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Committee Finance, Risk and Assurance Committee  
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## **General Managers' report to the Finance, Risk and Assurance Committee 17 May 2017**

### **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 review of the revenue and finance policy has started. Workshops are being completed with each group to review all funding options. The output from this work and will be shared with the Council the working group for discussion.

The review of our finance, HR and asset management system is continuing, with demonstration evaluations, and reference site visits completed. A full business case is being developed for decision on next steps. Careful consideration will be needed in determining implementation timelines in relation to other priorities.

The first Business Assurance review is currently being initiated. The key finance processes will be reviewed with the goal of enhancing internal controls and customer usability. This work will benefit existing processes prior to the proposed new systems implementation. This work will contribute to the design phase of the new system.

The timeline for the completion of the annual report is likely to be extended as a result of CentrePort financial information expected to be received at a later date in the year end cycle. This delay is a result of the added complexity created by the November 2016 earthquake and getting audit clearance.

## **2.2 ICT**

### **2.2.1 ICT Summary**

Work has commenced on developing an IT architectural vision for GRWC. The purpose is to start a discussion on how GWRC can leverage trends in technology to enable it to better achieve its outcomes.

A cyber-crime monitoring service has been established to further strengthen our security environment by scanning network traffic to highlight potential issues.

Matt Aldiss has been appointed as Chief Information Officer (CIO) in April, having acted in the role since July 2016. Matt will be in attendance at the Finance, Risk and Assurance Committee to give a brief overview on cyber-security at GWRC.

## **2.3 Treasury**

### **2.3.1 Investment Management**

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.

Our initial discussion with the LGFA is indicating a deferred settlement by us, where the bonds are issued by the LGFA prior to 15 December with the LGFA placing the funds on deposit on their balance sheet until the old bonds mature.

This enables council to maintain a seamless transition of not breaking the debt and thus retaining our tax deductibility on this debt as it has been used to capitalise GWRL.

### **2.3.2 WRC Holdings**

A written response to CentrePort's (CPL) draft Statement of Intent (SOI) has been sent to CPL setting out WRC Holdings Limited view and expectations on the SOI. It also incorporates the Council request to develop a port recovery plan with public involvement.

### **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:

- *Kingsley Pump Station* – this was damaged in a storm by a tree falling on the building. Work has been completed, claim accepted by the insurers with settlement imminent. Costs to repair are around \$200,000 including deductible payable by Wellington Water of \$50,000.
- *Silverstream rail line* – A pipe burst under the rail line, costs are around \$30,000. Our liability insurance did not respond to this as the insurers interpreted our contract with KiwiRail as having the liability. Wellington

Water has met the cost and the contract between KiwiRail and Wellington Water is to be reworded to reflect Council liability.

- *Shed 39* – Damage to our fit-out on the ground floor and business interruption costs in relation to moving to Walter Street are costs we are seeking from our insurer. This is complicated to some extent by the fact that CentrePort might move into the bottom floor and may not need our fit out.

The valuation of our buildings is underway to update our collective arrangements with other local Councils.

The underground assets of Wellington Water and Flood Protection are being valued for Insurance purposes with the view of obtaining a Probable Maximum Loss (PML) assessment. This work is being completed by Aon and Tonkin & Taylor and is being funded by The Treasury. This work will inform part of The Treasury's view on the risk assessment that it is doing on the sector in relation to the Government review of its 60% support for Council Infrastructure assets.

#### 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 Transport 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 have developed a work plan which is included with these papers.

### 2.4 Legal, Procurement, and Asset Management

A key focus continues to be the development of the Infrastructure strategy for the long term plan. This is being developed in tandem with the Finance strategy.

The Legal, Asset Management and Procurement department is also involved with several other corporate initiatives including:

- Oversight of the procurement of, and liaison with external legal advisors regarding the Enterprise Resource Planning (ERP) system.
- Wellington Water's 'One Budget' initiative – amendments to the service level agreement between GWRC and WW.
- Wairarapa Water project – assisting with the report on next steps (due to Council in August).

- Business readiness for PTOM Bus – procurement approach regarding systems and infrastructure.
- Wellington Lifelines Resilience Project – funding agreement.

We are working with Communications and Marketing to rationalise external suppliers in that area, and following that will look at other areas of the business where rationalisation would be efficient and effective.

Work continues on the procurement policy and related templates. These are intended to address sustainability, climate change, and the Living Wage.

We are participating in an informal group of local government lawyers in councils in the Wellington Region. One purpose of the collaboration is to be more efficient about the way we instruct external legal advice on issues of general relevance.

## **2.5 Programme Management Office (PMO)**

The PMO has continued its focus working with project teams across the organisation in the timely identification of project risks. Those rated ‘High’ and ‘Very High’ are now reported to the ELT level for review where necessary.

Change control is being rolled out to identify, manage and communication significant changes to projects in a transparent and controlled manner. This will occur with major projects initially, followed by high priority projects, and aligns with the existing financial delegated authorities.

Ongoing process improvement with major project reporting has been introduced over the past six months, giving a clear view of each project’s performance and projected outcome.

## **3. People and Customer**

### **3.1 Human Resources**

#### **3.1.1 Living Wage decision**

Council’s decision of 5 April 2017 to implement the Living Wage of \$20.20 per hour was communicated to the small number of staff currently below this rate. This new rate will be effective from 1 September 2017 to coincide with our annual remuneration review date. Communication on this was also made to all staff.

#### **3.1.2 Diversity Strategy**

The draft diversity strategy has been socialised with the Executive and will be updated to reflect feedback and further analysis where relevant. A final draft will be presented to ELT on 6 June.

#### **3.1.3 Leader and staff development**

Workshops on customer led thinking are continuing across the organisation and a leadership module has been piloted with several leadership teams, with a view to rolling out over the next quarter.

## **3.2 Health and Safety**

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

## **3.3 Customer Contact**

The Contact Centre team continue to deliver a consistent service level for its GWRC and Metlink customers. Service levels remain over 80% of calls being answered within 20 secs and abandonment well under the industry standard of 6%.

We are seeing a decreasing trend in call volumes when compared to the same time last year, due to improvements made to our self-service digital channels and push notifications of service delays/disruptions to our Metlink customer base.

We have moved responsibility for all GWRC and Metlink Social Media monitoring and responding to general enquiries/issues to the Contact Centre team. They are now monitoring Facebook, Twitter and Neighbourly posts with a Social Media Response Tree developed. This is a guide for staff to use especially when considering reputational risk to the organisation.

Our Administration Support team are situated across all main sites and are now at full complement. We have an experienced Administration staff member seconded to WREMO to support them.

The new Queen Elizabeth Park GWRC building is currently under construction and scheduled for opening in November 2017. We are involved in the purchasing and outfitting of the furniture/kitchen appliances as well as developing the ongoing booking and servicing of the conference room.

## **3.4 Communications and Marketing**

### **3.4.1 Building our communication and marketing capability**

Due to the changing media habits of consumers, and as a result a massive shift in the way we connect with them, we are required to create new strategies to ensure we remain visible and relevant. This requires the addition of technical skills beyond the traditional local government world of media and comms.

Secondly as we build our customer approach we will require overarching marketing approaches that build brand equity beyond managing customer information, this is also a technical skill that we will require going forward. As a result of these changing landscapes, we are changing the structure and roles of the Communications and Marketing teams so that we can meet the changing needs of customers and as a result, the changing needs of GWRC. The new team will be known as the Customer Engagement Department, and it will be operational by 1 June 2017.

### **3.4.2 Bringing in strategic support and partners**

ELT have endorsed a programme of work to run a pan-organisation RFP to appoint preferred suppliers for our brand, engagement and comms, marketing comms and media placement requirements.

An audit of the current situation showed that we had spent around \$1.3 million on comms and marketing related activity in the last financial year. We also found that around 41 comms and marketing suppliers are registered for use. The result is a fragmented spend and little governance over customer-facing outputs.

Working with the procurement team we will set up a stakeholder group to review and finalise a set of preferred partners in this space. We will likely have between 5 and up to 8 providers in place. This project will give us an estimated 20% improvement in efficiencies. It will also enable a reinvigorated brand and market position. Best of all, GWRC-wide spend will be recognised, by this set of preferred partners and we will attract better terms and expertise.

### 3.4.3 Listening to our customers and learning about what they want/need

In an effort to be more ‘outside-in’ with our comms and marketing strategies and activities, we have commissioned research that will inform our decisions and give us a better understanding of the attitudes and beliefs of our target audiences.

The research is being undertaken by well-known societal trend anthropologists, Windshift Research. It is a mix of qualitative groups supported by quantitative field data research. It will allow us to broadly understand the following:

- New Zealanders’ perceptions of themselves, their country and their values – people’s view of their future and what they want from life.
- Expectations of governing bodies and rule-makers – are they changing?
- What social values, social myths and stories and personal beliefs are most common across New Zealand and within different groups?
- Demographic (especially ethnic and generational) and psychographic influences on social and cultural values.
- Key differences between Auckland, Wellington, Christchurch and more mono-cultural/older provincial communities.
- The effects of events on people’s values in NZ e.g. earthquakes, financial upheaval or success, migration or return to NZ from long-term travel.
- Key markers of social values e.g. heroes and influencers, media and online preferences, brands, sports and leisure activities, attitudes to governance, living styles, work attitudes, family expectations.

We will have this insight by July 2018. It will be incredible useful for much of the work we do, also as insight for the LTP process and outputs.

#### 3.4.4 Reputation enhancement via growing relevance

Work is underway on building a multi-channel external marketing and communications campaign to grow reputation, improve awareness and relevance, and enhance perceived value in GWRC. The campaign will:

- Be clear and concise on messaging.
- Have appropriate volume and channel usage to reach our desired audiences.
- Be heavy on social and digital channel and approach.
- Be consistently run over the next year for message cut-through and effectiveness.

The campaign will be supported internally for alignment and will include paid and unpaid media (PR) as well as leveraging all our owned channels (such as our websites and social media real estate).

The format will be that of a lead, hero story that speaks to an issue or current programme of work. It will not be advertising in the old-school sense of the word, as it will deal with real issues and with what our ratepayers care about. We will talk about the work programmes underway as this is what we deliver and these are the proof for our brand. The requisite facts will be supported by story-telling. We also intend to enhance the brand by utilising a more emotion-led approach in our communicating and messaging, we know that this is always a more effective way to grow engagement and meaning.

### 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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