaikoura earthquake for Shed 39 staff.

Another project being coordinated directly by the PMO is the GW Way work programme.

The project management policy is being reviewed to reflect the new project environment we have established. It will better align with good practice project management in a customised delivery model that best fits the way GWRC delivers projects.

Ongoing improvements in the governance area sees the PMO developing and implementing a change control process which provides an enhanced mechanism by which significant changes in cost, schedule & scope can be approved by relevant delegated authorities for projects. Initially this will apply to the major projects and then progressively rolled out across high priority projects. This framework will drive better transparency of changes within projects.

## **3. People and Customer**

### **3.1 Human Resources**

We are continuing to run workshops to move towards more customer focussed outcomes that link to organisational strategy (the “GW Way” work programme). Our gender diversity draft strategy will be socialised with the executive and wider over the next few weeks, based on information gathered from employees about perceived barriers for either gender in non-gender diverse roles.

### **3.2 Health and Safety**

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

### **3.3 Customer Contact**

The impact of the Kaikoura Earthquake in November 2016 has seen the Contact Centre team shift their operation twice (to Upper Hutt immediately after the Earthquake and then into the temporary premises at Walter St). Despite this, we have continued to meet our Service Levels during this period. In February we took 18,308 calls achieving a 82% service level (that is, 82% of calls were answered within 20 seconds). Abandoned calls was also well within acceptable levels at 4.75%.

During February, we encountered customer dissatisfaction with rail services following the Gun'n'Roses concert delay (created by the weather bomb that hit the region) and claims for some ticket refunds.

Trolley buses have also been struck by a number of disruptions due to high winds and power outages that prevented them from travelling.

The Contact Centre team are now monitoring all GWRC and PT social media channels (Facebook, Twitter and Neighbourly) which in conjunction with our traditional phone and email channels are providing a much richer view and oversight of how are customers are feeling across the region. Also, as part of PTOM, our Customer Resolution team are now monitoring and responding to all Metlink customer complaints that were previously handled by the various operators.

End of March, we are looking to move the Contact Centre back onto the GWRC CISCO telephony platform, which at the same time will upgrade our front-end Touchpoint system. This will allow us to consider enhanced Social Media queueing, an improved Knowledge Base system for agents and potential for Web (live) chat.

### **3.4 Communications and Marketing**

#### **3.4.1 Building our Customer Service capability**

GWRC is running an internal programme called the 'GW Way'. It is designed:

- To align our culture with customer outcomes
- To grow agility in delivering best customer solutions, in a timely manner
- To ensure our service delivery and connection with our customers is best practice

We are building an external engagement plan with the philosophy of GW Way at the heart of the plan and content. We will be running a monthly marketing communications programme telling the stories of the region with GWRCs role being at the heart of those stories.

We will be using a combination of traditional and new (digital) media. The campaign will begin running in the second quarter this year.

#### **3.4.2 Bringing in strategic support**

We are working with expert external partners, Senate SHJ to ensure that our communication with stakeholders is clear, timely, useful and engages people through the many changes occurring in the region (in particular for the changes happening across our public transport networks).

#### **3.4.3 Listening and learning**

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

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

We have commissioned a piece of qualitative research for the region that focuses on the attitudes and beliefs of the ratepayers within our region. We will be in field with this in second quarter this year. It will allow more effective connection to the people of the region as we will understand their drivers better.

#### 3.4.4 Reviewing our spend

We are reviewing the use and number of external providers used for marketing and communications so that we:

- Maximise efficiencies
- Get the right advice
- Fit with 'all of government' procurement practices

The Procurement team and the Communications and Marketing team are working together on this project, with a projected 20% improvement in efficiencies occurring as a result.

#### 3.4.5 Consolidation to allow for critical mass

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

We seek to:

- Consolidate activity when it make sense for economies of scale
- Ensure all activity aligns with overarching strategy and objectives
- Cease activity where neither of the above is possible.
- Gain better 'cut-through' of our Communications and Marketing activity as we focus on what matters to our customers, rather than attempting to tell every story.

## 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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