



If calling, please ask for Democratic Services

Finance, Risk and Assurance Committee

Thursday 21 November 2024, 1.00pm

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

Quorum: Three Members

Members

Independent Chair

Martin Matthews (Chair)

Councillors

David Bassett (Deputy Chair)

Chris Kirk Burnnand

Yadana Saw

Ros Connelly

Hikitia Ropata

Simon Woolf

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

Finance, Risk and Assurance Committee

1 Purpose

Oversee, review, and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).

2 Specific responsibilities

- 2.1 Apply Council's Te Tiriti o Waitangi principles when conducting the Committee's business and making decisions.
- 2.2 Review and monitor performance under Council's Financial Strategy (adopted under section 101A of the Local Government Act 2002).
- 2.3 Review the effectiveness of Greater Wellington's financial management and performance, including proposed changes, with a particular focus on the effectiveness of Greater Wellington's:
 - a Financial management policies and frameworks for, and the robustness of, the organisation's financial performance
 - b Accounting policies and principles.
- 2.4 Review the effectiveness of Greater Wellington's risk management process, including overseeing changes to the risk management policy and approach, with a particular focus on:
 - a Providing guidance to Council on the appetite for risk
 - b Whether Greater Wellington is taking effective action to mitigate significant risks, including cyber security and climate change.
- 2.5 Review Greater Wellington's systems to manage legislative compliance (including health and safety), significant projects, and work programmes.
- 2.6 Review and monitor Greater Wellington's compliance with regulatory requirements.
- 2.7 Review Greater Wellington's health, safety and wellbeing management system to obtain assurance that the organisation is identifying and managing risks in accordance with the Health and Safety at Work Act 2015.
- 2.8 Approve the internal assurance programme, review the results of internal assurance work, and review the effectiveness of actions to address audit recommendations from Greater Wellington's internal auditors.
- 2.9 Receive, at the start of each external audit, the terms of engagement with the external auditor, including the nature and scope of the audit, timetable and fees.
- 2.10 Review any external audit reports and Greater Wellington's actions on significant issues and audit recommendations raised in these reports.
- 2.11 Review annually the appropriateness of Council's insurance.

- 2.12 Recommend to Council changes to improve the effectiveness of Greater Wellington's policies and frameworks for financial management, assurance, and risk management.
- 2.13 Review:
 - a The draft Annual Report to ensure it complies with statutory requirements and provides a sound basis for the public accountability of Council's and Greater Wellington's performance and position for each financial year
 - b Any proposed formal announcements relating to Council's financial performance.
- 2.14 Recommend the Annual Report for adoption by Council.

3 Delegations

The Committee has the authority to approve:

- a The internal assurance programme; in particular, whether Greater Wellington's approach to maintaining an effective internal control framework is sound and effective
- b Submissions to external organisations on matters pertaining directly to the Committee's purpose.

4 Members and Chair

- 4.1 Six Councillors.
- 4.2 One external member, appointed by Council, who has the necessary independence, expertise, and knowledge of local government relevant to the Committee's purpose and responsibilities.
- 4.3 Where Council appoints the external member under section 4.2, Council shall also appoint that member as the Chair.

5 Quorum

Three Committee members.

Finance, Risk and Assurance Committee

Thursday 21 November 2024, 1.00pm

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

No.	Item	Report	Page
1.	Apologies		
2.	Conflict of interest declarations		
3.	Public participation		
4.	Confirmation of the Public minutes of the Finance, Risk and Assurance Committee meeting on 10 October 2024	24.569	5
5.	Update on the progress of action items from previous Finance, Risk and Assurance Committee meetings	24.601	8
6.	Wellington Water Active Risks	24.637	15
7.	Bulk Water Internal Audit – Preparedness for Summer Water Shortage	24.636	40
8.	Tax Risk Management Policy and Plan	24.553	66
9.	Financial Policies Update	24.554	88
10.	Quarterly Finance Update – Quarter One	24.594	275
11.	Harbour Management – Risk and Compliance Update	24.579	292
12.	Health, Safety and Wellbeing Update November 2024	24.641	298
13.	Update on Climate Change and Associated Risks	24.608	304
14.	Risk and Assurance Update November 2024	24.635	327
15.	Forward Work Programme – November 2024	24.627	445
Resolution to Exclude the Public			
16.	Resolution to Exclude the Public	24.633	452
Public Excluded Business			
17.	Cyber Security Update – November 2024	PE24.600	453



Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 21 November 2024.

Report 24.569

Public minutes of the Finance, Risk and Assurance Committee meeting on 10 October 2024

Taumata Kōrero – Council Chamber, Greater Wellington Regional Council
100 Cuba Street, Te Aro, Wellington at 1.00pm

Members Present

Martin Matthews (Chair)
Councillor Bassett (Deputy Chair)
Councillor Connelly
Councillor Kirk-Burnnand
Councillor Ropata
Councillor Saw
Councillor Woolf

Karakia timatanga

The Committee Chair invited Alison Trustrum-Rainey, Group Manager Finance and Risk, to open the meeting with a karakia timatanga.

Public Business

1 Apologies

There were no apologies

2 Declarations of conflicts of interest

There were no declarations of conflicts of interest.

3 Public participation

There was no public participation.

4 Confirmation of the Public minutes of the Finance, Risk and Assurance Committee meeting on 13 August 2024 – Report 24.432

Moved: Cr Bassett / Cr Kirk-Burnnand

That the Committee confirms the Public minutes of the Finance, Risk and Assurance Committee meeting on 13 August 2024 – Report 24.432.

The motion was **carried**.

5 Confirmation of the Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 13 August 2024 – Report PE24.433

Moved: Cr Bassett / Cr Saw

That the Committee confirms the Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 13 August 2024 – Report PE24.433.

The motion was **carried**.

6 Confirmation of the Restricted Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 13 August 2024 – Report RPE24.435

Moved: Cr Kirk-Burnnand / Cr Bassett

That the Committee confirms the Restricted Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 13 August 2024 – Report RPE24.435.

The motion was **carried**.

7 Greater Wellington Regional Council 2023/24 Annual Report – Report 24.555

Tyler Dunkel, Manager Corporate Planning and Reporting, Ashwin Pai, Head of Finance, and Clint Ramoo, Audit Director, NZ Audit, spoke to the report.

Moved: Cr Bassett / Cr Kirk-Burnnand

That the Committee:

- 1 Notes that the audit is yet to be completed and that changes to the Annual Report for the year ended 30 June 2024, may be required once the audit process has been completed.
- 2 Agrees that the draft 2023/24 Annual Report (Attachments 1 and 2) provides a suitable representation of the performance of Greater Wellington for the year ended June 2024.
- 3 Recommends that Council adopts the 2023/24 Annual Report, subject to any changes required once the audit process has been completed.
- 4 Requests officers to consider how to present future annual reports to promote accessibility.

The motion was **carried**.

Noted: The Committee:

- asked officers to consider putting a statement of Greater Wellington’s purpose at the front of the report, to provide context for the narrative.
- asked officers to consider how the Annual Report can be given a higher public profile.
- Asked officers to consider:
 - for future Annual Reports, how they can be designed as digital products to increase accessibility and allow the public to navigate the document more easily, and
 - whether there are other complementary ways to provide the public with enhanced regular information about Greater Wellington’s performance.

Karakia whakamutunga

The Committee Chair invited Alison Trustrum-Rainey, Group Manager Finance and Risk, to close the meeting with a karakia whakamutunga.

The public meeting closed at 1.49pm.

M Matthews

Chair

Date:

Finance, Risk and Assurance Committee
21 November 2024
Report 24.601



For Information

UPDATE ON THE PROGRESS OF ACTION ITEMS FROM PREVIOUS FINANCE, RISK AND ASSURANCE COMMITTEE MEETINGS

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 staff, are listed in the table of action items from previous Committee meetings ([Attachment 1 – Action items from previous Finance, Risk and Assurance Committee meetings – August 2024](#)). 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 – August 2024.

Ngā kaiwaitohu

Signatories

Approver	Alison Trustrum-Rainey – Kaiwhakahaere Matua Pūtea me ngā Tūraru Group Manage Finance and Risk
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He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The action items are of an administrative nature and support the functioning of the Committee
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> Action items contribute to Council's and Greater Wellington's related strategies, policies and plans to the extent identified in Attachment 1 .
<i>Internal consultation</i> There was no internal consultation.
<i>Risks and impacts - legal / health and safety etc.</i> There are no known risks.

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
2 May 2023	<p>Finance, Risk and Assurance Committee Update – Report 23.137</p> <p>Noted:</p> <p>The Committee requested that staff report back to a future Committee meeting on the separation of swimmers from craft at Oriental Bay.</p>	<p>Status: In progress</p> <p>Comment:</p> <p>The reported incident highlights the potential consequences of this issue. We currently do not have capacity to consider possible changes to the rules in this area.</p> <p>The Harbours report refers to possible changes in this area, resulting from discussion with swimmers that while not directly addressing the issues raised should provide improved safety.</p>
13 August 2024	<p>Forward Work Programme – Report 24.313</p> <p>Noted:</p> <p>The Committee requested officers to identify deep dive opportunities in the forward work programme, with a focus on environmental issues, including wastewater.</p>	<p>Status: Closed</p> <p>Comment: An update on risk deep dives has been included within the Risk and Assurance report.</p>
13 August 2024	<p>Rates Remission update – Report 24.383 [For Information]</p> <p>Noted: The Committee asked officers to write to local territorial authorities noting Greater Wellington’s policy on rates rebates and penalties, and our expectations that the policy is applied consistently across the Region taking into account the current economic climate and pressures on ratepayers.</p>	<p>Status: Closed</p> <p>Comment: Post-meeting, officers discussed potential relationship impacts from sending a letter as discussed during the Committee meeting. Instead, officers brought the matter to the Wellington Region Rates Working Group meeting and discussed it with all the territorial authorities present.</p>

Action items from previous Finance, Risk and Assurance Committee meetings

		As a result of the meeting, Greater Wellington has now taken on the first-hand responsibility for managing remissions with ratepayers. We now have an easy online application process for ratepayers to directly request remissions. Our territorial authorities will help us share the link with ratepayers, that express issues to them in paying their rates.
13 August 2024	<p>Rates Remission update – Report 24.383 [For Information]</p> <p>Noted: The Committee requested annual reporting on the exercise of delegated authority to the Group Manager Finance and Risk regarding rates remissions.</p>	<p>Status: In progress</p> <p>Comment: We will bring the report to FRAC in August 2025. Following the end of the rating year we are able to report on the total remissions and postponements applied.</p>
13 August 2024	<p>Health, Safety and Wellbeing update – Report 24.415 [For Information]</p> <p>Noted: The Committee requested that officers provide advice on Councillor and appointed members’ health and safety legal duties and obligations.</p>	<p>Status: In progress</p> <p>Comment: This has been included in the work programme for the Committee’s February meeting.</p>
13 August 2024	<p>Risk and Assurance update August 2024 – Report 24.371</p> <p>Noted: The Committee asked officers to seek input from Committee members into developing the terms of reference for future assurance audits.</p>	<p>Status: Closed</p> <p>Comment: Shared the bulk water internal audit terms of reference with Committee members. Will also share future terms of reference with members.</p>

Action items from previous Finance, Risk and Assurance Committee meetings

13 August 2024	<p>Risk and Assurance update August 2024 – Report 24.371</p> <p>Noted: The Committee requested that Metlink officers provide information on bus safety risks for a future committee meeting.</p>	<p>Status: In progress</p> <p>Comment: We expect this action to be closed by the Committee meeting. Metlink is preparing an email to the Committee providing information on bus safety risks.</p>
10 October 2024	<p>Greater Wellington Regional Council 2023/24 Annual Report – Report 24.555</p> <p>Noted: the Committee:</p>	
	<p>asked officers to consider putting a statement of Greater Wellington’s purpose at the front of the report, to provide context for the narrative.</p>	<p>Status: Closed</p> <p>Comment: Officers considered this request and confirmed that the introductory message already included, at the front of the 2023/24 Annual Report, was sufficient for a backwards looking report. Officers are currently considering how we can bring/connect the Greater Wellington Purpose messaging from the current (2024-34) LTP into the Annual Report's online presence better.</p>
	<p>asked officers to consider how the Annual Report can be given a higher public profile.</p>	<p>Status: Closed</p> <p>Comment: This request was noted, and officers will continue to work to ensure the Annual Report has a quality public profile through our website, social media platforms, and distribution of print copies to stakeholders, libraries etc.</p>

Action items from previous Finance, Risk and Assurance Committee meetings

	<p>Asked officers to consider:</p> <ul style="list-style-type: none"> ○ for future Annual Reports, how they can be designed as digital products to increase accessibility and allow the public to navigate the document more easily, and ○ whether there are other, complementary ways to provide the public with enhanced regular information about Greater Wellington’s performance. 	<p>Status: Ongoing</p> <p>Comment: Officers will consider this through the post-adoption review of the 2023/24 Annual Report and preparation of the 2024/25 Annual Report process. An update will be provided to the Committee in the first half of 2025.</p>
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Finance, Risk and Assurance Committee
21 November 2024
Report 24.637



For Information

WELLINGTON WATER ACTIVE RISKS

Te take mō te pūrongo

Purpose

1. To provide the Greater Wellington Regional Council (Greater Wellington) Finance, Risk and Assurance Committee (the Committee) with a Wellington Water perspective on the risks facing the Council and where responsibilities lie between Council as owner of the assets and Wellington Water as the service provider.

Te horopaki

Context

2. Wellington Water's Chair Nick Leggett, Audit Committee Chair Leanne Southey and Chief Executive Pat Dougherty will be attending the meeting to present the Wellington Water active risk register ([Attachment 1](#)) to Greater Wellington.
3. Wellington Water holds an active risk dashboard which it generally provides quarterly to Greater Wellington.
4. The most recent dashboard was provided as part of a package of advice finalising Greater Wellington's 2024-34 Long-Term Plan, together with final operational and capital programmes, and level of service projections. Please refer to [Attachment 1](#) for the "Greater Wellington Regional Council Audit and Risk Committee Briefing" which includes this information.
5. The purpose of the active risk dashboard is to articulate to council co-owners the risks that Wellington Water see across the wider network, including those that are being actively managed and those that lack resourcing, and the alignment to Wellington Water overarching risks.
6. The presentation of the active risk dashboard to the Committee is to provide them with Wellington Water's perspective on the risks facing Greater Wellington, and where responsibilities lie between Greater Wellington as asset owner and Wellington Water as the service provider

Te tātaritanga Analysis

Greater Wellington has considered and is responding to risks within the active risk register

7. Greater Wellington reviewed the draft active risk register and met with Wellington Water in June 2024 to provide our perspective on these risks, before they were finalised and issued to Greater Wellington.
8. Alongside the points highlighted by Wellington Water within [Attachment 1](#), we would also like to highlight investment that Greater Wellington has been making to reduce the Region's water capacity risk exposure:
9. Greater Wellington's investment into investigating water metering identified the potential to significantly reduce consumption, which has result in territorial authorities working with Wellington Water to develop an integrated implementation plan. Wellington Water expect trials to start in 2025/26, with a full rollout in Lower Hutt and Porirua in 2027.
10. Te Marua's new dissolved air flotation system will provide an additional 42% capacity by mid-2025. This includes an additional 20 Million Litres per Day (MLD) available this coming summer, which alongside a 4% reduction in water consumption attributed to extensive leak repairs across the network, has significantly lowered the risk of a summer water shortage.
11. Greater Wellington has allocated funding for the planning and design of the new water storage lakes at Kaitoke which is due to commence in the coming months. This investment is critical to ensuring water security in the Wellington Region from 2035 and beyond.
12. Greater Wellington recently worked with Wellington Water to undertake a bulk water internal audit on preparedness for a summer water shortage, which was completed October 2024. This report is on the agenda for this meeting.
13. Risks within the active risk register have been considered and factored into the priorities for Greater Wellington's annual budget planning processes and are regularly discussed as part of our risk framework.
14. To respond to recommendations from the bulk water internal audit Greater Wellington will also establish quarterly review meetings with Wellington Water on their active risk register.

Ngā hua ahumoni Financial implications

15. There are no financial implications arising from this report.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

16. There are no implications for Māori arising from this report.

Ngā āpitihanga
Attachment

Number	Title
1	Greater Wellington Regional Council Audit and Risk Committee Briefing

Ngā kaiwaitohu
Signatories

Writer	Erin Ganley - Head of Risk and Assurance (Wellington Water) Jacob Boyes – Head of Corporate Risk & Assurance
Approver	Chris Maggs – Head of PMO Julie Knauf – Kaiwhakahaere Matua Ratonga Rangapū – Group Manager Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The Committee has specific responsibilities to review the effectiveness of Greater Wellington's identification and management of risks faced by Council and the organisation.
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> Greater Wellington makes decisions every day in order to deliver what it has committed to through the Long Term Plan. Risk management is enabling good decisions to be made that reflect a good understanding of uncertainty within the environment and tradeoffs between competing choices.
<i>Internal consultation</i> The report was prepared by Wellington Water with consultation from Greater Wellington's Risk and Assurance and PMO teams.
<i>Risks and impacts - legal / health and safety etc.</i> Several areas of risk have emerged from this work. These are described in the body of this paper and the attachment.

Attachment 1 to Report 24.637

**Greater Wellington
Regional Council
Audit and Risk
Committee Briefing**

21 November 2024



Our water, our future.

State of the Bulk Water Network – GWRC

Asset maintenance and operation

- High levels of water loss in the metro Councils networks is impacting operational resilience.
- Critical maintenance routines are compromised by the amount of water needing to be supplied due high demand all year round.
- Consequences include deferral of critical maintenance and inspections, expensive operational interventions, increased operational costs.

Earthquake

- The level of earthquake resiliency in the bulk water system is less than the

standard for ensuring water is supplied after a significant earthquake.

- A major earthquake could cause significant damage to the Waterloo Water Treatment Plant due to liquefaction. Options for improvement are limited outside of complete replacement.

Drought Resiliency

- Water supply drought resiliency is currently at 1 in 12-year level, which is not close to the required level of service at 1 in 50-years.
- Upgrade to Te Marua Water Treatment Plant will increase treatment capacity (circa

60MLD) but needs new lakes to impact on drought resilience.

Looking Forward

- More raw water storage is required to offset the upcoming reduction in permitted take.
- The Bulk Water operational bill will rise as more and more city network and private property pipes fail and leak, requiring more water to be supplied.

Regional Risk and Opportunities

- Breaches of Water Take consents will be a reality for the region unless water loss is under control.
- Water Loss – an uplift in capital investment and sustained operational investment is required to maintain the gains achieved and reduce water loss.
- An uplift in capital investment and sustained operational investment is required from the Cities to maintain the gains achieved and to prevent the Te Marua optimisation capacity (20MLD) from being eroded.
- Critical Wellington Water technology is insufficient and components at end of life which impacts the ability of the organisation to deliver *safe, reliable, compliant and affordable drinking water, stormwater and wastewater services*.
- New and more stringent regulatory standards (water services, environmental and economic) will require investment in infrastructure and Wellington Water (people, process and systems) to meet requirements.
- In a major earthquake some suburbs will be without reticulated water for up to 100 days or possibly longer.
- Water availability and the wastewater network condition could lead to a constraint on growth.

State of the City Council Networks – the reality

- Pipes, pumps and valves are failing faster than they are replaced.
- Water reservoirs are aging fast, and not at the required standard which leads to more risk of contamination and failure.
- Failing waters assets are compromising the resiliency of regionally significant infrastructure (rail, road, airport, port).
- Wastewater treatment plants are breaching resource consents and failing before fixes can be made.
- Wastewater treatment plants have to work at maximum capacity leaving no spare capacity for critical maintenance and renewals. This often leads to consent breaches while the work is being done.
- Heavy rainfall often overwhelms the stormwater system with levels of service often not met and flooding on private property.
- Water Supply - drought resilience is currently at 1 in 12-year level, which is not even close to the required level of service of 1 in 50-years. Water Meters are a key strategic intervention to reduce consumption and water loss.
- Sustained operational investment at FY24/25 levels will need to be maintained to keep number of leaks at sustainable level.

Looking Forward

- The operational bill will **rise** as more as the network deteriorates.
- Network Fault Runaway will commence where the operational capacity to fix faults will be exceeded by the failure rate leading to extended periods of water outages, sewage spills and localised flooding.
- Outages will impact large areas of the city and environment as containment of a fault is increasingly difficult.

Context – Annual Plan Advice

- Advised Council Officers through the LTP process of the maximum deliverable investment.
- Provided Level of Service projections for the LTP based on investment programme show.
- Provided risks in the context of the final LTP investment programme.
- The full LTP advice and Risk Dashboards are included below.



Three Waters Long Term Plan 2024-34: Final information pack and close-out advice

TO Julie Knauf, GM Corporate Services, Greater Wellington Regional Council; Alison Trustrum-Rainey, GM Finance and Risk, Greater Wellington Regional Council

COPIED TO Pete Wells, Manager Service Planning, Wellington Water; Jeremy McKibbin, Group Manager Network Management, Wellington Water; Chris Maggs, Kaiwhakahaere Matua Head of Programme Management Office, Greater Wellington Regional Council

FROM Fraser Clark, Acting Group Manager Network Strategy and Planning, Wellington Water

DATE 21 August 2024

ACTION For noting and discussion

Contact for telephone discussion (if required)

Name	Position		1st Contact
Fraser Clark	Acting Group Manager Network Strategy & Planning, Wellington Water	[REDACTED]	
Pete Wells	Head of Service Planning, Wellington Water	[REDACTED]	x



Purpose

1. This memo serves as final advice to Greater Wellington Regional Council (Council) on the 2024-34 Long Term Plan (LTP) investment programme. It includes:
 - a. a copy of the final 10-year LTP programme agreed and adopted by the Council
 - b. a copy of Council's final risk register
 - c. a copy of Council's final level of service projections.

Recommendations

2. WWL recommends that Council:
 - a. **Note** the final baseline 10-year LTP programmes that align to Council's confirmed funding levels following adoption of the LTP on 27th June 2024.
 - b. **Note** the risks associated with the final programme, based on investment levels as per Council's final programme.
 - c. **Note** the level of service outcomes projected to be achieved, based on investment levels as per Council's final programme.
 - d. **Note** that in line with agreed policies on transparency and information sharing, this memo will be published on Wellington Water's public website, subject to any redactions consistent with the Local Government Official Information and Meetings Act 1987, once Council has considered and made decisions regarding this advice.

Background

3. Wellington Water (WWL) has worked iteratively with Council since August 2023 to develop the LTP and provided regular updates to Council officers and Council elected members during the process.
4. On 4 June 2024, WWL advised Council on its final 2024-34 LTP operational and capital programme. In this advice, WWL also provided the draft version of level of service outcomes projected to be achieved and the risks associated with Council's LTP investment levels.
5. As part of final LTP programme advice, WWL committed to providing Council with a final advice pack with the agreed CAPEX and OPEX LTP programme, active risk register and level of service projections.



6. Wellington Water will separately provide an investment snapshot document within the next few weeks, which summarises key investment outcomes and decisions.
7. This memo provides Council with the final CAPEX and OPEX LTP programme adopted by the Council, consisting of:
 - a. final agreed CAPEX and OPEX LTP programme
 - b. a finalised active risk register
 - c. projected levels of service to be achieved.

Council's Final LTP programme

8. The Council's Long-Term Plan, adopted on 27 June 2024, used the final 2024-34 LTP operational and capital programme WWL provided to the Council on 4 June 2024.
9. The final capital programme incorporated additional corporate cost that was previously not accounted for in the draft LTP programme used in the Council consultation process.
10. Council's confirmed and adopted LTP Capex and Opex programme is attached as Appendix A.

Levels of Service projections

11. WWL levels of service projections provide historical information on the three-year trends (2021-23) in key performance metrics, along with a projection of likely future levels of service based on the delivery of the LTP investment programme.
12. On 4 June 2024, WWL provided levels of service projections based on Council consulted programme, to support Council's LTP deliberations and adoption processes. A copy of Council's projected levels of service is attached as Appendix B.

Risk associated with Council Final LTP programme investment levels

13. The active risk register provides Council with visibility of the risks WWL have identified for Council's three waters assets, based on investment levels in Council's LTP programme.
14. It provides a risk picture on the basis that the Council's proposed capital budget is close to the WWL recommended levels, with the primary exception of committed funding for construction of Pākuratahi Lakes expansion in the final three years of the LTP (2031-34).
15. In the previous LTP advice on 4 June 2024, WWL provided Council with a draft risk register and summary that was based on Council consulted LTP programme.
16. Further to WWL sharing the draft risk register, Council engaged with WWL to seek further information and clarify the descriptions for active risks represented in the draft risk register. Council's risk summary and risk register were updated following subsequent discussions between WWL and the Council.
17. An updated summary of risks associated with the confirmed LTP programme is as below:
 - a. If territorial authorities (TA) funding to address water loss is insufficient or ineffective, then there will be a risk that abstraction levels required to maintain supplies will exceed the permitted levels in the consents.



- b. Inability to consent water takes in 2035 unless there is additional water storage available to offset a reduced ability to extract water at times of low river flow. Through the Whaitua processes, GWRC will need to reduce the volume of water abstracted from catchments and increase the minimum flow levels in the rivers. Currently, design and consenting activities for the proposed Pākuratahi Lakes is included in the LTP, with funding for construction to be confirmed in future LTPs.
 - c. Increasing demand for water due to high levels of loss within the territorial authorities' networks is putting pressure on existing assets and is creating lack of headroom to allow major assets to be taken off-line to perform maintenance and critical inspections, thereby compromising asset condition (e.g, bulk water meters).
 - d. Condition of some Water Treatment Plant and Water Intake assets may lead to operational disruptions and increased operational costs if the assets fail before the currently scheduled renewals.
 - e. The full benefits of output capacity increase from Te Marua Treatment Plant optimisation will only be achieved once the pump station upgrade is completed in 2028/29. Both projects are funded in LTP. Until then, 50% of benefit realisation from delivering treatment plant optimisation by 2025, will help in reducing acute water shortage risk in the short term.
 - f. There is a risk of operational continuity in the event of a fire affecting the electrical switchboard rooms until suitable fire suppression system improvements are made. This is a low probability, high consequence risk and funding in the LTP has been re-prioritised to address this risk.
 - g. Although Water Treatment plants and discrete parts of the network are seismically resilient to a degree, overall, bulk water assets do not meet the required earthquake resiliency standard for minimising impact and ensuring provision of safe drinking water following a significant earthquake event. Further investigation is funded in LTP to establish the level of resilience of the current assets before mitigation plans are developed.
18. Council's updated and finalised risk register is attached as Appendix C. Updates to draft risks in the risk register, following discussions with the Council, is indicated in a different (blue) text colour.

Next Steps

- 19. The Final LTP programme, confirmed and adopted by the Council on 27 June 2024, will serve as the baseline LTP programme.
- 20. WWL finance and programme teams will continue to engage with the Council on finalising any impacts of FY23-24 programme close-out, where applicable. Any Council agreed carry-overs carry-backs from the FY23-24 closeout will be managed and reported as part of ongoing monthly Capex/Opex meetings between WWL and the Council.
- 21. WWL has been engaging with the Council on changes and updates that may be required to the adopted LTP programme to accommodate emerging needs. Examples of changes under consideration include annual variations to delivery schedules for a few projects within the current triennium and unwinding existing programmes to a project level to provide greater transparency.



22. WWL will seek Council's agreement and approval on changes to LTP before progressing related work. Any financial impacts resulting from approved changes will be reflected in the upcoming FY25-26 annual plan update.
23. Investment Snapshot is a one page A3 document which presents a summary of WWL investment recommendations and Council decisions. This document is currently being finalised, will be socialised and agreed separately with the Council officers.

Appendix A: Final CAPEX and OPEX Investment Programme

Uninflated Final LTP 2024-34 OPEX – GWRC

GWRC		24/25	25/26	26/27	Triennium	10 Year
Drinking Water	Monitoring & Investigations	4,022,813	5,106,313	4,567,313	13,696,439	45,380,630
	Operations	1,739,859	2,025,859	2,165,859	5,931,577	20,975,140
	Planned Maintenance	3,416,359	3,208,371	3,278,371	9,903,101	32,886,698
	Reactive Maintenance	1,270,560	1,240,560	1,240,560	3,751,680	12,435,600
	Treatment Plant	7,894,859	8,586,642	9,415,642	25,897,143	95,838,637
	Management & Advisory Services	9,185,550	9,232,100	9,338,500	27,756,150	99,549,550
Total		27,530,000	29,399,845	30,006,245	86,936,090	307,066,255

Uninflated Final LTP 2024-34 CAPEX – GWRC

	2024/25	2025/26	2026/27	Triennium	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total LTP
Council adopted Total CAPEX	104,401,566	46,964,944	32,735,723	184,102,233	62,417,647	76,141,576	81,610,696	63,937,448	66,117,602	57,186,021	49,673,782	641,187,005

Water	LGA	Project Description	FY24-25 Uninflated	FY25-26 Uninflated	FY26-27 Uninflated	Triennium Uninflated	FY27-28 Uninflated	FY28-29 Uninflated	FY29-30 Uninflated	FY30-31 Uninflated	FY31-32 Uninflated	FY32-33 Uninflated	FY33-34 Uninflated	Total LTP Uninflated
Drinking Water	Renewal	(CP) Section 03 - Cpt008 to Cpt012	679,042			679,042								679,042
Drinking Water	Renewal	(CP) Section 06 - Porirua East High Level Reservoir to Transmission Gully	679,042			679,042								679,042
Drinking Water	Renewal	(CP) Section 10 - Vlv46 Porirua Branch to CPT 018 - VJs	570,551			570,551								570,551
Drinking Water	Renewal	(CP) Section 11 - CPI001 to vlv52 CPI021	570,551			570,551								570,551
Drinking Water	Renewal	(CP) Section 12 - CPI003 to Ngauranga	679,042			679,042								679,042
Drinking Water	Renewal	Bulk water Control System Planned Renewals	614,100	621,000	621,000	1,856,100	600,000	600,000	600,000	600,000	600,000	600,000	600,000	6,056,100
Drinking Water	Renewal	Bulk Water Control Systems REACTIVE Renewals	61,410	62,100	62,100	185,610	60,000	60,000	60,000	60,000	60,000	60,000	60,000	605,610
Drinking Water	Renewal	Bulk water flow meter REACTIVE renewals	167,043	173,623	138,458	479,125	153,406	149,804	149,326	150,475	152,007	23,954		1,258,097
Drinking Water	Renewal	Bulk Water Network Renewals - Valve Replacements	191,430	190,476	152,918	534,825	170,715	150,682	149,326	150,475	152,007	23,954		1,331,984
Drinking Water	Renewal	Bulk Water Reactive Renewals	265,475	269,483	299,198	834,156								834,156
Drinking Water	Renewal	Bulk Water Reactive Valve Renewals	364,775	405,761	446,747	1,217,284	474,210	521,730	574,200	631,620	694,980	764,280	840,510	5,718,814
Drinking Water	Renewal	Bulk Water Strategic Planning Tools (5-yearly SYM update)			124,200	124,200	100,000					120,000	100,000	444,200
Drinking Water	Renewal	Consent renewal - discharge to groundwater Waterloo and Gear Is	76,763	207,000		283,763								283,763
Drinking Water	Renewal	Consent renewal - Te Marua supernatant discharge (exp 2030)							75,000	175,000	100,000			350,000
Drinking Water	Renewal	Consent renewal - Te Mome Stream ground water discharge (exp 2033)								100,000	100,000	50,000		250,000
Drinking Water	Renewal	Consent renewal - To discharge contaminants from a wheel wash facility to land where it will enter George Creek (exp. 2032)								30,000	30,000			60,000
Drinking Water	Renewal	Gear Island and Waterloo Wells Replacements - Part 2	5,373,375	8,280,000		13,653,375		13,000,000						26,653,375
Drinking Water	Renewal	Gear Island and Waterloo Wells Replacements - Part 3									2,926,310	6,186,323	10,232,262	19,344,895
Drinking Water	Renewal	George Creek No2 Bridge Urgent Replacement	81,880			81,880								81,880
Drinking Water	Renewal	GWRC Pipe Network Reactive Renewals - Drinking Water	1,023,500	1,035,000	1,035,000	3,093,500	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	10,093,500
Drinking Water	Renewal	GWRC Reservoir Leakage remediation	12,159	13,320	13,320	38,800	12,870	12,870	12,870	12,870	12,870	12,870	12,870	128,890
Drinking Water	Renewal	GWRC VHCA Reservoir Water quality Renewals	929,725	763,078		1,692,802								1,692,802
Drinking Water	Renewal	GWRC Water Network Modelling	51,175	51,750	51,750	154,675	50,000	300,000	50,000	50,000	50,000	50,000	300,000	1,004,675
Drinking Water	Renewal	GWRC Water Pump Station REACTIVE Renewals	49,650	52,257	54,306	156,214	52,470	52,470	52,470	52,470	52,470	52,470	52,470	523,504
Drinking Water	Renewal	GWRC WS Pump Station Renewals	2,605,933	4,787,248	2,509,192	9,902,373	3,946,680	7,000,290	5,580,090	5,804,070	1,496,070	2,710,650	1,680,000	38,120,223
Drinking Water	Renewal	Haywards Pumping Station flow meter replacement	821,972	4,832	1,777	828,581								828,581
Drinking Water	Renewal	Hutt Aquifer Model Update									148,500	148,500	49,500	346,500
Drinking Water	Renewal	Kingsley Main Replacement	16,153			16,153								16,153
Drinking Water	Renewal	Knights Rd Wellfield cathodic protection						50,000	450,000					500,000

Water	LGA	Project Description	FY24-25 Uninflated	FY25-26 Uninflated	FY26-27 Uninflated	Triennium Uninflated	FY27-28 Uninflated	FY28-29 Uninflated	FY29-30 Uninflated	FY30-31 Uninflated	FY31-32 Uninflated	FY32-33 Uninflated	FY33-34 Uninflated	Total LTF Uninflated
Drinking Water	Renewal	Korokoro pipe bridge replacement		220,300	440,600	660,899	1,489,950							2,150,849
Drinking Water	Renewal	OPE101306 - Wainuiomata Weir River Intake											49,500	49,500
Drinking Water	Renewal	Pinehaven AC pipeline replacement								207,900	415,800	1,455,300		2,079,000
Drinking Water	Renewal	Porirua Branch bulk main replacement			1,229,580	1,229,580	2,376,000	4,158,000	4,158,000					11,921,580
Drinking Water	Renewal	PS WS ALL - Smart Pump Performance Monitoring	104,397	105,570	105,570	315,537	102,000	102,000						519,537
Drinking Water	Renewal	Te Marua WTP - Filter Performance media renewal	4,094,000			4,094,000								4,094,000
Drinking Water	Renewal	Utilities Pressure Control Valves Renewals	151,990	161,895	169,067	482,952	172,260	180,180	189,090	198,990	208,890	219,780	230,670	1,882,812
Drinking Water	Renewal	Wainuiomata Bulk Water PS							1,429,219	2,858,438	5,002,267	5,002,267		14,292,191
Drinking Water	Renewal	Wainuiomata WTP Lime Silo Seismic Strengthening										65,000	195,000	260,000
Drinking Water	Renewal	Wellington Metro WTP Planned Renewals	3,582,250	8,487,000	9,832,500	21,901,750	12,500,000	12,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	124,401,750
Drinking Water	Renewal	Wellington Metro WTP Reactive Renewals	2,047,000	2,070,000	2,070,000	6,187,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	20,187,000
Drinking Water	Renewal	Wellington Trunk Main cathodic protection					99,000	495,000	1,485,000					2,079,000
Drinking Water	Level of service	[Package] GWRC Smart Services	307,050	310,500	310,500	928,050	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,028,050
Drinking Water	Level of service	Big Huia and Little Huia intakes seismic strengthening										440,000	880,000	1,320,000
Drinking Water	Level of service	Catchment Risk Assessment						200,000			200,000			400,000
Drinking Water	Level of service	Dam Safety Management	102,350	103,500	103,500	309,350	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,009,350
Drinking Water	Level of service	GWRC Reservoir safety Improvements	1,162,696	4,140		1,166,836								1,166,836
Drinking Water	Level of service	Hutt/Waterloo WTP Seismic Resilience											200,000	200,000
Drinking Water	Level of service	Installation of generator connection power supply plugs at pumping stations		51,233	204,930	256,163								256,163
Drinking Water	Level of service	Kaitoke Flume Bridge	4,789,400			4,789,400								4,789,400
Drinking Water	Level of service	Kaitoke main on Silverstream Bridge	23,838,150	551,350		24,389,500	42,400							24,431,900
Drinking Water	Level of service	Kaitoke Road Bridges Seismic Strengthening					1,000,000	7,000,000	18,000,000	2,750,000				28,750,000
Drinking Water	Level of service	Macaskill Lakes Dam safety	20,470	103,500		123,970								123,970
Drinking Water	Level of service	Moera Aquifer Monitoring Wells	204,700	310,500		515,200								515,200
Drinking Water	Level of service	Morton Dam Capex Maintenance											49,500	49,500
Drinking Water	Level of service	New Hutt WTP										297,000	4,950,000	5,247,000
Drinking Water	Level of service	Ngauranga Reservoir Seismic Strengthening							1,000,000	9,000,000	10,000,000			20,000,000
Drinking Water	Level of service	Orongorongo Intake Repair-Weir Crest refurbishment						99,000	495,000	297,000				891,000
Drinking Water	Level of service	Orongorongo tunnel - access, railway and rock bolting		517,500		517,500				50,000	200,000	300,000		1,067,500
Drinking Water	Level of service	Randwick Valve Chamber resilience improvement										510,000	1,020,000	1,530,000
Drinking Water	Level of service	Real-time Stream Monitoring - Kaitoke Pilot Study	8,719	1,732	8,568	19,018	1,686	8,253	1,711		8,291	1,673		40,632
Drinking Water	Level of service	Regional Fluoridation Improvement Stage 2					5,000,000	5,000,000						10,000,000
Drinking Water	Level of service	Relocation of Te Marua/Ngauranga pipeline								99,000	12,375,000	12,375,000		24,849,000
Drinking Water	Level of service	Resource Consent for Te Whanganui-a-Tara primary water takes (exp 2033-2036)								1,000,000	1,000,000	2,000,000	1,500,000	5,500,000
Drinking Water	Level of Service	Rocky Point and Ngauranga interconnection valve chambers pipe connections	2,865,800			2,865,800								2,865,800

Water	LGA	Project Description	FY24-25 Uninflated	FY25-26 Uninflated	FY26-27 Uninflated	Triennium Uninflated	FY27-28 Uninflated	FY28-29 Uninflated	FY29-30 Uninflated	FY30-31 Uninflated	FY31-32 Uninflated	FY32-33 Uninflated	FY33-34 Uninflated	Total LTF Uninflated
Drinking Water	Level of service	Smarter Bulk Water Lines Transient Loggers											250,000	250,000
Drinking Water	Level of service	Smarter Critical Bulk Water Valves					1,125,000	1,181,000	1,240,000	1,302,000	1,367,000	1,436,000	1,508,000	9,159,000
Drinking Water	Level of service	Te Marua Pump Station Capacity Upgrade			1,035,000	1,035,000	15,000,000	8,600,000						24,635,000
Drinking Water	Level of service	Te Marua WTP - Filter Performance upgrade							4,500,000	4,500,000				9,000,000
Drinking Water	Level of service	Te Marua WTP - Macaskill RW Lakes		230,546	537,941	768,488								768,488
Drinking Water	Level of service	Te Marua WTP Capacity Upgrades (ancillary improvements - PAC building and DAF structure etc.)			207,000	207,000	6,000,000							6,207,000
Drinking Water	Level of Service	Te Marua WTP Slope Stabilisation	102,350	414,000		516,350								516,350
Drinking Water	Level of service	Tunnel Grove Valve Chamber - Installation of flexible restrained couplings							207,900	415,800	1,455,300			2,079,000
Drinking Water	Level of service	Wainuiomata River Intake and Pipe Seismic Upgrades										396,000	792,000	1,188,000
Drinking Water	Level of service	Wainuiomata to Wellington Pipeline Resilience Upgrades										315,000	630,000	945,000
Drinking Water	Level of service	Wainuiomata WTP - Washplant Capacity & Quality Upgrade					99,000	297,000	9,900,000	9,900,000				20,196,000
Drinking Water	Level of service	Wainuiomata/Wellington Pipeline Waiwhetu Stream							504,900	1,009,800	3,534,300			5,049,000
Drinking Water	Level of service	Water Treatment Plant chemical storage risks/hazards			517,500	517,500								517,500
Drinking Water	Level of service	Waterloo WTP Pipework Reconfiguration	153,525			153,525								153,525
Drinking Water	Level of service	Waterloo WTP Pump Hall Ventilation Upgrade (Incl Lime Dust Mitigation)	204,700	310,500		515,200								515,200
Drinking Water	Level of service	Waterloo WTP Sodium Hypochlorite storage and dosing	5,531			5,531								5,531
Drinking Water	Level of Service	Waterloo WTP Ventilation System Upgrade (Incl. lime dust and fluoride issues)	1,535,250	517,500		2,052,750								2,052,750
Drinking Water	Level of service	Waterloo WTP Wellington Pump Redundancy	1,013,265	10,246,500	5,123,250	16,383,015								16,383,015
Drinking Water	Level of service	Wellington Regional WTP Mechanical and Electrical Seismic Upgrade		155,250	155,250	310,500								310,500
Drinking Water	Growth	Managed Aquifer Recharge for Waterloo WTP - Pilot Plant										500,000	500,000	1,000,000
Drinking Water	Growth	Plimmerton Bulk Water Pump Station											480,000	480,000
Drinking Water	Growth	Plimmerton Bulk Water Supply					390,000	2,000,000	1,800,000					4,190,000
Drinking Water	Growth	Regional Fluoride Dosing System Improvement	54,425			54,425								54,425
Drinking Water	Growth	Te Marua WTP Capacity Optimisation	41,145,300			41,145,300								41,145,300
Drinking Water	Growth	Te Marua WTP Scheme Expansion Stage 1 (Pakuratahi Lakes 1 and 2) - Pre-construction	1,023,500	5,175,000	5,175,000	11,373,500	8,000,000	8,000,000	8,000,000	50,000	159,000	160,000	159,000	35,901,500
Drinking Water	Growth	UPG25 Belmont Booster Pump						1,023,297	2,046,594	3,581,540	3,581,540			10,232,971
Drinking Water	Growth	Wainuiomata Bulk Water Supply Pipe Upgrades - Section 1									1,015,000	2,030,000	3,552,500	6,597,500
Total Capex			104,401,564	46,964,944	32,735,722	184,102,233	62,417,647	76,141,576	81,610,696	63,937,448	66,117,602	57,186,021	49,673,782	641,187,005

Appendix B: Level of Service Projections - GWRC

GWRC is a Regional Council who owns the bulk water network, and the DIA rules are written for Territorial Authorities who have numerous end customers, their ratepayers.

For our measurement purposes, note that “customers” of the GWRC network are defined as the TA’s that are served by the bulk water network. For the purposes of urgent call-outs (of which there has been one over the last three years) we have a predetermined limit in the SCADA systems when a reservoir reaches critically low levels and supply is threatened for hundreds or thousands of households, and time is taken from the time the alarm is triggered. The only such case in the past three years was the result of a faulty sensor. Non-urgent call-outs do not tend to happen.

Similarly, GWRC does not have the same levers as TAs to make changes to the water consumption, and the average drinking water consumption per resident is a factor of TA decision making and consumer behaviour.

Complaints about the bulk water network are rare, although we did receive a few complaints in 2021/22 that we attributed to the bulk water, as they related to fluoridation.

Note that water loss for GWRC is measured on GWRC’s assets (the bulk water network) and not the individual TA networks.

Water quality:

Performance Measure	Target	2020/21 Result	2021/22 Result	2022/23 Result	Forecast				
					23/24	24/25	25/26	26/27	24-34 Trend
The extent to which the local authority’s drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	Compliant	Compliant	Non-compliant	Non-compliant	Non-compliant	Compliant	Compliant	Compliant
The extent to which the local authority’s drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	Compliant	Compliant	Non-compliant	Compliant	Compliant	Compliant	Compliant	Compliant

Comments

In July 2022, Taumata Arowai (the new Drinking Water Regulator) implemented the new Drinking Water Quality Assurance Rules (DWQAR). These Rules replaced the previous New Zealand Drinking Water Standards 2018. The above measures are from the old Standards. Parts 4 & 5 do not relate to the new DWQAR. The new DWQAR have some fundamental differences to how compliance is measured compared with the old Standards, hence why 2022/23 is non-compliant.

This year saw significant changes to the rules that govern how we measure and report on the safety of drinking water, as Taumata Arowai (the national regulator for water services) replaced the previous standards with new more rigorous standards. These standards came into effect on 15 November 2022.

The water we have delivered has been safe, however, we have had instances of non-compliance with the old regulations (1 July 2022 – 14 November 2022) and an ongoing technical non-compliance with the new regulations (15 November 2022 – 1 July 2023). The reasons are set out below.

Non-compliance with old standards – Metropolitan Wellington

There was a period when we could not demonstrate that certain sensors were recalibrated or replaced within a 12-month period, meaning we were non-compliant with the regulations. When the sensors were recalibrated, it confirmed they were reading accurately, and the water was always safe to drink.

Non-compliance with new standards – Metropolitan Wellington

New rules introduced by Taumata Arowai required an increase to a value known as a ‘Ct’ that is determined from the amount of chlorine added to drinking water and the time that it must spend in contact with the water before reaching consumers. Currently, water supplied from the Waterloo Treatment Plant is not compliant for up to 800 Lower Hutt households.

Council can expect to compliance with bacteriological compliance criteria from the end of 2025 once related initiatives that will increase the contact time for chlorine with water leaving the Waterloo Water Treatment Plant are delivered.

Response times

Performance Measure	Target	2020/21 Result	2021/22 Result	2022/23 Result
Median response time to attend urgent call-outs	<=90 (mins)	39 mins	N/A No events	N/A No events
Median response time to resolve urgent call-outs	<= 8 (hours)	4 hours*	N/A No events	N/A No events
Median response time to attend non-urgent call-outs	<= 72 (hours)	N/A No events	N/A No events	N/A No events
Median response time to resolve non-urgent call-outs	<= 20 (working days)	N/A No events	N/A No events	N/A No events

* 2020/21 target for median response time to resolve urgent callouts was < 4 hours.

Forecast				
23/24	24/25	25/26	26/27	24-34 Trend
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

Comments

These are not applicable to GWRC.

Water consumption and water loss

Performance Measure	Target	2020/21 Result	2021/22 Result	2022/23 Result
The percentage of real water loss from the local authority's networked reticulation system	<= 0.25%	0.12%	0.05%	0.03%
Average consumption of drinking water per day per resident	<385L	372L	379L	398L

Forecast				
2023/24	2024/25	2025/26	2026/27	2024-34 Trend
No change				
Deteriorating	Non-compliant	Non-compliant	Non-compliant	Improving

Comments

These are not directly applicable to GWRC as they are a bulk water supplier only.

Comments in relation to average water consumption relate to the entire metropolitan region and reflect that investments to reduce leakage and manage demand will take some time to become effective.

Complaints

Performance Measure	Target	2020/21 Result	2021/22 Result	2022/23 Result
The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<=20	0	0.1	0

Forecast				
2023/24	2024/25	2025/26	2026/27	2024-34 Trend
No change				

Comments

GWRC does not have a direct customer relationship.

LTP Measures

Performance Measure	Target	2020/21 Result	2021/22 Result	2022/23 Result
Number of waterborne disease outbreaks	0	0	0	0
Number of events in the bulk water supply preventing the continuous supply of drinking water to consumers	0	0	0	0
Sufficient water is available to meet normal demand except in a drought with a severity of greater than or equal to 1 in 50 years	<2	12%	20%	6.7%

Forecast				
2023/24	2024/25	2025/26	2026/27	2024-34 Trend
0	0	0	0	0
N/A	0	0	0	0
Deteriorating	Achieve	Achieve	Achieve	Risk of Not Achieving

Comments in relation to drought level of service

- FY2023/24 - Unable to meet LoS prior to completion of the Te Marua Optimisation project and pump station upgrade
- FY2024/25 - Improvement in network performance after completion of the Te Marua Optimisation project
- FY2025/26 - Able to meet the LoS, however the increase in supply headroom achieved from the Te Marua Optimisation project will be eroded if TA water loss reduction is not funded at a sustainable level
- FY2026/27 - Able to meet the LoS, however the increase in supply headroom achieved from the Te Marua Optimisation project will be eroded if TA water loss reduction is not funded at a sustainable level
- FY2027 – 2034 - The benefit of metering to reduce demand may be insufficient to meet the LoS if TA water loss reduction is not funded at a sustainable level.
- Beyond 2034 - Supply availability will reduce following reconsenting water takes with increased low flow limits (recommended by Whaitua te Whanganui-a-Tara). Supply deficit will result in LoS failure unless the Proposed Pākuraahi Lakes are constructed in preparation for this change. Construction commencing 2030-31 is currently not funded.

Appendix C: Active Risk Register - GWRC

Note that updates in risk register below, following discussion with the Council, is shown in blue text

Risk ID	Issue	Circumstances	Overarching Risk	Overarching Risk Context
1	<p>Water demand for the metropolitan Councils is outstripping supply due to water loss in the network.</p> <p>Network water loss means water use is contrary to the principles of Te Mana o te Wai.</p>	<p>There will be pressure on the bulk water supply when complying with the resource consents to ensure we maintain security of supply.</p> <p>Consumer councils are not optimising their system in accordance with Te Mana o te Wai principles.</p> <p>Upgrades to existing supplies (Te Marua Water Treatment Plant) provide short term headroom and are reliant on securing sufficient water from respective sources to utilise the treatment capacity.</p> <p>May not be able to secure renewal of the water takes at the current volumes under the new Waitua framework.</p> <p>Funding is provided in the LTP for the concept/design and consenting stages for additional raw water storage lakes at Te Marua. Funding for the balance of the project including construction is not within the LTP and is expected to be funded in future LTPs</p> <p>Evidence supports need for the lakes to be in place by mid-2030's for water take re-consenting in anticipation that take volumes will be decreased. Delivery lead time for lakes is around 10 years.</p> <p>The mitigations for resolving water loss and reducing demand are not directly under the control of GWRC.</p>	Breaching of consents	<p>While managing/maintaining supply there is the potential for resource consent compliance and environment to be compromised.</p> <p>Due to the water loss per capita the metropolitan cities are outstripping supply. If the level of leakage were within industry standard the supply would be sufficient to meet the metropolitan area in the short term. Even after the TM optimisation upgrade project completion, there remains a longer term dry summer risk due to high demand drawing down the lakes and the potential reduction in water take volumes from re-consenting.</p> <p>WWL budgets in compliance with Metropolitan Council LTPs are insufficient to renew, maintain, operate and repair the assets to mitigate this risk.</p>
2	<p>Current demand is placing at risk the existing assets due to lack of headroom to allow major assets to be taken off-line, compromising the resilience of the bulk water supply.</p> <p>Maintenance and replacement of bulk water meters is an example of one of many issues.</p>	<p>System is being operated in a manner outside of original design intent for resiliency and redundancy due to high demand.</p> <p>System demand is impacting our ability to perform maintenance and critical inspections of infrastructure. Assets are being pushed on their operational parameters and are working harder.</p> <p>Capital projects are being stopped where they compromise headroom and the ability to provide safe drinking water.</p> <p>The mitigations for resolving water loss and reducing demand are not directly under the control of GWRC.</p>	Unplanned critical asset failure	<p>There is the potential for asset condition to be compromised as windows for maintenance shrink and is deferred.</p> <p>Compromised asset condition elevates the risk of failure increasing the potential for incurring significant unbudgeted costs when these assets fail.</p> <p>We increasingly have to operate the assets at the peak of their operational parameters to provide headroom for other plant to be taken off-line.</p> <p>Council will fail in their duty of care to provide sufficient drinking water under the Water Services Act and are vulnerable to regulatory action.</p>

Risk ID	Issue	Circumstances	Overarching Risk	Overarching Risk Context
3	Waterloo treatment plant is subject to a liquefaction in the event of high ground shaking.	<p>Ground improvement works to reduce risk and ensure continuity of water supply are not viable. Studies have found no viable option to further improve resiliency of the building due to the ground conditions.</p> <p>Longer term treatment plant replacement may be required.</p> <p>CAPEX funded project in LTP (2033/34) will look at long term options for the Waterloo treatment plant, including range of do nothing to full replacement of treatment plant. Indicative allowance for treatment plant replacement put forward but outside 10 year window but included 30 year plan.</p> <p>Contingency planning for significant earthquake damaging treatment plant to be prepared.</p>	Unplanned critical asset failure	<p>Uncertainty of the seismic resilience of the treatment systems to meet Importance Level 4 standard, which could result in interruption to supply of safe drinking water following a significant earthquake post Wellington Fault movement).</p> <p>Council fails in their duty of care to provide sufficient drinking water under the Water Services Act and are vulnerable to regulatory action.</p>
4	<p>The condition of some assets at the Water Treatment Plants and Water Intakes means that there may operational disruptions and increased operational costs if the assets fail or need investment before renewal/investment is complete.</p> <p>Waterloo Well Pumps Waterloo Treated Water Pumps Te Marua Booster Pumps Te Marua Treatment Pumps All Water Source Intakes Macaskill Lakes water quality improvements to improve source water quality.</p>	<p>There is limited redundancy in some systems. Projects to optimise capacity and performance will take time to deliver.</p> <p>The ageing assets at the Water Treatment Plants and Water Intakes poses a risk in overall performance and ability to provide water of sufficient quality and quantity to the Metropolitan area.</p> <p>Operating assets at or near that end-of-life results in an increased likelihood of breakdowns and/or service delivery failure.</p> <p>Most of the asset risks are currently scheduled to be addressed through capital investment which will take some time and are subject to funding availability.</p>	Unplanned Critical Asset Failure	<p>Asset condition has the potential to compromise the provision of safe drinking water.</p> <p>Failures of critical assets impacts the ability to provide safe and healthy water to our communities.</p> <p>GWRC needs to ensure that its obligations under Water Services Act carry through and are reflected in the long-term plan.</p>
5	Automatic fire suppression systems at Water Treatment Plant switchboards require investment to ensure continuity of operation in the case of a fire and meet good practice expectations.	<p>Fire inspections highlighted that the switchboard rooms were at risk of fire and that fire suppression systems were either not in place or not considered to be fully effective.</p> <p>Until the mitigations are fully investigated and in place there is a low probability high consequence risk.</p> <p>Undertaking thermographic analysis to monitor the risk to the switchboards until the fire suppression mitigation is in place.</p> <p>Contingency plans required until suitable suppression systems are installed.</p> <p>Contingency plans required until suitable fire suppression systems are installed.</p> <p>Funding has been re-prioritised within the LTP once to address this risk.</p>	Unplanned Critical Asset Failure	<p>Investment will need to be re-prioritised to mitigate the risk.</p> <p>Potential for Council to fail in their duty of care to provide sufficient drinking water under the Water Services Act and are vulnerable to regulatory action.</p>

Risk ID	Issue	Circumstances	Overarching Risk	Overarching Risk Context
6	Current demand is highlighting that GWRC may not be able to meet its duty of care obligations as an asset owner under the Water Services Act in the long term.	<p>Even TAs improve levels of leakage in their assets, further investment will be needed to ensure sustainable supply as per current growth forecasts in the long term to ensure that future supply is sufficient to meet demand.</p> <p>Ensure that as asset owner they have exercised their due diligence to ensure that the drinking water supplier continues to provide a sufficient quantity of water.</p> <p>Upgrades to existing supplies (Te Marua Water Treatment Plant) provide short term headroom and are reliant on securing sufficient water from respective sources to utilise the treatment capacity.</p> <p>Funding is provided in the LTP for the concept/design and consenting stages for additional raw water storage lakes at Te Marua. Funding for the balance of the project including construction is not within the LTP and is very uncertain.</p> <p>Evidence supports need for the lakes to be in place by mid-2030s for water take re-consenting in anticipation that take volumes will be decreased. Delivery lead time for lakes is around 10 years.</p>	Water supply shortage	<p>Not enough surety in the long-term investment to guarantee security of supply (source and treatment).</p> <p>GWRC do not currently meet the 1:50 year drought resilience requirement.</p> <p>GWRC needs to ensure that its obligations under Water Services Act carry through and are reflected in the long-term plan.</p>
7	Te Marua Pump Station limits the benefit/output capacity that can be achieved from the Te Marua Treatment Plant optimisation project by about 50%. Risk that the additional capacity is required due to high demand or unplanned failure at another treatment plant before the pump station upgrade is implemented.	<p>The Te Marua Pump Station capacity will limit the amount of water that the Te Marua Treatment Plant can supply.</p> <p>The Te Marua Pump Station requires an upgrade of its capacity to enable the full benefit of the Te Marua Treatment Optimisation to be realised.</p> <p>Funding availability means that capacity upgrades cannot be achieved in the next 5 years, until Pump Station upgrade project (currently scheduled to be completed in 2028/29).</p> <p>There is a risk that the increasing trend of leakage leads to the need for additional capacity from the treatment plant and or if there is a failure at another treatment plant requiring augmentation from Te Marua.</p> <p>Pump station upgrade, currently funded in the LTP to being in 2027, has been brought forward to 2024/25 to speed up the upgrade work to mitigate this risk</p>	Water supply shortage	<p>Asset capacity has the potential to compromise the provisions of safe drinking water.</p> <p>Investment may need to be re-prioritised to meet the capacity requirements.</p> <p>GWRC needs to ensure that its obligations under Water Services Act carry through and are reflected in the long-term plan.</p>
8	<p>Seismic resilience of the bulk water assets does not meet the required earthquake resiliency standard for ensuring provision of safe drinking water following a significant earthquake event.</p> <p>Mechanical and Electrical Plant Te Marua Clarifiers Macaskill Lakes structures Intake Structures Pipe network Ngauranga Reservoir</p>	<p>Some seismic resilience exists at the Water Treatment plants and in parts of the network, in certain areas, but overall, the level of earthquake resiliency is less than standard for ensuring provision of safe drinking water following a significant earthquake event.</p> <p>There is funding in the LTP for seismic upgrades to mechanical and electrical plant.</p> <p>Further investigation is funded to establish the level of resilience of the current assets.</p>	Water supply shortage	<p>Asset resiliency has the potential to compromise the provision of safe drinking water.</p> <p>Council fails in their duty of care to provide sufficient drinking water under the Water Services Act and are vulnerable to regulatory action.</p>

Risk ID	Issue	Circumstances	Overarching Risk	Overarching Risk Context
9	Waste stream at Wainuiomata Water Treatment Plant lacks redundancy and capacity. A failure of the plant, prior to completion of Washplant Capacity & Quality Upgrade in 2031/32, will impact the performance of the Water Treatment Plant and will eventually cause failure of provision of water.	<p>Waste stream is limited in its capacity to meet the outputs of waste from the Water Treatment process. This compromises the capacity of the Water Treatment plant as the water plant will shut down.</p> <p>Consents for discharge of contaminants from the waste stream are at risk of breach due to the waste stream inability to treat.</p> <p>There are no back-up systems for the waste stream with single point of failure components compromising resiliency e.g. one pump, one centrifuge.</p> <p>There is an increased need for Wainuiomata Water Treatment plant to operate all year round.</p> <p>Full upgrade of waste stream programmed for 2031/32.</p>	Water supply shortage	<p>Washplant Capacity & Quality Upgrade project may need to be delivered earlier than currently planned, to mitigate the risk.</p> <p>Council will fail in their duty of care to provide sufficient drinking water under the Water Services Act and are vulnerable to regulatory action.</p>
10	Waterloo Water Treatment Plant and Hutt City Council Water Network does not meet the new regulatory requirements for chlorine contact due to cross connections off bulk water main.	<p>Cross connections from the bulk water supply to Hutt City network were historically maintained open to boost network pressures.</p> <p>New Water Services Act Assurance Rules have increased the requirements for chlorine contact which cannot be achieved through the current configuration without closing the cross connections or significant upgrade to treatment process.</p> <p>WWL have initiated studies into the required upgrades to meet the regulation and study to confirm drinking water is safe.</p> <p>Network asset investment required by Hutt City Council, that will increase the contact time for chlorine with water leaving the Waterloo Water Treatment Plant is currently funded and scheduled to be delivered late 2025</p>	Compliance with regulations	<p>Time and investment from Hutt City Council is required to ensure that the regulations can be met.</p> <p>Risk of potential non-compliance with regulations until late 2025 until Hutt City Council network upgrades, that will increase the contact time for chlorine with water leaving the Waterloo Water Treatment Plant is delivered.</p>
11	The system is not yet able to reliably meet regulatory requirements for Fluoride due to lack of redundant systems and asset reliability.	<p>Health and Safety of the handling and storage of fluoride at sites needs to be resolved. Investment is required to meet regulatory standard and my need to be prioritised.</p> <p>Redundancy of the temporary and existing systems. Single point failure of critical components means that when maintenance is required, or an asset fails the provision of fluoride from the site ceases. Investment is required to meet regulatory standard and my need to be prioritised.</p> <p>Resilient and reliable fluoridation system is a requirement of the regulator. Investment is required to meet regulatory standard and my need to be prioritised.</p> <p>Investment is allocated in the LTP in 2024/25 – 2028/29 for improvements to the regional fluoride dosing system.</p> <p>The distribution configuration to provide fluoridated and un-fluoridated water (Petone) means that as times the regulatory requirements cannot be met. This configuration issue has the potential to impact the delivery of the regional improvements.</p>	Compliance with regulations	<p>Asset condition and resiliency has the potential to compromise the provision of fluoride.</p> <p>Council fails in their duty of care under the Health and Safety and Health Regulations and are vulnerable to regulatory action.</p> <p>Investment may need to be re-prioritised to mitigate the risk if performance does not meet regulatory requirements.</p>

**Finance, Risk and Assurance Committee
21 November 2024
Report 24.636**



For Information

BULK WATER INTERNAL AUDIT – PREPAREDNESS FOR SUMMER WATER SHORTAGE

Te take mō te pūrongo

Purpose

1. To provide the Finance, Risk and Assurance Committee (the Committee) with an update on the results of our Bulk Water Management internal audit that explored Greater Wellington Regional Council's preparedness for a future summer water shortage.

Te horopaki

Context

2. We note that the internal audit forms part of the 2024-27 assurance plan, and progress against recommendations will form part regular reporting through the Risk and Assurance update.
3. Throughout the 2023/24 summer, the Wellington Region faced the risk of a potential water shortage. Greater Wellington Regional Council (Greater Wellington), and its partners, are aware of the need to effectively manage the risk of water shortage in the lead up to the 2024/25 summer.
4. Considering this risk, Greater Wellington engaged PwC to complete an internal audit into Greater Wellington's preparedness to respond to a water shortage.
5. The Wellington Water Active Risks report (Report 24.637) is also being presented to the Committee by Wellington Water on the 21 November 2024. We note that the internal audit undertaken by PwC has links to the management of several risks raised in that report.
6. The scope of this internal audit was focussed on the clarity of bulk water operational oversight roles and responsibilities by both Greater Wellington and Wellington Water, and how both parties maintain oversight of the bulk water risk profile. The scope did not include assessing the risk of whether there would be a bulk water shortage during the 2024/25 summer nor look at the regulatory role other than that as it pertained to the context for managing water supply.

Te tātaritanga Analysis

7. Please refer to [Attachment 1](#) for a copy of the completed bulk water internal audit.
8. Key observations include:
 - a Bulk water roles and responsibilities are defined and understood by key Greater Wellington and Wellington Water personnel. However, there would be benefit in elaborating how these responsibilities practically come to life to manage the natural complexity of Greater Wellington, Wellington Water and territorial authorities' roles in managing and regulating Wellington's bulk water.
 - b There is no consistent definition of "water shortage" across all stakeholders. Whilst this is not creating a material impact to how Greater Wellington, Wellington Water and territorial authorities consider and manage water shortage risk, given Greater Wellington and Wellington Water approaches are based on a risk appetite of "no interruptions to continual water supply", there would be benefit in aligning the described and documented definitions of "water shortage".
 - c Greater Wellington leverages a range of Wellington Water interactions and relationships, information and reporting to maintain oversight of Wellington Water's approach to identify, assess and manage bulk water shortage risk. However, opportunities are available to review assumptions within Wellington Water's bulk water shortage risk model to ensure alignment with Greater Wellington's risk appetite and to consider how key territorial authorities can further inform the risk profile.
 - d Greater Wellington's dual role as both an environmental regulatory body for water takes, and an operational bulk water supplier, has natural inherent conflicts. In practice, this remains front of mind for Greater Wellington and is being managed by an appropriate approach as described by its staff. However, the approach to how this conflict is managed has not been formally documented.
 - e Greater Wellington and other key stakeholders can describe the key lessons learned from the 2023/24 summer water shortage, and how these lessons are being considered as part of bulk water management planning leading into the 2024/25 summer. However, these lessons learned have not been documented or tracked to confirm they are appropriately addressed.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

9. There are no implications for Māori arising from this report.

Ngā āpitihanga
Attachments

Number	Title
1	Bulk water management internal audit report

Ngā kaiwaitohu
Signatories

Writers	Jacob Boyes – Head of Corporate Risk & Assurance Vaughan Harrison – PwC Partner (Risk Services)
Approvers	Ali Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager, Finance and Risk Julie Knauf – Kaiwhakahaere Matua Ratonga Rangapū – Group Manager Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>The Committee has specific responsibilities to:</p> <ul style="list-style-type: none"> • review the effectiveness of Greater Wellington's identification and management of risks faced by Council and the organisation; and to • approve an internal audit plan.
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>Greater Wellington makes decisions every day in order to deliver what it has committed to through the Long Term Plan.</p> <p>Risk management is enabling good decisions to be made that reflect a good understanding of uncertainty within the environment and tradeoffs between competing choices.</p> <p>Internal audit / assurance reviews the effectiveness of Greater Wellington's internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long-Term Plan and Annual Plans.</p> <p>Internal audit also supports the risk management framework.</p>
<p><i>Internal consultation</i></p> <p>We consulted with Wellington Water , PwC, risk leads and subject matter experts in finalising the internal audit report.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Several areas of risk have emerged from this work. These are described in the body of this paper.</p> <p>Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.</p> <p>We also note that this audit has links to our management of risk in relation to Wellington Water's active risk register (paper 24.637).</p>

Greater Wellington Regional Council

Bulk water management internal audit report

November 2024



Jacob Boyes
Head of Corporate Risk and Assurance
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington, 6011

13 November 2024

Bulk water management internal audit report

Dear Jacob,

In accordance with our Terms of Reference dated 9 September 2024, we have completed our internal audit of Greater Wellington Regional Council (GW) bulk water management practices.

Our internal audit was performed per our agreed scope and described in Appendix 2, and is based on our fieldwork performed during September and October 2024.

I would like to take this opportunity to acknowledge and thank the GW and Wellington Water personnel for the time and contributions they have made to enable us to perform this engagement.

Please feel free to contact me on 027 511 6563 if you have any questions or require any further information.

Yours sincerely



Vaughan Harrison
Partner
PricewaterhouseCoopers
E: vaughan.x.harrison@pwc.com

Attachment 1 to Report 24.636



Inherent Limitations

This assignment does not constitute a review, audit, assurance engagement or agreed upon procedures as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.



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1

Executive summary



Executive summary

Introduction

The Greater Wellington region's bulk water assets are owned and insured by Greater Wellington Regional Council (GW). This means GW has specific accountabilities to manage the bulk water supply network across the Greater Wellington region. These assets are maintained through a Service Level Agreement by Wellington Water Limited (WWL) on GW's behalf. GW however remains ultimately accountable for issuing consents, and the oversight and management of bulk water assets including a number of large water catchments, water treatment plants, pumping stations and distribution pipelines.

In the summer of 2023/24, the Greater Wellington region faced the risk of a potential water shortage, and GW are aware of the need to manage inherent water shortage risks leading into and throughout the 2024/25 summer. In light of this risk GW engaged PwC to complete an internal audit into GW's preparedness to respond to a water shortage.

Our internal audit focused on assessing:

1. GW and WWL's bulk water management accountabilities and roles and responsibilities, and their clarity, completeness and effectiveness
2. GW's and WWL's preparedness to anticipate and respond to a potential water shortage in the 2024/25 summer, by assessing GW's and WWL's approach to define "water shortage" risk, identify and assess bulk water shortage risks, identify current controls in place and gaps, and how lessons learned from the 2023/24 summer have been considered and addressed.

The scope of this internal audit was focussed on the clarity of bulk water roles and responsibilities by both GW and WWL, and how both parties maintain oversight of the bulk water risk profile. Our scope did not include assessing the risk of whether there would be a bulk water shortage during the 2024/25 summer.

Refer to Appendix 2 for our agreed detailed scope and exclusions, and assessment approach.

PwC | Greater Wellington Regional Council – Bulk water management internal audit

Key messages

Bulk water roles and responsibilities are defined and understood by key GW and WWL personnel. There would however be benefit to elaborating how these responsibilities practically come to life to manage the natural complexity of GW, WWL and TA roles in managing and regulating Wellington's bulk water.

There is no consistent definition of "water shortage" across all stakeholders. Whilst this it not creating a material impact to how GW and WWL consider and manage water shortage risk given GW and WWL approaches are based on a risk appetite of "no interruptions to continual water supply", there would be benefit to aligning the described and documented definitions of "water shortage".

GW leverage a range of WWL interactions and relationships, information and reporting to maintain oversight of WWL's approach to identify, assess and manage bulk water shortage risk. Opportunities are however available to review the alignment of WWL's bulk water shortage risk model assumptions to GW's water shortage risk appetite, and consider how key TA water supply activities can further inform the risk profile.

GW's dual role as both an environmental regulatory body for water takes and an operational bulk water supplier has natural inherent conflicts. In practice, this remains front of mind and is being managed by an appropriate approach described by GW staff. However, the approach to how this conflict is managed has not been formally documented.

GW and other key stakeholders can describe the key lessons learned from the 2023/24 summer, and how these are being considered as part of bulk water management planning leading into the 2024/25 summer. However, these lessons learnt have not been documented or tracked to confirm they are appropriately addressed.

Refer to Appendix 1 which provides an assessment of each scope area, and associated strengths observed and a summary of the detailed findings described further in Section 2.

Executive summary

Summary of findings

Our report has four findings rated “Some Concerns”. Our detailed findings and recommendations are provided in Section 2.

- 1

Bulk water roles and responsibilities are defined and understood, but should clarify how these practically come to life in managing and regulating Wellington’s bulk water



- 2

There are opportunities to further enhance GW’s oversight of WWL’s approach to identify, assess and manage bulk water shortage risk



- 3

2023/24 water shortage lessons learned have been considered, however these have not been formally documented to determine how well these lessons have been addressed



- 4

There is no explicit definition of “water shortage” across all stakeholders



Key (refer Appendix 3 for definitions)

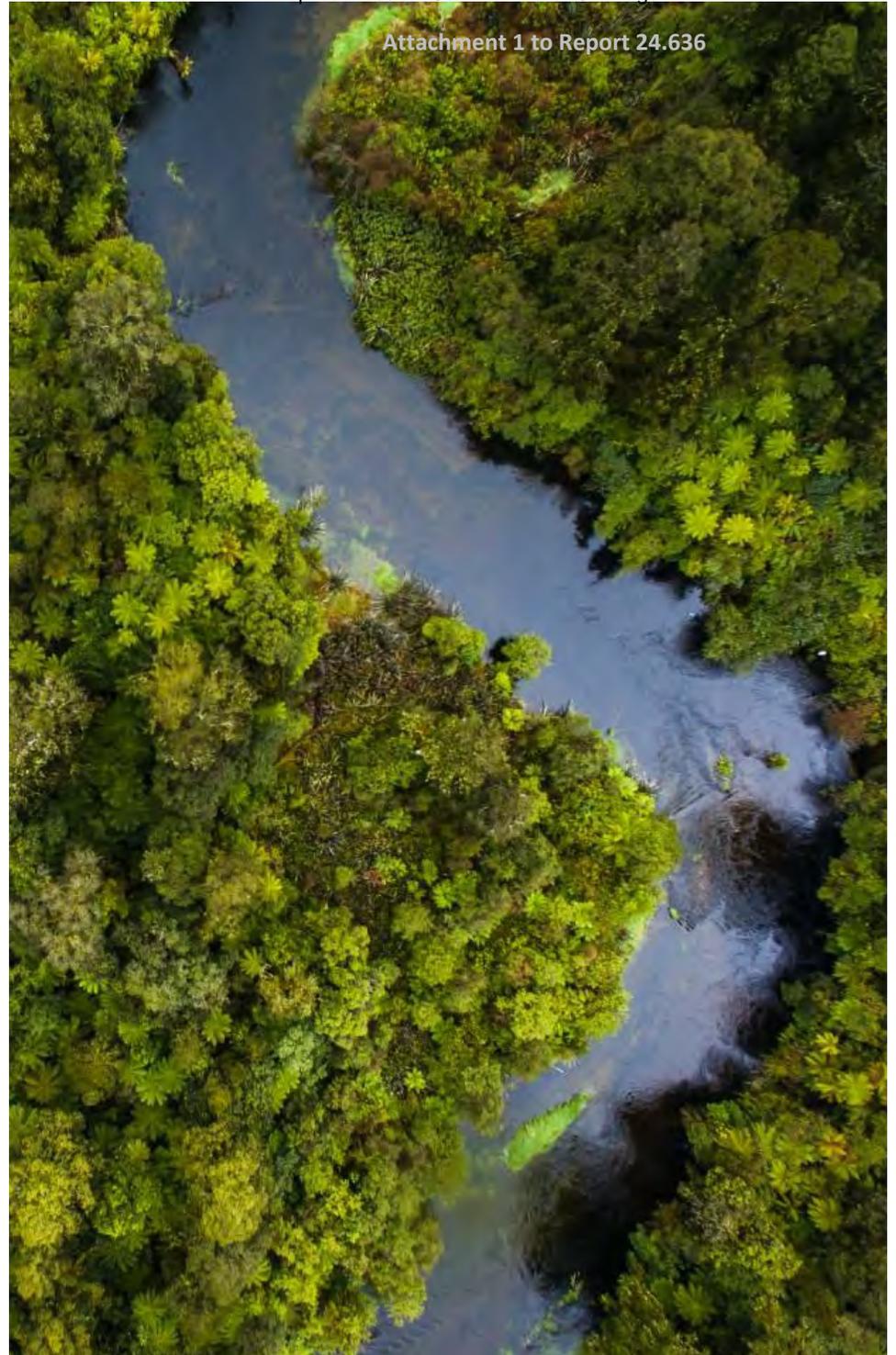
-  Extremely concerned
-  Very concerned
-  Some concerns
-  No concerns

Overall management comment

We agree with PWC that overall both Greater Wellington and Wellington Water have a good understanding of role and responsibilities and we will build on this foundations through the implementation of the recommendations.

2

Detailed findings & recommendations



Finding 1: Bulk water roles and responsibilities are defined and understood, but should clarify how these practically come to life in managing and regulating Wellington's bulk water

What did we observe?

The roles and responsibilities for water supply including bulk water management between GW, WWL, and TAs are generally well-defined and understood as they are anchored to the definitions provided under the Water Service Act 2021 (WSA). GW are considered both a drinking water supplier (s8) and owner who has control of the drinking water supply (s12), and per the GW and WWL Service Level Agreement (SLA), WWL are an operator of the drinking water supply and are trusted to maintain and manage GW's bulk water assets on GW's behalf. Interviewees have emphasised that the working relationship between WWL and GW has improved following the 2023/24 water shortage due to greater collaboration and engagement.

TAs are asset owners of their water networks and have clearly defined roles under the WSA and SLAs. As a general observation, whilst we understand GW is ultimately accountable for supplying safe drinking water to the Wellington region, in practice because GW do not own the water networks they cannot ultimately exercise this accountability to control the water networks and are instead reliant on collaboration with WWL and TAs to deliver the best water supply outcomes for the region.

Whilst the SLAs between GW, WWL and TAs provide a useful roles and responsibilities foundation and is understood by both GW and WWL, there are specific areas where there would be benefit to describing how these responsibilities practically come to life:

- There is a crossover between GW's accountability for bulk water supply, and TAs' ownership of water networks and their associated responsibilities to manage water network leaks and impose TA-initiated water use restrictions. With no single organisation with the ability to exercise ultimate accountability and control of the Wellington regional bulk water supply, the management of this overlap in responsibilities is approached through collaboration-based relationships which interviewees noted can create a complex decision-making environment. Whilst GW and WWL understand their associated roles and responsibilities, there would be benefit to defining and documenting, via a RACI (Responsible, Accountable, Consulted and Informed) framework, how these crossover responsibilities between GW, WWL and TAs practically come to life. This RACI would also be a useful enabler to help inform the design and ways of working for any future entity responsible for the Wellington region's bulk water supply
- A common theme across interviewees was there were some challenges to practically implementing the roles and responsibilities in declaring a water emergency and managing the 2023/24 water emergency. For example the decision to breach consents and the reliance on Taumata Arowai to declare a water emergency took longer than necessary and caused delays in the responses to address the water shortage. Refer to finding three for further related 'lessons learned' details
- GW's dual role as both an environmental regulator of bulk water takes and an operational bulk water supplier has known, natural inherent conflicts. If not managed these inherent conflicts could create perceptions GW does not adequately regulate its bulk water supplier operational role. In practice GW's environmental regulatory team directly communicate any environmental regulatory concern and action to WWL. Whilst the personnel interviewed could describe how their respective roles and responsibilities manage this inherent conflict, we note they have not been formally documented to create an enduring definition of how the inherent conflict of GW's bulk water environmental regulatory and supplier operational roles are managed

Finding 1: Bulk water roles and responsibilities are defined and understood, but should clarify how these practically come to life in managing and regulating Wellington’s bulk water

Risk and impacts

Further elaborating how key bulk water responsibilities practically come to life across GW, WWL and TAs provides an opportunity to help further navigate a complex decision making environment, and support timely and aligned bulk water decisions.

Risk rating: Some concerns

Recommendation

- Leveraging a RACI framework, draft and document how key responsibilities ‘shared’ across GW, TA’s and WWL practically come to life. This should also reflect processes for information sharing, escalation pathways, conflict management (e.g. handling breaches), and decision-making authority during emergency situations to reduce reliance on individual mediation
- Formally document the responsibilities of GW’s environmental regulatory and bulk water oversight teams, including how these roles and responsibilities manage the actual and perceived conflict of interest risks inherent to having a regulatory and an operational role in the same organisation.

Management comment

We agree with PWC that we have a good understanding of roles and responsibilities during BAU but can improve this understanding for emergency situations.

We think a RACI and documentation of these responsibilities could be useful but would require the involvement of the other shareholding councils to complete this. GW will raise this with our WWL CCR partners to test their support to develop this documentation as part of the forward work programme of the CCR forum.

Finding 2: There are opportunities to further enhance GW's oversight of WWL's approach to identify, assess and manage bulk water shortage risk

What did we observe?

GW uses several oversight and monitoring approaches to maintain awareness of, and confidence in, WWL's approach to managing bulk water shortage risk:

- Regular meetings with WWL across a number of forums such as the monthly Major Project meetings, quarterly performance meeting and the WWL/Combined Council Shareholder forum
- GW participated in WWL operational risk workshops and receive regular operational reports. WWL's bulk water risk register, and associated mitigations, is also shared with GW's Finance, Risk and Audit Committee (FRAC) and Long Term Plan (LTP) Committee
- Monthly bulk water project reporting updates, such as the Te Marua upgrade, highlight key delivery risks such as completion targets, budget and areas of concerns
- WWL provides the GW Group Manager Corporate Services regular operational reporting, e.g. routine maintenance, equipment upgrades, plant and treatment upgrade (e.g. the Te Marua filter project and installation of new dosing pumps and monitoring equipment to enhance water treatment capabilities), and operational adjustments
- WWL provide GW periodic bulk water shortage risk forecast modelling outputs which incorporate historical and current demand and use water use predictions and climate data provided by NIWA. We understand WWL's model has been peer-reviewed out of Australia
- Asset maintenance plans are used to determine funding within LTPs
- An annual legal compliance survey conducted by GW (with aspects completed by WWL) against specific bulk water obligations under the Water Services Act, Local Government Act and Resource Management Act and how these are being met.

These approaches are helping GW maintain oversight to how WWL identify, assess, control and mitigate bulk water shortage risk. However, opportunities exist to review and confirm the assumptions applied to WWL's bulk water shortage risk model align to GW's risk appetite, and consider how GW can develop greater visibility of key TA water supply activities and how these can inform the bulk water risk profile:

- WWL's bulk water shortage risk model assumptions are documented and have been peer-reviewed, however GW has not considered whether these assumptions are aligned to GW's water shortage risk appetite. For example, WWL's current modelling and reporting does not include WWL's forecast delivery of the leak repair backlog (which if included would decrease/improve the risk profile), or deferrals in the leak backlog (which if included would increase the risk profile)
- Whilst project reporting provides visibility of the delivery of individual bulk water projects and associated risks, there is no overall aggregated risk reporting to determine whether individual project risks are presenting a greater cumulative risk to bulk water supply projects. This commentary would provide additional insight and risk information to determine if any broader actions beyond individual project mitigations are required
- As noted in finding one, GW and WWL highlighted a lack of visibility, control and direct influence over water shortage risks outside of GW's direct control, particularly in areas managed by TAs. For example, the current state and progress to improve leaks within the water distribution network and any deferrals, consumer consumption habits, and restriction levels for each TA. We note the current roles and responsibilities require a collaboration-based approach to understand TA's water shortage risks, and in finding one we have described an approach for GW, WWL and TA to define and agree how these responsibilities can practically come to life to develop greater visibility of TA-related supply and bulk water risks.

Finding 2: There are opportunities to further enhance GW's oversight of WWL's approach to identify, assess and manage bulk water shortage risk

Risk and impacts

- All bulk water projects have a role to play in managing the water shortage risk profile, and without a view of common challenges or the cumulative impact of individual project risks, there is a potential missed opportunity to identify responses to manage any cumulative or common risks
- By not having a complete view of WWL's water shortage risk modelling assumptions, there is a risk GW do not fully understand the variables used to model bulk water shortage risk, and whether these assumptions are aligned to GW's bulk water shortage risk appetite
- Developing greater visibility into TA-related water supply risks would further enhance GW's and WWL's understanding of the bulk water shortage risk profile.

Risk rating: Some concerns

Recommendation

- Ahead of the 2024/25 summer, work with WWL to gain a greater understanding of the water shortage risk model assumptions and scenarios, and determine whether these align with GW's risk appetite and reflect all known scenarios GW want considered
- Develop and implement an aggregated risk register for bulk water projects and initiatives that is maintained, monitored and used for reporting on an ongoing basis. This should be practicable and focused on common risks and issues identified across bulk water projects.

Also, refer to finding one which describes the approach to defining how existing GW, WWL and TA roles and responsibilities can practically come to life, and include considerations on how to develop greater visibility of water shortage risks and mitigations owned by TAs.

Management comment

We will engage with our internal science teams to revisit our understanding of WWLs water shortage models and the underlying assumptions and explore whether we understand them sufficiently or if improvements are needed. We will work with Wellington Water to agree the appropriate forum for a quarterly review of their active risk register. We will also to consider how our existing risk framework captures and manages these risks and whether improvements are required.

Finding 3: 2023/24 water shortage lessons learned have been considered, however these have not been formally documented to determine how well these lessons have been addressed

What did we observe?

Through interviews with both GW and WWL personnel, we understand lessons learned from the 2023/24 summer water shortage have been considered and have also been used to accelerate projects, for example the Te Maura upgrade will increase bulk water storage capacity and is designed to be a key water shortage risk mitigation. Key lessons learned and shared with us include:

- Efforts to secure funding to build additional storage lakes was required to increase bulk water capacity
- The influence and use of media and public communication to conserve water
- Greater collaboration was required between GW and WWL throughout the year, and leading into and during the 2023/24 water shortage, with interviewees noting the subsequent improvement in the overall relationship and ways of working.

Whilst interviewees could describe lessons learned and summary actions taken to address these, there is limited documented evidence of these lessons learned, and therefore ability for GW and ourselves to independently confirm appropriate actions have been established ahead of the 2024/25 summer. The 2023/24 water shortage risk was a major event for GW, WWL and TA's and therefore there would be benefit to formally capturing the lessons learned and actions taken given the number of stakeholders focused on managing the 2024/25 bulk water shortage risk.

Risk and impacts

Without formally capturing 2023/24 water shortage lessons learned and actions to address these, there is a missed opportunity to share these with water shortage stakeholders to seek their feedback, input and importantly confirmation as to how GW and WWL will manage 2024/25 water shortage risks.

Risk rating: Some concern

Recommendation

Work with WWL to prepare a summary of lessons learned, actions taken and remaining actions, and share with key stakeholders. This will provide an opportunity to communicate and seek, directly or indirectly, approval and confidence in the additional approaches in place to manage the 2024/25 water shortage risk, and provide stakeholders clarity on remaining actions.

Management comment

We agree and will request that Wellington Water provide a lessons learned report annually.

Finding 4: There is no consistent definition of “water shortage” across all stakeholders

What did we observe?

There is a nuanced and multi-faceted understanding of “water shortage” within various contexts and documents related to bulk water supply and management. Under the Water Services Act a supplier is required to provide a sufficient quantity of drinking water (s25), with sufficient defined as “sufficient to support the ordinary drinking water and sanitary need of consumers at the point of supply”. Therefore in this context, a water shortage is understood to occur when a sufficient quantity cannot be provided.

Despite the frequent use of the term “water shortage” in discussion and documents, and a collective understanding that there is as serious risk of a drinking water shortage that needs to be addressed, there is no explicit definition or collective agreement on its meaning. The following examples highlight these different terms and context of which they were used.

- When discussing the forecast model produced by WWL a water shortage was described as occurring when demand surpasses supply
- Wellington Water’s 2024 Drought Management Plan, a publicly available document and is used as the key reference point for stakeholders, outlines that a “water supply drought” can lead to an acute water shortage. The Plan states that high demand during a drought reduces supply headroom, increasing the likelihood of minor operational issues causing a severe water shortage, therefore implying that a water shortage occurs when the supply headroom is exhausted
- In the context of water restriction levels, the term “shortfall” describes a situation where no water is available for supply, which would necessitate the decontamination of water storage facilities and the network. This implies that a water shortage occurs before the supply is entirely depleted.

Risk and impacts

- Different uses of the term water shortage and other concepts may reflect different understandings of what a water shortage means, this could prevent the risk of a water shortage being appropriately addressed by each stakeholder at the necessary time
- Varying definitions can affect public understanding and compliance, as mixed messages about water shortages may lead to reduced adherence to water-saving measures and a lack of seriousness about the issue.

Risk Rating: Some concerns

Recommendation

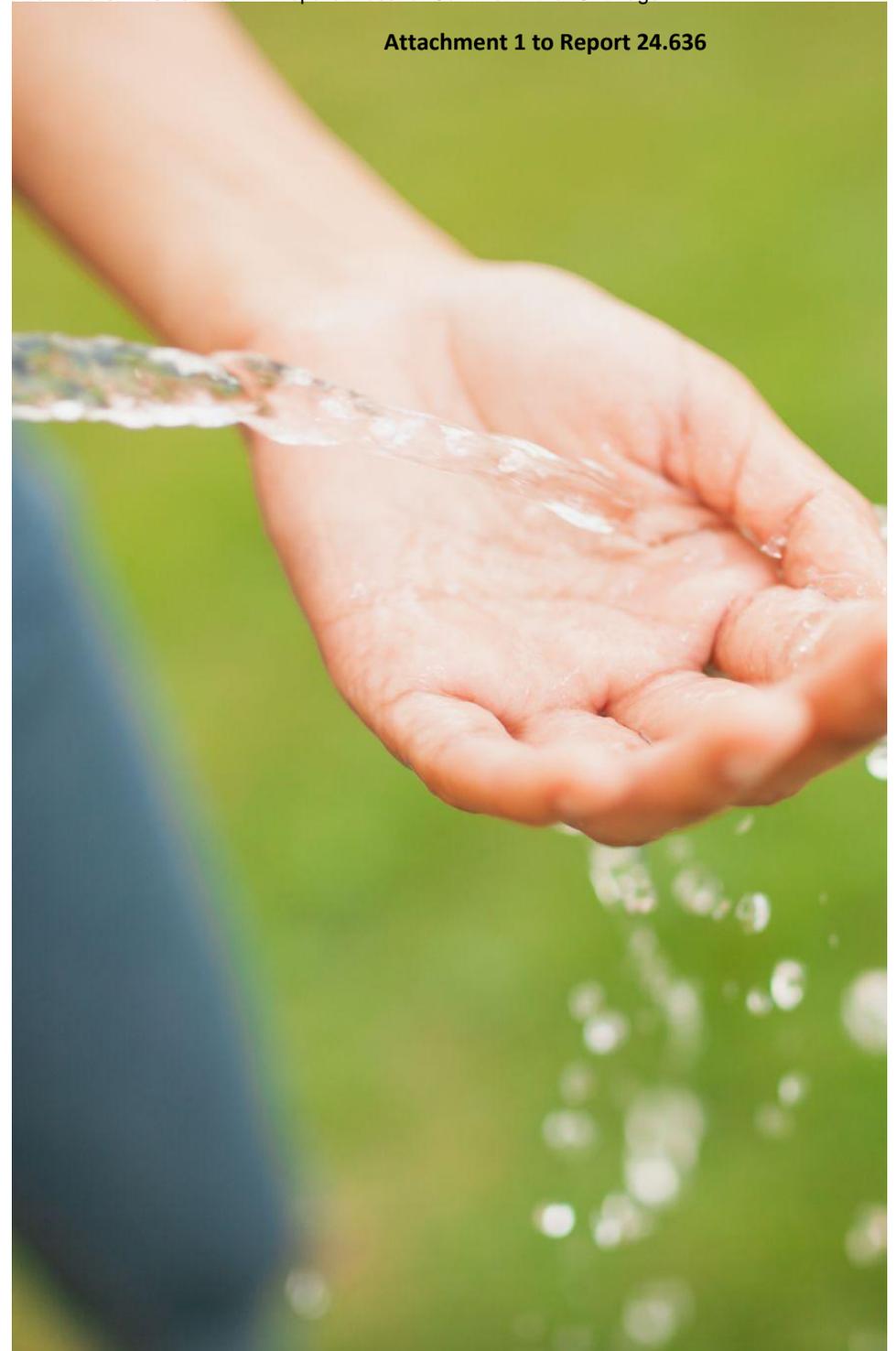
Clearly define the term “water shortage” so that there is a collective understanding of the stage at which a water shortage has or will occur to minimise any uncertainty about when escalation and / or when use of certain powers is required.

Management comment

Agreed. We will work WWL and our CCR partners to agree an approach to achieve a consistent definition of water shortage.

3

Appendices



Appendix 1: Summary of scope, strengths and observations

1. GW and WWL’s bulk water management accountabilities and roles and responsibilities, and their clarity, completeness and effectiveness

Our scope	Strengths observed	Summary findings
<p>a. Assess how GW have understood and defined their bulk water supply accountabilities, and the clarity and completeness of the associated GW, WWL and Territorial Authority (TA) roles and responsibilities designed to deliver to GWs accountabilities, i.e. are the bulk water management accountabilities, roles and responsibilities to managing bulk water shortage risks defined, complete and understood across GW and WWL?</p>	<p>Our summary assessment: Bulk water roles and responsibilities are defined and understood by key GW and WWL personnel. There would however be benefit to elaborating how these responsibilities practically come to life to manage the natural complexity of GW, WWL and TA roles in managing and regulating Wellington’s bulk water.</p> <ul style="list-style-type: none"> • GW, WWL and TA supply water roles and responsibilities are formally defined and set out in the Water Services Act and Service Level Agreements • The personnel interviewed could describe their role and responsibilities, and those of other organisations with no misalignment • Interviewees emphasised the working relationship between WWL and GW, which is important to help enable bulk water responsibilities, has improved following the 2023/24 water shortage due to greater collaboration and engagement. 	<p>GW is ultimately accountable for supplying safe drinking water to the Wellington region, however in practice because GW does not own the water networks they cannot fully exercise this accountability and control and are instead reliant on a collaboration-based approach with WWL and TAs to deliver the best bulk water outcomes for the Wellington region. Interviewees noted this can create a complex decision-making environment. Whilst GW, WWL and TA roles and responsibilities are defined, there would be benefit in articulating how these responsibilities practically come to life to further help and support GW, WWL and TAs to navigate their collective and individual water shortage risk responsibilities.</p> <p>GW personnel can clearly describe their responsibilities to manage risks associated with being both the environmental regulator of bulk water takes and bulk water operator, however there would be benefit to formally documenting these to create an enduring formal expectation of how GW roles and responsibilities should continue to manage this inherent conflict of interest risk.</p>

Appendix 1: Summary of scope, strengths and observations

1. GW and WWL’s bulk water management accountabilities and roles and responsibilities, and their clarity, completeness and effectiveness (continued)

Our scope	Strengths observed	Summary findings
<p>b. Assess the approach used by GW to monitor WWLs delivery of agreed bulk water shortage risk roles and responsibilities, i.e.:</p> <p>i. Does the approach used by GW to develop confidence in WWL’s approach to identifying, assessing, controlling and mitigating bulk water shortage risk provide GW a clear and complete view of the management of bulk water supply risk?</p>	<p>Our summary assessment: GW leverage a range of WWL interactions and relationships, information and reporting to maintain oversight of WWL’s approach to identify, assess and manage bulk water shortage risk. Opportunities are available to review the alignment of WWL’s bulk water shortage risk model assumptions to GW’s water shortage risk appetite, and consider how key TA bulk water activities can further inform the risk profile.</p> <p>GW maintains regular oversight of the bulk water supply risk via:</p> <ul style="list-style-type: none"> • Regular meetings with WWL • WWL bulk water risk information is regularly presented to GW • Bulk water project reports • Regular operational reporting • Periodic WWL forecast modelling • Asset management plans • Annual legal compliance survey. 	<p>While the assumptions for WWL’s water shortage risk model are documented and have been peer-reviewed, GW has not considered whether these assumptions are aligned to GW’s water shortage risk appetite.</p> <p>Whilst project reporting provides visibility of the delivery of individual bulk water projects and associated risks, there is no overall aggregated risk reporting to determine whether individual project risks are presenting a greater cumulative risk to bulk water supply projects. This commentary would provide additional insight and risk information to determine if any broader actions beyond individual project mitigations are required.</p>
<p>ii. How have GW considered any inherent conflicts of interest across their bulk water management roles and are the approaches to manage these risks appropriate?</p>	<p>Our summary assessment: GW’s dual role as both a environmental regulatory body and an operational bulk water supplier has natural inherent conflicts. In practice, this remains front of mind and is being managed by an appropriate approach described by GW staff. However, the approach to how this conflict is managed have not been formally documented.</p> <p>In practice GW’s environmental regulator of bulk water takes directly communicates any regulatory concern and action to WWL, who would then work with GW’s bulk water oversight personnel to respond.</p>	<p>GW personnel can clearly describe their responsibilities to manage risks associated with being both the environmental regulator of bulk water takes and operator. However, there would be benefit to formally documenting these to create an enduring formal expectation of how GW roles and responsibilities should continue manage this inherent conflict of interest risk.</p>

Appendix 1: Summary of scope, strengths and observations

1. GW and WWL’s bulk water management accountabilities and roles and responsibilities, and their clarity, completeness and effectiveness (continued)

Our scope	Strengths observed	Summary findings
<p>b. Assess the approach used by GW to monitor WWLs delivery of agreed bulk water shortage risk roles and responsibilities, i.e.:</p> <p>iii. Are there any common or differing perspectives, including both strengths and challenges, between GW and WWL on how GW’s oversight of WWL is managed?</p>	<p>Our summary assessment: All personnel interviewed reflected the good relationship that currently exists between GW and WWL, the strengths in place and opportunities for improvement.</p> <p>Personnel consistently reflected the working relationship between WWL and GW has improved since the 2023/24 summer due to greater collaboration and engagement.</p> <p>GW bulk water oversight personnel and WWL operate a no surprises approach to their relationship. This works to help keep both organisations informed of and kept up to date with any issues as they arise.</p>	<p>N/A</p>

Appendix 1: Summary of scope, strengths and observations

2. Water shortage risk management and preparedness

Our scope	Strengths observed	Summary findings
<p>Understand GW's and WWL's preparedness to anticipate and respond effectively to a potential water shortage in the 2024/25 summer. This focused on assessing the approach to develop the plan to:</p>	<p>Our summary assessment: There is no consistent definition of “water shortage” across all stakeholders. Whilst this it not creating a material impact to how GW and WWL consider and manage water shortage risk given GW and WWL approaches are based on a risk appetite of “no interruptions to continual water supply”, there would be benefit to aligning the described and documented definitions of “water shortage”</p>	<p>Despite the frequent use of the term “water shortage” in discussions and documents, and a collective understanding of the seriousness of a drinking water shortage, there is no common definition of “water shortage”.</p>
<p>a. Identify how a “water shortage” has been defined and how this is aligned to the Council’s risk appetite</p>	<p>N/A</p>	
<p>b. Identify and assess the bulk shortage risks</p>	<p>Refer 1a</p>	
<p>c. Identify the current controls in place (and confidence in their operation), control gaps, and planned additional mitigations (including confidence in the ability to design, deliver and operate these mitigations) to increase the resilience of bulk water supply e.g. Te Marua Upgrade project</p>		

Appendix 1: Summary of scope, strengths and observations

2. Water shortage risk management and preparedness

Our scope	Strengths observed	Summary findings
<p>Understand GW's and WWL's preparedness to anticipate and respond effectively to a potential water shortage in the 2024/25 summer. This focused on assessing the approach to develop the plan to:</p> <p>d. Determine how lessons learned from the 2023/24 summer have been considered and addressed</p>	<p>Our summary assessment: GW and other key stakeholders can describe the key lessons learned from the 2023/24 summer, and how these are being considered as part of bulk water management planning leading into the 2024/25 summer. However, these lessons learnt have not been documented or tracked to confirm they are appropriately addressed.</p> <p>Personnel could describe how the lessons from the 2023/24 summer have been incorporated into current 24/25 bulk water management planning, including around bulk water projects (e.g. Te Marua Upgrade), media use and public communication to conserve water, and greater collaboration between WWL and GW.</p>	<p>Whilst interviewees could describe lessons learned and summary actions taken to address these, there is limited documented evidence of these lessons learned, and therefore ability to independently confirm appropriate actions have been established ahead of the 2024/25 summer. The 2023/24 water shortage risk was a major event for GW, WWL and TAs and therefore there would be benefit to formally capturing the lessons learned, actions taken, and remaining actions to complete given the number of stakeholders focused on managing the 2024/25 bulk water shortage risk.</p>

Appendix 2: Scope and approach

Background

The Greater Wellington region bulk water assets are owned and insured by GW. This means GW has specific accountabilities to manage the bulk water supply network across the Greater Wellington region. These assets are maintained through a Service Level Agreement by Wellington Water Limited (WWL) on GW's behalf. GW however remains ultimately accountable for issuing consents, and the oversight and management of bulk water assets including a number of large water catchments, water treatment plants, pumping stations and distribution pipelines.

In the summer of 2023/24 the Greater Wellington region faced the risk of a water shortage, and GW have anticipated a similar likely scenario for the 2024/25 summer. In light of this risk GW has engaged PwC to complete an internal audit into GW's preparedness to respond to a water shortages.

Objective and scope

The objectives and scope of this internal audit was split into two key areas:

1. **Bulk water management accountabilities, roles and responsibilities clarity, completeness and effectiveness:** We assessed:
 - a. How GW have understood and defined their bulk water supply accountabilities, and the clarity and completeness of the associated GW, WWL and Territorial Authorities (TA) roles and responsibilities designed to deliver to GW's accountabilities, i.e. are the bulk water management accountabilities, roles and responsibilities to managing bulk water shortage risks defined, complete and understood across GW and WWL?
 - b. The approach used by GW to monitor WWL's delivery of agreed bulk water shortage risk roles and responsibilities, i.e.:
 - i. Does the approach used by GW to develop confidence in WWL's approach to identifying, assessing, controlling and mitigating bulk water shortage risk provide GW a clear and complete view of the management of bulk water supply risk?
 - ii. How have GW considered any inherent conflicts of interest across their bulk water management roles and are the approaches to manage these risks appropriate?
 - iii. Are there any common or differing perspectives, including both strengths and challenges, between GW and WWL on how GW's oversight of WWL is managed?
2. **Water shortage risk management and preparedness:** Understand GW's and WWL's preparedness to anticipate and respond effectively to a potential water shortage in the 2024/25 summer. This included assessing the approach to develop the plan to:
 - a. Identify how a "water shortage" has been defined and how this is aligned to the GW's risk appetite
 - b. Identify and assess the bulk shortage risks
 - c. Identify the current controls in place (and confidence in their operation), control gaps, and planned additional mitigations (including confidence in the ability to design, deliver and operate these mitigations) to increase the resilience of bulk water supply e.g. Te Marua Upgrade project
 - d. Determine how lessons learned from the 2023/24 summer have been considered and addressed.

Appendix 2: Scope and approach

Scope exclusions

The following was excluded from the scope of this internal audit:

- Assessing the current operation of controls, i.e. our internal audit focused on how GW and WWL have approached the identification, assessment and management of bulk water supply risk
- Assessing water supply processes, risk and controls outside water shortage risks
- Assessing GW's environmental management regulatory role
- Assessing GW consenting role and activities
- Impacts of future regulatory reform
- Compliance activities associated with relevant legislation and regulations.
- GWs interactions with Taumata Arowai (water regulator) and TAs.

Approach

For each scope areas we:

- Obtained and read relevant documentation, such as current risk management strategies, frameworks and practices, GW's key regulatory and legislative obligations, reporting, SLA, and WWL water shortage response plan
- Conducted interviews with key GW personnel and a representative of WWL to understand the key risks, controls and responsibilities associated with Bulk Water Management
- Examined and analysed the results from the documentation read and interviews to identify strengths and further insights or recommendations for further improvement
- Conducted closeout meetings to validate our observations with GW and WWL personnel.



Appendix 3: Risk rating definitions

The following GW rating definitions are used to define the ratings for our findings and the recommended next steps to be taken:

Risk rating	Definition
Extremely concerned	Corrective action needs to be taken now
Very concerned	Can't live with the current state as significant change required
Some concerns	We can live with this but we can do better
No concerns	Missed opportunities



Ngā Mihi
Thank you

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Finance, Risk and Assurance Committee
21 November 2024
Report 24.553



For Decision

TAX RISK MANAGEMENT POLICY AND PLAN

Te take mō te pūrongo

Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) about the newly developed Tax Risk Management Policy and Plan to ensure Greater Wellington maintains its exemplary governance and tax compliance standards.

He tūtohu

Recommendation

That Committee:

- 1 **Endorses** the Tax Risk Management Policy and Plan for approval and internal use at Greater Wellington Regional Council.

Te tāhū kōrero

Background

2. Greater Wellington Regional Council (Greater Wellington) is a large, high profile, organisation that is responsible for providing services to the New Zealand public. As such, Greater Wellington must maintain exemplary governance and tax compliance standards.
3. Tax governance is an increasing focus area for Inland Revenue (IR). In addition, IR is investing in data analytics and is beginning to use transactional level data to test taxpayers' compliance.
4. PwC prepared a report for Greater Wellington and recommended that Greater Wellington establish a tax policy to reduce the risks with managing tax during times of transformational and legislative changes.
5. Greater Wellington is committed to ensuring it complies with all relevant taxation requirements set through legislation, therefore the Tax Risk Management Policy and Plan (see [Attachment 1](#)) in this report were developed with the support of PwC.

Te tātaritanga

Analysis

6. As a large taxpayer it is important that Greater Wellington has a Tax Risk Management Policy and Plan (TRMPP) that is effective and is fit for purpose.

7. The TRMPP is intended to provide clear guidance for Greater Wellington staff with tax compliance or reporting responsibilities. This enables tax related risks within Greater Wellington to be prudently managed.
8. Greater Wellington has an obligation to fulfil its tax compliance obligations as required by tax legislation, including:
 - a Income Tax Act 2007,
 - b Goods and Services Tax Act 1985
 - c Tax Administration Act 1994
 - d KiwiSaver Act 2006
 - e Child Support Act 1991
 - f Accident Compensation Act 2001
 - g Customs and Exercise Regulations 1996
 - h All Double Taxation Agreements entered by New Zealand
9. Many organisations currently operate an informal tax control environment. IR now expects organisations, such as Greater Wellington, to formalise control frameworks into a Tax Risk Management Policy document and have readily available evidence of the Tax Risk Management Plan working in practice.
10. Greater Wellington is required to correctly account for:
 - a Income Tax (INC) from a group perspective
 - b Goods and Services Tax (GST),
 - c Fringe Benefit Tax (FBT),
 - d PAYE, and
 - e A range of other withholding taxes.
11. The Group Manager (GM) Finance and Risk has overall responsibility for the management of the tax issues at Greater Wellington, and to meet the tax compliance obligations as required by tax legislation.
12. For matters relating to PAYE and withholding taxes, the GM People and Customer and GM Finance and Risk have responsibility for ensuring compliance.
13. Greater Wellington has identified the types of transactions below (but not limited to) as having tax risks:
 - a All acquisitions and disposals of land and buildings
 - b All transactions that have royalty components
 - c Legal settlements
 - d Contracts where the terms would be considered non-standard
 - e New types of employee benefits (cash and non-cash)
 - f Chief Executive sign offs of expenditure that is outside Annual or Long-Term Plans.

14. Greater Wellington adopts a conservative approach towards tax compliance. Accordingly, Greater Wellington adopts a “Low” tax risk profile such that it has an open and honest working relationship with IR.
15. Greater Wellington’s approach to tax risks is as follows:
 - a **Tax Underpayment and Reporting Risk** - All tax returns, internal tax documentation and financial reporting tax notes and disclosures, will be prepared accurately, honestly and in line with all applicable legal and regulatory requirements.
 - b **Excess Tax Cost and Tax Overpayment Risk** - Greater Wellington should seek to optimise its tax position, and this will always be within the guidelines set by the level of Tax Reputation Risk that is desired. It is subject to a rigorous assessment of the commercial benefits of potential transactions and appropriate signoffs on the tax risk.
 - c **Tax Reputation Risk** - Greater Wellington will actively manage this risk to protect organisational reputation. Greater Wellington will also seek to have a positive professional relationship with tax authorities.
 - d **Tax Transaction Risk** - Greater Wellington will ensure that these risks are mitigated to the full extent possible when considering new opportunities and ventures with external advice sought, where applicable, to ensure tax risks are well understood prior to entering into such transactions.
 - e **Tax Management Risk** - Greater Wellington will take appropriate action to ensure this risk is limited and will seek to minimise it through appropriate internal training for Greater Wellington staff involved in day-to-day compliance obligations and by seeking external advice as required. Guidelines will be maintained in relation to the appropriate use of, and access to, online tax tools, such as IR’s ‘myIR’ tax account portal.
 - f **Tax Compliance Risk** - Greater Wellington will endeavour to meet all Group/Organisation tax compliance responsibilities within the required statutory timeframes. This includes ensuring all tax returns are filed and potential tax liabilities are paid by the required due dates.
16. If tax risks develop into potential tax liabilities and penalty/interest exposures, management should be mindful of the following:
 - a **IR initiated disputes** - Greater Wellington staff are expected to act with integrity, honesty and transparency.
 - b **Voluntary disclosures** - Where a material error in a tax calculation or tax return filed with a tax authority has been discovered, it should be considered whether external tax advisors should be engaged to assist in mitigating any risks relating to this.
 - c **Other tax authority communications** - Any other correspondence, documentation or communications in relation to, an IR dispute or miscalculated tax position, will be prepared depending on the specific risks and shortfalls identified. External tax specialists can be engaged depending on the specific risk and shortfalls of the particular circumstances.

17. Greater Wellingtons Tax Risk Management Strategy is as follows:

Financial Year	Past (as undertaken)		Proposed tax strategy		
	2023/24	2024/25	2025/26	2026/27	2027/28
PwC online Tax Policies & Guides	✓	✓	✓	✓	✓
Independent tax evaluations:					
- GST					
- FBT					✓
- PAYE	✓				
- Payroll analytics	✓				
- GST analytics	✓				
- Report to FRAC on tax risk management	✓	✓	✓	✓	✓
- External advice sought on major issues	✓	✓	✓	✓	✓
- Other tax training provided to staff	As required	As required	As required	As required	As required

Ngā hua ahumoni Financial implications

18. There are no known financial implications arising from this report.

Ngā tikanga whakatau Decision-making process

19. The matters requiring decision in this report were considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

Te hiranga Significance

20. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters for decision, taking into consideration Council's *Significance and Engagement Policy* and Greater Wellington's *Decision-making Guidelines*. Officers consider that the matter is of low significance due to its administrative nature.

Te whakatūtakitaki

Engagement

21. Due to the low level of significance, community engagement was not considered necessary.

Ngā tūāoma e whai ake nei

Next steps

22. Following feedback and endorsement from the Committee, the Policy and Plan will be reviewed, updated and receive internal approval for implementation.
23. Greater Wellington officers will keep track of current and future developments to relevant tax regulations and make any appropriate changes required to the Policy and Plan.

Ngā āpitihanga

Attachment

Number	Title
1	Tax Risk Management Policy and Plan

Ngā kaiwaitohu

Signatory

Writer	Kyn Drake – Principal Finance Policy Advisor
Approver	Alison Trustrum-Rainey - Kaiwhakahaere Matua, Pūtea me ngā Tūraru, Group Manager Finance and Risk

He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The Committee has the specific responsibility to “Review the effectiveness of Greater Wellington’s financial management and performance, including proposed changes, with a particular focus on the effectiveness of Greater Wellington’s financial management policies and frameworks for, and the robustness of, the organisation’s financial performance.”
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> Tax management is a key financial function that ensures funds collected to implement the 2024-34 Long-Term Plan and/or Annual Plans is done within the requirements of Inland Revenue.
<i>Internal consultation</i> Internal consultation has largely remained within the Finance and Risk Group. It has been peer reviewed by the Payroll team and the GM, People and Customer.
<i>Risks and impacts - legal / health and safety etc.</i> No impacts identified for this report.

DRAFT TAX RISK MANAGEMENT POLICY

Purpose	The Tax management policy aims to reduce liabilities on Greater Wellington and the risks with managing tax during times of transformational and legislative changes.
Vision	To have an effective tax control framework that is fit for purpose ensuring Greater Wellington maintains exemplary governance and tax compliance standards.
Rationale	Council is required to fulfil its tax compliance obligations as required by tax legislation through the Inland Revenue Department.
Policy Owner	Group Manager, Finance and Risk
Responsibilities	Finance and Risk Group Payroll (People and Customer Group)
Application	This Policy applies to staff, vendors, third parties and any other matter involving revenue and expenditure, or the paying of employees and contractors.
Related Policy and Legislation	Greater Wellington has an obligation to fulfil its tax compliance obligations as required by tax legislation, including: <ul style="list-style-type: none"> ▪ Income Tax Act 2007, ▪ Goods and Services Tax Act 1985 ▪ Tax Administration Act 1994 ▪ KiwiSaver Act 2006 ▪ Child Support Act 1991 ▪ Accident Compensation Act 2001 ▪ Customs and Exercise Regulations 1996 ▪ All Double Taxation Agreements entered by New Zealand
Effective Date	December 2024
Review Date	Before 31 December 2027

Attachment 1 to Report 24.553

Purpose and Principles	<p>This document establishes a tax governance framework for Greater Wellington. The following overarching objectives are:</p> <ul style="list-style-type: none"> - Ensuring Greater Wellington complies with all tax laws applicable to its activities in all relevant jurisdictions it operates or has a presence in. - Ensuring there is appropriate engagement at all levels of the organisation to ensure that tax risk is effectively managed and reported on. - Ensuring that external tax advisor assistance is sought, where applicable, to ensure potential tax risks are well understood, and any tax positions that will be taken are justified and will not harm the organisation’s reputation in any way. - There is regular reporting on tax matters both within Greater Wellington and to FRAC.
Policies	<p>To reduce liabilities on Greater Wellington and the risks with managing tax during times of transformational and legislative changes.</p> <p>To provide a ‘Tax Risk Management Plan’ to ensure Greater Wellington adheres to exemplary governance and tax compliance.</p>
Guidelines	<p>The guidelines are provided below.</p>

Approved: _____
Group Manager, Finance and Risk

Date: _____

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Policy Context:

Tax governance has become a critical focus for the Inland Revenue Department (IR).

The IR is investing in data analytics and leveraging transactional-level data to test and target taxpayers. As a significant taxpayer, it is vital for Greater Wellington Regional Council (Greater Wellington) to ensure that its Tax Risk Management Plan is effective and fit for purpose.

Greater Wellington recognises that as a large and high-profile organisation, robust tax risk management is a key component of sound corporate governance, alongside a strong commitment to meeting tax obligations.

Currently, many organisations operate within an informal tax control environment. The IR now anticipates that entities like Greater Wellington will formalise their control frameworks into a comprehensive Tax Risk Management Policy document. This includes maintaining readily available evidence that the tax risk management plan is operational and effective.

With the IR's heightened expectations for tax governance and its enhanced data analytics capabilities, Greater Wellington will proactively ensure that its tax risk management plan remains current and effectively addresses these requirements.

TAX RISK MANAGEMENT POLICY GUIDELINES

Introduction

Greater Wellington Regional Council (Greater Wellington) is a large, high profile, organisation that is responsible for providing services to the New Zealand public and has an obligation to fulfil its tax compliance obligations as required by tax legislation, including the Income Tax Act 2007, Goods and Services Tax Act 1985 and Tax Administration Act 1994. As such, Greater Wellington must maintain exemplary governance and tax compliance standards.

Greater Wellington is required to correctly account for:

- Income Tax (INC) from a group¹ perspective
- Goods and Services Tax (GST),
- Fringe Benefit Tax (FBT),
- PAYE, and
- a range of other withholding taxes².

These taxes make up a significant portion of the New Zealand Government's annual tax take. Accordingly, the tax obligations of Greater Wellington cannot be taken lightly.

Given the high profile and public nature of local council, Greater Wellington adopts a conservative approach towards tax compliance. Accordingly, Greater Wellington adopts a "Low" tax risk profile such that it has an open and honest working relationship with the Inland Revenue Department (IR).

1. Responsibility for Tax Issues

- 1.1. The Group Manager (GM), Finance and Risk has overall responsibility for the management of the tax issues at Greater Wellington, and to meet the tax compliance obligations as required by tax legislation.
- 1.2. As appropriate, the GM, Finance and Risk may delegate responsibility for tax issues to another appropriately qualified person.
- 1.3. The GM, Finance and Risk has overall responsibility as the 'myIR' account owner for Greater Wellington.
- 1.4. The GM, Finance and Risk, with the support of Head of Finance, are responsible for administering and maintaining staff delegations and permissions of myIR login accounts and for ensuring delegations are updated as and when staff leave the organisation.
- 1.5. For matters relating to PAYE and withholding taxes, GM, People and Customer and GM, Finance and Risk have responsibility for ensuring compliance.

¹ The council-controlled organizations included are CentrePort Group, WRC Holdings Group, GWRL.

² Other withholding taxes may include Employer Superannuation Contribution Tax, Accident Compensation Corporation levies, and Land Tax for any potential local govt initiatives

2. Managing Tax

2.1. Greater Wellington will maintain detailed information and data that supports all tax return filing positions. If there is any ad hoc amounts over \$50,000, or uncertainty, Greater Wellington will consider external advice. Greater Wellington will also seek advice as and when required.

Note: this does not include the business-as-usual tax returns associated with PAYE.

2.2. Regardless of the amount of an unusual or unexpected tax liabilities, the GM Finance and Risk must be informed.

Files and Record Keeping

2.3. Greater Wellington will maintain relevant files in an appropriate, secure cloud-based file management space to enable efficient retrieval should they be requested by the IR.

2.4. Greater Wellington will ensure all forms of tax records (including those in electronic form) are kept secure for as long as legal responsible to do so.

Note: This is currently seven tax years.

2.5. Greater Wellington must maintain an accounting software system(s), which must:

- confirm the organisations tax liability
- be in English or te reo Māori
- contain the necessary information, required by law
- keep records for at least seven years
- be retrievable and readable at all times

Tax returns and Payments

2.6. Greater Wellington will ensure all filings and tax payments to the IR are made on or before the due dates. If Greater Wellington is unable to comply with the due dates, the appropriate officer should contact the IR to communicate the issue. This may reduce the impact of potential penalties.

IR Business tax returns and enquiries – <https://www.ird.govt.nz/contactus>

2.7. Greater Wellington will be transparent and disclose all relevant information, adopting a tax position that is correct based on legislative requirements.

2.8. The GM, Finance and Risk and Head of Finance are the only officers authorised to make payments over \$20,000 outside of the PAYE which are authorised by the GM, People and Customer.

3. Meetings and Correspondence with the Inland Revenue Department

- 3.1. Greater Wellington will endeavour to maintain strong working relationships with the IR, other Government bodies, and related third parties.
- 3.2. All dealings with external parties will be undertaken in a professional and timely manner.
- 3.3. Apart from routine PAYE, FBT and GST returns and payments, all other correspondence, meeting requests or queries from the IR must be immediately referred to the GM, Finance and Risk, and Head of Finance.
- 3.4. The GM, Finance and Risk, and Head of Finance are the only officers authorised to correspond or meet with the IR to discuss the tax matters of Greater Wellington unless they delegate, where appropriate, this responsibility to others.
- 3.5. Greater Wellington will liaise with external tax advisors to express opinions on any IR public consultations being undertaken.

4. Reporting Tax Risks to the Finance, Risk and Assurance Committee

- 4.1. Any significant tax risks will be reported in the first instance to the GM, Finance and Risk as soon as they are identified and where appropriate to the Chair of Finance, Risk and Assurance Committee³ (FRAC) as soon as possible from being identified.
- 4.2. Council should make a voluntary disclosure for any discrepancies identified to reduce 'significant tax risks' to Greater Wellington. The tax risk may be where an incorrect interpretation is made that results in a situation where:
 - 4.2.1. Penalties and interest could be imposed against Greater Wellington.
 - 4.2.2. An unusual or unexpected tax liability of \$50,000 or more, is required to be settled and approved by the CE.
 - 4.2.3. Greater Wellington could be subject to prosecution.
 - 4.2.4. An accusation of tax avoidance could be levied.
 - 4.2.5. There is a risk of negative publicity.
- 4.3. Greater Wellington will report on all tax risk management matters to FRAC at least once a year. As part of that report, a summary should be prepared and presented to FRAC setting out key issues, and may include the following:
 - 4.3.1. Key financial information including any outstanding taxes due, and any interest or penalties exceeding \$2,000, imposed during the year.
 - 4.3.2. Particulars of any proposed legislative tax changes which could impact on Greater Wellington.
 - 4.3.3. Details of any significant outstanding taxes in dispute with IR.
 - 4.3.4. Details of advice sought and future matters to consider.

³ Note: FRAC generally meets four times per calendar year.

5. Policy Updates, Tax Awareness and Training

- 5.1. The Head of Finance is responsible for ensuring that the Policy, Guidance and Risk Management Plans are fit for purpose on an annual basis.
- 5.2. Greater Wellington will maintain appropriate tax policies and guidance to assist staff with the day-to-day treatment of specific tax issues.
- 5.3. Greater Wellington will ensure that all relevant staff are provided with adequate training and resources to effectively identify and manage its tax obligations and risks. Where appropriate, this may involve sending relevant staff on external courses or engaging an external speaker to conduct in-house training.
- 5.4. Greater Wellington internal financial policies will refer to, and promote, any tax implications wherever possible to help ensure staff are making informed decisions and following appropriate processes.
- 5.5. When suitable, the GM, Finance and Risk or the Head of Finance may send select staff to external educational opportunities or engaging external tax advisors to provide in-house tax training.

TAX RISK MANAGEMENT PLAN

INTRODUCTION:

The purpose of the Tax Risk Management Plan is to outline the approved procedures in respect of all tax related activity to be undertaken by Greater Wellington Regional Council (Greater Wellington). This enables tax related risks within Greater Wellington to be prudently managed. As environmental, social, cultural and economic conditions change, the plan will be updated to ensure that tax risks within Greater Wellington continue to be appropriately managed.

This plan ensures Greater Wellington's tax risk is effectively managed in accordance with the Tax Risk Management Policy. The Tax Risk Management Policy and Plan applies to all employees working within Greater Wellington and Council Controlled Organisations (CCO's).

Greater Wellington has chosen not to register for GST as a group with its CCO's. CCO's are expected to implement their own tax policies that align with Greater Wellington policies as well as their own requirements. Greater Wellington will ensure this Policy and Plan are shared with the CCO's to help ensure consistency across the parties.

The Plan serves to offer clear guidance for Greater Wellington staff with tax compliance or reporting responsibilities. It also seeks to foster mutual understanding between the Finance and Risk Assurance Committee (FRAC) which oversees tax governance monitoring, and all Greater Wellington personnel, including Management, who are responsible for the timely and effective management and reporting of tax issues.

This Plan for tax risk management at Greater Wellington sets out:

- ↳ Greater Wellington's profile and objectives
- ↳ The definition of tax risks
- ↳ Greater Wellington's tax risk appetite
- ↳ How sources of tax risk will be identified
- ↳ Tax Risk Management Responsibilities
- ↳ How processes and controls will be established to combat tax risk
- ↳ How the risk identification procedure is monitored at different levels of the organisation so that action can be taken where appropriate.

1. Profile and Objectives

Profile

Many of Greater Wellington activities are exempt from New Zealand income tax. Greater Wellington is registered for GST, is liable for Fringe Benefit Taxes (FBT) and withholding taxes and must deduct employment-related taxes and other levies (such as pay-as-you-earn (PAYE), Accident Compensation Corporation (ACC) levies and KiwiSaver deductions). The tax risk focus is primarily these operational tax types.

Tax risk may also arise in relation to ventures entered into with non-tax exempt third parties, both in New Zealand and overseas.

Objectives

With respect to tax, the organisation shall adhere to the following overarching objectives:

- I. Ensuring Greater Wellington complies with all tax laws applicable to its activities in all relevant jurisdictions it operates or has a presence in.
- II. Ensuring there is appropriate engagement at all levels of the organisation to ensure that tax risk is effectively managed and reported on.
- III. Ensuring that external tax advisor assistance is sought, where applicable, to ensure potential tax risks are well understood, and any tax positions that will be taken are justified and will not harm the organisation's reputation in any way.
- IV. There is regular reporting on tax matters both within Greater Wellington and to FRAC.

2. Tax Risk Definition

The risk of additional amounts required to pay the tax authorities (such as tax penalties and/or interest) and the negative impact on Greater Wellington's reputation and social licence to operate. This may happen if the organisation:

- Misses any compliance deadlines set by the tax authorities or incurs any shortfall penalties or interest due to the failure to comply in an accurate or timely manner.
- Undergoes a change in personnel or experiences a lack of experienced resources to effectively manage the tax function and day-to-day compliance.
- Makes a material error in the calculation of its tax liabilities that adversely impacts either the organisation itself and/or any key stakeholders.
- Incurs a tax cost materially more than the expected tax cost by failing to identify legitimate ways to optimise tax positions.
- Fails to exercise good governance and oversight of the organisation's conduct in relation to tax, resulting in lasting adverse perception of the organisation by different stakeholder groups.
- Undertakes non-routine transactions without adequate consideration of the exposure to tax risk (can be in New Zealand or overseas).

3. Tax Risk Appetite

Greater Wellington maintains a low appetite to tax risk ensuring that exposure to various tax risks are minimised. Officers responsible for the tax function should act in accordance with this approach to effectively manage overall tax risk.

Greater Wellington's approach to tax risks is as follows:

Tax Underpayment and Reporting Risk

Attachment 1 to Report 24.553

Objective: All tax returns, internal tax documentation and financial reporting tax notes and disclosures, will be prepared accurately, honestly and in line with all applicable legal and regulatory requirements.

Greater Wellington implements and maintains systems, processes and controls to achieve this within acceptable levels of accuracy.

This will primarily be measured through any late payment penalties/interest imposed by the Inland Revenue Department (IR) and the number and significance of late return filings or payments.

Excess Tax Cost and Tax Overpayment Risk

Objective: Greater Wellington should seek to optimise its tax position, and this will always be within the guidelines set by the level of Tax Reputation Risk that is desired. It is subject to a rigorous assessment of the commercial benefits of potential transactions and appropriate signoffs on the tax risk.

This will primarily be measured through the comparison of the Total Tax Contribution in a year compared to the average of previous years (as an acceptable standard).

Tax Reputation Risk

Objective: Greater Wellington will actively manage this risk to protect organisational reputation. Greater Wellington will also seek to have a positive professional relationship with tax authorities.

This will primarily be measured through any adverse media reports in relation to Greater Wellington's tax affairs as well as the significance of any financial penalties or interest imposed by the IR.

Tax Transaction Risk

Objective: Greater Wellington will ensure that these risks are mitigated to the full extent possible when considering new opportunities and ventures with external advice sought, where applicable, to ensure tax risks are well understood prior to entering into such transactions.

Any tax risk assumed must be based on a rigorous assessment of the commercial benefits and the potential adverse impact on Tax Reputation Risk. Greater Wellington will enter into any transaction solely for tax reasons.

This will primarily be measured through the significance of any financial penalties or interest imposed by the IR.

Tax Management Risk

Objective: Greater Wellington will take appropriate action to ensure this risk is limited and will seek to minimise it through appropriate internal training for Greater Wellington staff involved in day-to-day compliance obligations and by seeking external advice as required. Guidelines will be maintained in relation to the appropriate use of, and access to, online tax tools, such as the IR's 'myIR' tax account portal.

Tax Compliance Risk

Objective: Greater Wellington will endeavour to meet all tax compliance responsibilities within the required statutory timeframes. This includes ensuring all tax returns are filed and potential tax liabilities are paid by the required due dates.

This will primarily be measured through the number and significance of late return filings or payments and any resulting financial penalties or interest imposed by tax authorities.

4. Identification of Tax Risks

Tax risks (set out above) will be identified with reference to their likelihood and impact. Ongoing risk identification will happen continuously, and monitoring of risks identified (as well as consideration of the appropriateness of the risk management process itself).

Greater Wellington has identified the types of transactions below (but not limited to) as having tax risks:

- All acquisitions and disposals of land and buildings
- All transactions that have royalty components
- Legal settlements (including ex gratia payments)
- Contracts where the terms would be considered non-standard
- New types of employee benefits (cash and non-cash)
- Chief Executive sign offs of expenditure that is outside Annual or Long-Term Plans.

5. Tax Risk Management Responsibilities

Greater Wellington's tax function is primarily managed by the Head of Finance with assistance from the Financial Controller and the Payroll Team. The GM, Finance and Risk has overall responsibility for the operation of the tax function, tax compliance and sign-off on material tax matters, including tax sign-off in relation to new ventures or transactions (such as the setup of new subsidiaries or entities).

As a general rule, if a potential transaction is identified where *material tax uncertainty* exists (as defined below, Section 7), sign off that would be required after the tax consequences have been appropriately considered, based on the level of *potential cash tax risk* is as follows:

- Less than NZ\$20,000: the Financial Controller will engage external tax advisor assistance, and formally sign off prior to proceeding.
- NZ\$20,000 or more: the Head of Finance will engage external tax advisor assistance, and formally sign off prior to proceeding.

6. Tax compliance

The Financial Controller is responsible for ensuring Greater Wellington meets its day-to-day New Zealand tax obligations in relation to:

- GST returns⁴ and payments
- FBT returns and payments; and

⁴ <https://www.ird.govt.nz/managing-my-tax/make-a-payment/when-to-pay>

- Any other taxes which the Payroll Team and the Financial Controller agree is to form part of the Financial Controllers responsibility.

The Payroll Team manages the day-to-day New Zealand employment related tax compliance obligations, including employment income reporting and payments to the IR. The GM, People and Customer has responsibility for ensuring withholding tax returns and payments related compliance obligations are met.

Use the following checklist to ensure the right records are kept:

Responsibility Key: Finance Payroll Both

RECORDS:	
Core Records + Cashbooks, petty cashbooks + List of those who owe money + List of those owed money	Employee Information + Wage book – all PAYE, KiwiSaver, loans and support deductions etc, + Employee Agreements + Settlement records + Withholding tax
Income and Dividend statements + Rates + Government subsidies + Invoices (Fees, Leases, etc) + Revenue (including dividends, subvention, property rental, etc)	Fringe Benefits + Record of benefits + Entertainment expenses + Free/discounted goods and services
Expenses + P-Card expenses + Invoices for purchases + Insurances + Operating costs (buildings, power, rates etc.) + Facilities costs + Staff costs (phones and equipment etc)	GST + Tax invoices + Other invoices
Banking + Bank statements + Interest statements	Vehicles Full record of vehicle costs
Worksheets + Show tax return calculations + Vehicle use calculations	Stock takes + Regular inventories + Stock-take forms
List of assets and liabilities + Asset Register - Depreciation schedule and calculations	Accounting Software + Regular back-up of information and/or a cloud-based storage solution + Training and support
Financial Accounts + Balance sheets	Legal Documents + Sale and purchase agreements

	+ Profit and loss statements		+ Lease agreements Credit agreements
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Both the Head of Finance and GM, People and Customer have reporting obligations to the GM, Finance and Risk who has ultimate responsibility for all tax compliance obligations.

7. Transactions

Prior to entering into transactions, consideration should be given to what levels of sign-off on the tax consequences are required, including whether appropriate external taxation advice has been sought.

To assist management in assessing tax risk:

- For new contracts or projects where there is material tax uncertainty (as defined below) for which income or expenditure is expected to be:
 - Less than NZ\$500,000: the Head of Finance must formally sign off prior to proceeding;
 - NZ\$500,000 or more: the GM, Finance and Risk will engage external tax advisor assistance prior to proceeding.
- For unusual or one-off income or expenditure where material tax uncertainty (as defined below) exists:
 - Less than NZ\$1 million: the Head of Finance must formally sign off prior to proceeding;
 - NZ\$1 million or more: the GM, Finance and Risk will engage external tax advisor assistance prior to proceeding.

8. Material Tax Uncertainty

It is important that the tax risk management approach is proportionate to the tax risk. It is not expected that GM, Finance and Risk or external tax advisor sign-off will be required for every transaction. Only transactions or matters that give rise to material tax uncertainty should be subject to the sign-off thresholds contained in this plan.

Whether a potential transaction or issue has material tax uncertainty will be assessed by the GM, Finance and Risk, based upon factors such as the complexity of the issue/transaction, availability of past tax advice or precedent as a guide, and potential significance of tax at risk.

The GM, Finance and Risk may delegate responsibility for making such assessments to the Head of Finance, or other Greater Wellington staff members, for their areas of direct responsibility on day-to-day tax matters.

9. External tax advisor/specialist engagement

While Greater Wellington is generally exempt from New Zealand income tax, a yearly income tax return is filed with IR. Greater Wellington is registered and liable for a range of operational” tax

types in New Zealand: GST, FBT, employment and payroll-related taxes and levies (including PAYE, Employer Superannuation Contribution Tax, ACC and KiwiSaver deductions) and withholding taxes on certain payments.

Therefore, where there is material tax uncertainty, the role of external tax advisors is critical to managing Greater Wellington's overall tax risk.

10. Tax controls and procedures

There should be a "no surprises" attitude towards risk management and, as such, robust policies, procedures and controls should be in place to achieve this.

All tax records (including those in electronic form) will be kept secure for at least seven tax years.

11. Response when a tax risk arises

Should tax risks develop into potential tax liabilities and penalty and interest exposures, management should be cognisant of the following:

IR initiated disputes

In its dealings with IR all Greater Wellington staff are expected to act with integrity, honesty and transparency. In the event of an IR dispute (including a tax audit (not including tax enquiries as part of BAU) or risk review), officers must notify the FRAC as part of its regular tax reporting.

Where an IR dispute arises, external tax advisors should be engaged to assist with the response.

Voluntary disclosures

Where an error in a tax calculation that relates to a prior period has been identified, a voluntary disclosure will be filed where the potential tax shortfall is estimated to be significant.

Where a material error in a tax calculation or tax return filed with a tax authority has been discovered, it should be considered whether external tax advisors should be engaged to assist in mitigating any risks relating to this.

Other tax authority communications

Any other correspondence, documentation or communications in relation to, an IR dispute or miscalculated tax position, will be prepared depending on the specific risks and shortfalls identified.

External tax specialists will also be engaged depending on the specific risk and shortfalls of the particular circumstances.

Greater Wellington will endeavour to prevent/mitigate any potential tax risks in the first instance, rather than attempting to minimise the potential damage.

12. Monitoring and reporting

Material tax risks will be reported to FRAC as and when required. Assurance to be provided by the GM, Finance and Risk to the FRAC in relation to Greater Wellington's tax compliance obligations, such as:

- Timely filing of tax returns and tax payments

Attachment 1 to Report 24.553

- Any material adverse tax matters (such as tax calculation/payment errors or late tax return filings or payments that exceed agreed thresholds)
- Any significant incidents that arose in the reporting period that required external tax advisor engagement or engagement with IR at the level of a voluntary disclosure or higher
- Identification of any specific material tax risk areas not otherwise discussed as part of other reporting

13. Monitoring of the tax risk management plan

Greater Wellington will keep track of current and future developments to domestic and relevant international tax law. Developments identified will be compared against current risk assessments. Changes can be made to the tax compliance processes, including the Policy and Plan, if necessary. External tax specialists will be engaged, if required, based on the complexity/expected tax risk identified.

Terms and Definitions

Employment information:

- Information completed by employers to show how much money they've paid their employees or contractors, and the deductions they've made on each payday.

Executive Office Holder (EOH):

- An individual who is responsible for ensuring that appropriate staff are authorised to access essential tools, such as “myIR.”

Extension of time or Time extension:

- More time allowed by Inland Revenue to complete your income tax return.

GST (goods and services tax):

- A tax added to the sale price of most goods and services.

Instalment arrangement:

- An agreement we make with you to pay your tax bill, either at a later date or by regular payments over time.

Net income:

- Total income less expenses.

PAYE (pay-as-you-earn):

- A combination of income tax and ACC earners' levy an employer deducts from an employee's salary or wages and pays to Inland Revenue.

Penalty:

- Money Inland Revenue charges when you don't keep to your tax obligations.

Tax return:

- Information you complete to tell Inland Revenue how much tax you need to pay. There are different returns for the various taxes, e.g. income tax, GST, PAYE.

Tax shortfall:

- A deficit or understatement of tax.

**Finance, Risk and Assurance Committee
21 November 2024
Report 24.554**



For Information

FINANCIAL POLICIES UPDATE

Te take mō te pūrongo

Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) about the recent updates to the internal financial policies.

Te tāhū kōrero

Background

2. In November 2023, the Committee was presented with an information report about the changes to the internal financial policies for the 2023/24 financial year. Since then, the Committee has requested an annual update regarding financial policies.
3. Since the last update, two more policies have been reviewed and approved, as well as various forms of educational resources to help staff manage expenditure the right way.
4. Commencing in July 2023, a Financial Policy Handbook was made available to all staff and was updated in July 2024. It will be updated annually to ensure all the policies stay current and fit for purpose.

Te tātaritanga

Analysis

Policies updated this period

5. There were two Policies that underwent a full review in the last review cycle; they were the Sensitive Expenditure Policy and the Fraud and Corruption Policy.
6. The Sensitive Expenditure Policy review saw changes to the Policy that emphasised the use of the principles, including a flow chart to help assist staff ask more questions before approving expenditure.
7. Other changes were made to keep it current as uses in technology have changed the way staff work, and inflation have impacted staff engagement activities, such as the social club, which receives a limited financial contribution from the organisation.
8. The Fraud and Corruption Policy was updated to reflect the importance of staff training and awareness. This was also supported by better guidance about who

staff can talk to if they suspect any form of Fraud and Corruption. Previously this was found in other documents, which was less accessible to staff.

What's happened since the last update to the Committee?

9. Purchase cards (P-Cards) have become a focus area for improvement. The organisation has a relatively high volume of P-Cards and P-Card transactions in the business.
10. The high volume of cards is suitable for an organisation with significant operational activity. However, each card carries costs, financial implications, and risks that require prudent, diligent and effective management.
11. To help manage P-Cards, a new P-Card criteria was introduced to help managers understand which staff are eligible for a P-Card. This has reduced the volume of staff applying for a card when it is not necessary for their role.
12. The criteria has been used to assess staff that currently hold P-Cards. Those who don't meet it have been contacted to discuss their requirements and if no justifiable requirement is identified, the P-Card has been returned to the Finance and risk Group
13. Another key introduction to help staff manage expenditure appropriately was guidance regarding 'cash equivalent rewards'.
14. 'Cash equivalent rewards', such as prezzie cards, vouchers etc., have been used as part of promotions (prizes), thank you gifts, or used to pay people for taking part in research etc. The process now ensures the right considerations are made consistently and appropriately, and fraud and tax risks are mitigated.
15. To ensure staff understand the use of the reward and any taxation implications and fraud risks, Group Managers only can approve expenditure using 'Cash equivalent rewards', and only after the other forms of payment have been considered and the tax obligations have been understood.

Supporting the Policies

16. From the beginning we have advised staff these policies are a tool for them to use which will help protect the best value for ratepayers money, and Greater Wellington's reputation if/when expenses come under scrutiny. However, Policies are only effective if people know about them and know how to use them.
17. To help bring life to the policies and ensure staff can easily access and understand, a range of tools have been developed to help:
 - a The Financial Policy Handbook

The handbook (see [attachment 1](#)) is issued each year in July. It contains all the financial policies and supporting information. This is a one-stop shop for the policies which can reassure staff that they have the policy and it's the most up to date version. The handbook is available on He Kete, as a PDF and as a hardcopy.
 - b SharePoint

- i The financial policies SharePoint page is an online hub that promotes all a staff member needs to know about the policies, highlighting some of the key flow charts for decision-making, copies of the policies, summaries and links to tools.
 - ii It also contains a page specifically for short videos about each policy. These videos help staff digest a policy without having to read it all and is easily accessible on phones, which many field staff prefer.
- c Flipchart
 - i A flipchart containing the most required information for general staff. Made to be more informative, readable (less policy-like) and available throughout the offices in hardcopy.

Staff training

18. Education and training is required for building staff knowledge and awareness. Finance and Risk is working with the organisation to help develop a suitable online training portal that all staff can access and complete as and when needed.

New Policies coming

19. A new “Tax Risk Management Policy” has been developed so Greater Wellington has an effective tax control framework that is fit for purpose ensuring Greater Wellington maintains exemplary governance and tax compliance standards. This Policy was prepared by PwC and Greater Wellington changes have been peer reviewed by them.
20. A new “Credit and Debt Recovery Policy” is under development. It is being prepared to define how Greater Wellington will manage and recover outstanding debt owed for services Greater Wellington has provided to Trade, Rental and Council Debtors (Non-rates related).
21. The “Asset Accounting Policy” is being reviewed. It is the only Policy that has not been recently reviewed and updated. This policy is just over three years old. The nature of the policy requires specific attention from several officers across the organisation. Some of the key officers have been unavailable. The review will be completed in the coming months.

Ngā hua ahumoni

Financial implications

22. There are no known financial implications arising from this report.

Ngā Take e hāngai ana te iwi Māori

Implications for Māori

23. There are no known impacts for Māori arising from this report.

Ngā tūāoma e whai ake nei

Next steps

24. We will continue to monitor the effectiveness of the policies and the educational tools.

Ngā āpitihanga

Attachments

Number	Title
1	2024/25 Financial Policy Handbook

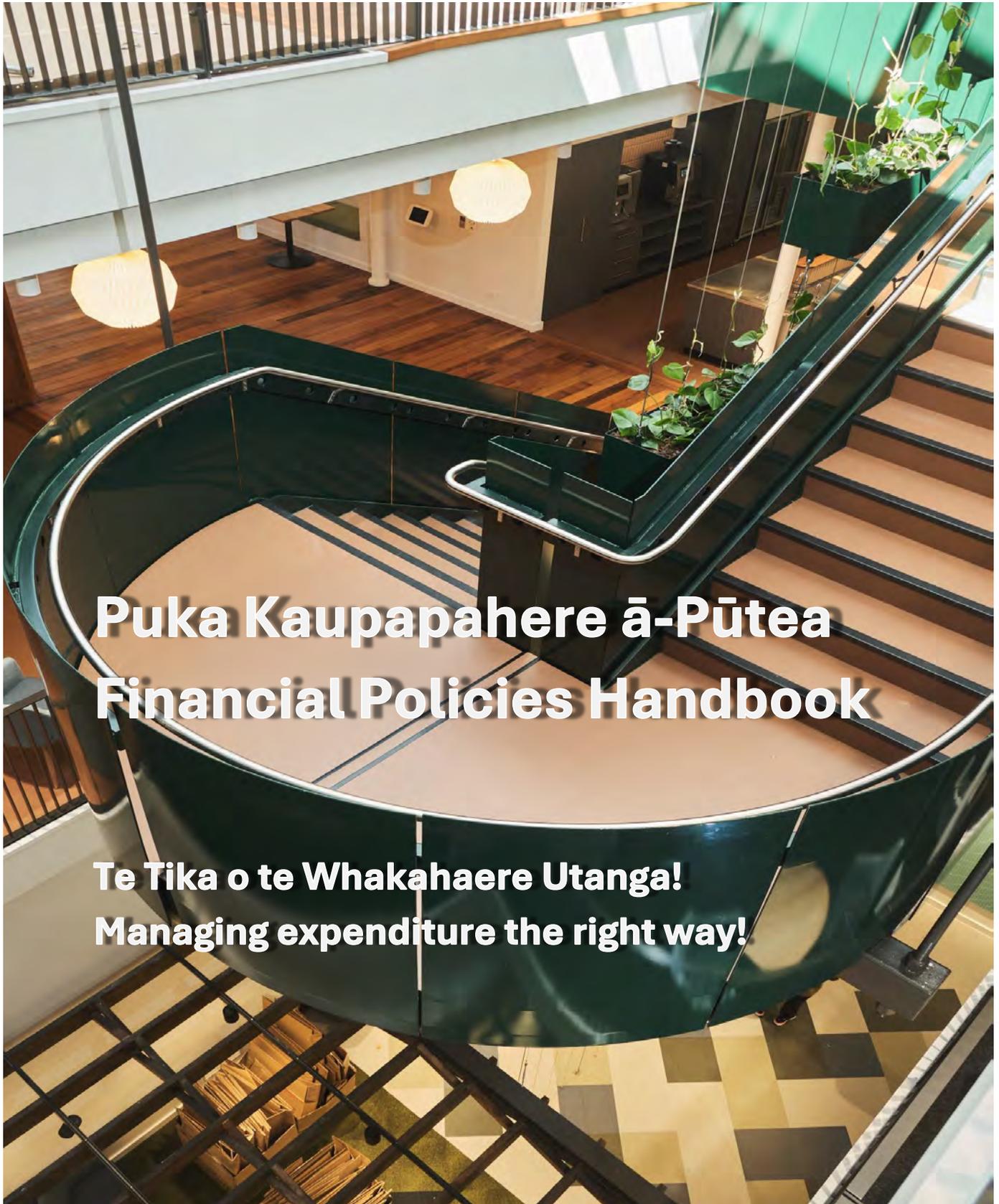
Ngā kaiwaitohu

Signatory

Writer	Kyn Drake – Principal Finance Policy Advisor
Approver	Alison Trustrum-Rainey - Kaiwhakahaere Matua, Pūtea me ngā Tūraru, Group Manager Finance and Risk

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>The Committee has the specific responsibility to “Review the effectiveness of Greater Wellington’s financial management and performance, including proposed changes, with a particular focus on the effectiveness of Greater Wellington’s financial management policies and frameworks for, and the robustness of, the organisation’s financial performance.”</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The internal financial policies guide staff to manage expenditure the right way, being accountable to the ratepayer for the funds collected to implement the 2024-34 Long-Term Plan and/or Annual Plans.</p>
<p><i>Internal consultation</i></p> <p>Internal engagement was run as part of the review process and has also been followed with an on-going education and awareness campaign.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>No impacts identified for this report.</p>

2024/25 EDITION



Puka Kaupapahere ā-Pūtea Financial Policies Handbook

**Te Tika o te Whakahaere Utanga!
Managing expenditure the right way!**

“These financial policies bring Greater Wellington more in line with recommendations of the OAG, serving as a crucial framework for effective financial management, risk mitigation, fraud protection and compliance. They support Greater Wellington’s success by improving decision-making and protecting both staff and the organisation from financial risks and potential scrutiny from media and community.”

– Group Manager, Finance and Risk

This handbook is your manual for managing expenditure!

The Policies were developed to be a tool for staff, while reflecting Greater Wellingtons culture and guided by the Auditor General - ‘Controlling Sensitive Expenditure: Guide for public organisations 2020’.

This policy handbook is to be utilised by Wellington Region Emergency Management Office (WREMO).

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What are the Financial Policies?

INTERNAL POLICY	Owner:	Review Date:
<i>You can find these policies on He Kete</i>		
Asset Accounting Policy		
The purpose of this policy is to provide a framework that ensures the Council's assets are recognised and accounted for in accordance with New Zealand Generally Accepted Accounting Practice and International Public Sector Accounting Standards.	GM, Finance and Risk	Before 31 Dec 2024
Fraud and Corruption Policy		
This policy outlines how GW approaches the risk of fraud and corruption. GW must be seen to maintain the highest standards when it comes to matters of integrity. GW must provide confidence to the community and staff regarding the administration and control of public monies including rates.	GM, Finance and Risk	Before 31 Dec 2027
Entertainment & Hospitality Policy		
Entertainment related and hospitality expenditure occurs where food, liquor and other costs are incurred by GW in a social or business environment in order to entertain guests in an official capacity and to recognize a significant business achievement of GW. Such expenditure on entertainment and hospitality is considered sensitive by the Office of the Auditor General due to the range of possible purposes it can serve, the opportunities for private benefit and the wide range of opinions as to what is appropriate.	GM, Finance and Risk	Before 31 Dec 2026
Koha Policy		
This Policy is to ensure that the giving of koha (gift) is in line with GW sensitive expenditure policies. As a publicly funded and accountable institution, GW must ensure that it conducts its business in accordance with the overarching principle of financial prudence. GW must ensure that any donations or koha gifted to a third party are transparent and subject to appropriate scrutiny.	Te Pou Whakarae and GM, Finance and Risk	Before 31 Dec 2024
Out of Region Deployment Expenditure Policy		
This Policy is a collation of essential points from other policies that are of high significance for staff that may be called away to assist in an emergency.	GM, Finance and Risk	Before 31 Dec 2026
P-Card Policy		
This policy provides guidance on the use of GW purchase cards (P-Card) as a method of payment for GW.	GM, Finance and Risk	Before 31 Dec 2026

<p>Personal effects cover for Greater Wellington's employees Policy</p> <p>This policy sets out when and how GW's will cover the loss of or damage to the personal effects of GW's employees.</p>	<p>GM, Finance and Risk</p>	<p>Before 31 Dec 2026</p>
<p>Risk Management Policy</p> <p>GW is committed to achieving its strategic and business objectives. The systematic process of risk management is central to achieving this outcome. The purpose of this policy is to document the expectations and requirements relating to risk management at GW.</p>	<p>GM, Finance and Risk</p>	<p>Before 1 September 2023</p>
<p>Sensitive Expenditure Policy</p> <p>This policy provides a compliance framework for sensitive expenditure. GW is accountable for the use of public money therefore the highest standards of probity and financial prudence are expected that will enable the Council to withstand public scrutiny. GW is committed to using resources efficiently, effectively and economically and to accounting publicly for its use of funds.</p>	<p>GM, Finance and Risk</p>	<p>Before 31 Dec 2027</p>
<p>Travel Policy</p> <p>This Policy is for all staff who are required to travel for business, both domestically and internationally. It covers travel requirements and processes, booking transport, accommodation and meal allowances.</p> <p>This Policy also gives consideration to GW's climate change goals and our travel options, encouraging staff to make better considerations to how they travel, if travel is even required.</p>	<p>GM, People & Customer</p> <p>(supported by GM, Finance and Risk)</p>	<p>Before 31 Dec 2026</p>
<p>Treasury Risk Management Policy <i>(Including Liability Management and Investment Policies)</i></p> <p>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 GW. The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.</p>	<p>GM, Finance and Risk</p>	<p>Before 31 Dec 2027</p>

STATUTORY POLICY (public facing)

Last review:

To read these Policies, please visit: [2024-34 Long Term Plan Supporting Policies](#)

Revenue and Financing Policy

This Policy is about where the money will come from, and how GW will share the costs of services across the region, and among which different groups of ratepayers.

GM, Finance and Risk

Reviewed in 2024

Rates Remission and Postponement Policies

(Including Rates Remission on Māori Land Policy)

This Policy enables GW to act fairly and reasonably when rates have not been received by the due date. GW also recognizes that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide relief from rates.

GM, Finance and Risk, and Te Pou Whakarae

Reviewed in 2022

Want to know more?

If you have any questions or comments about any financial matter at Greater Wellington, please reach out to a member of the Finance and Risk Group.

We are here to help you, to help the organisation achieve the best outcomes for our ratepayers.



Guidance for Cash Equivalent Rewards

The use of ‘cash equivalent rewards’ at Greater Wellington is not encouraged and staff should consider other forms of rewards whenever possible. However, at times there is a valid use for these rewards and can be used, but the appropriate process must be followed.

Cash equivalent rewards are a form of payment that allow the recipient to use it as if they were money, and may include:

- Prezzie Cards
- Vouchers or Gift Cards (e.g. Supermarket, Retail stores (incl. online), Restaurants/Cafes, etc.)
- Travel cards
- Snapper Cards

Any staff intending to use cash equivalent rewards must obtain **written pre-approval** from their Group Manager before any purchase is made.

CONSIDERING USING CASH EQUIVALENT REWARDS

Sensitive Expenditure Principles

The principles need to be appropriately considered and documented. This is explained below in “Improving the decision-making process for your Group Manager”. Some things to think about are:

- Does the expenditure support the Council’s strategic and business intent?
- Could the expenditure be justified to a stakeholder, e.g. the public?
- Could publicity about the expenditure or occasion adversely affect the Council (would it survive the “front page of the newspaper” test)?

Refer to the Sensitive Expenditure Policy.

Is the reward for internal use?

Cash equivalent rewards may be used for staff leaving gifts within the limits set in policy.

It is not encouraged to reward staff for something they do during work time or for something that is work related. Staff already get paid.

If it is necessary to reward staff, non-cash equivalent rewards should be considered. If cash equivalent rewards are used, Fringe Benefit Tax (FBT) will be applicable, and this will need to be factored into your budgeting and decision-making process.

Is the reward for external use?

Cash equivalent rewards that are used for external use are more acceptable. They can be a useful tool to gain useful insights (research) to help Greater Wellington improve the services we provide to communities.

There are two key factors that need to be recognised before rewards are given. They are:

- **Random/One-off recipients** = These recipients can receive the appropriate rewards without personal tax information required.
- **Selected recipients for multiple use** = These recipients, wherever possible, should be rewarded appropriately and in line with IRD requirements, meaning GW may need to apply withholding taxes.

Improving the decision-making process for your Group Manager

The Group Manager is required to provide written pre-approval to any cash equivalent rewards used at Greater Wellington. To provide the Group Manager with the confidence that they are approving an appropriate form of reward, staff must supply them with sufficient information to make their decision. This includes:

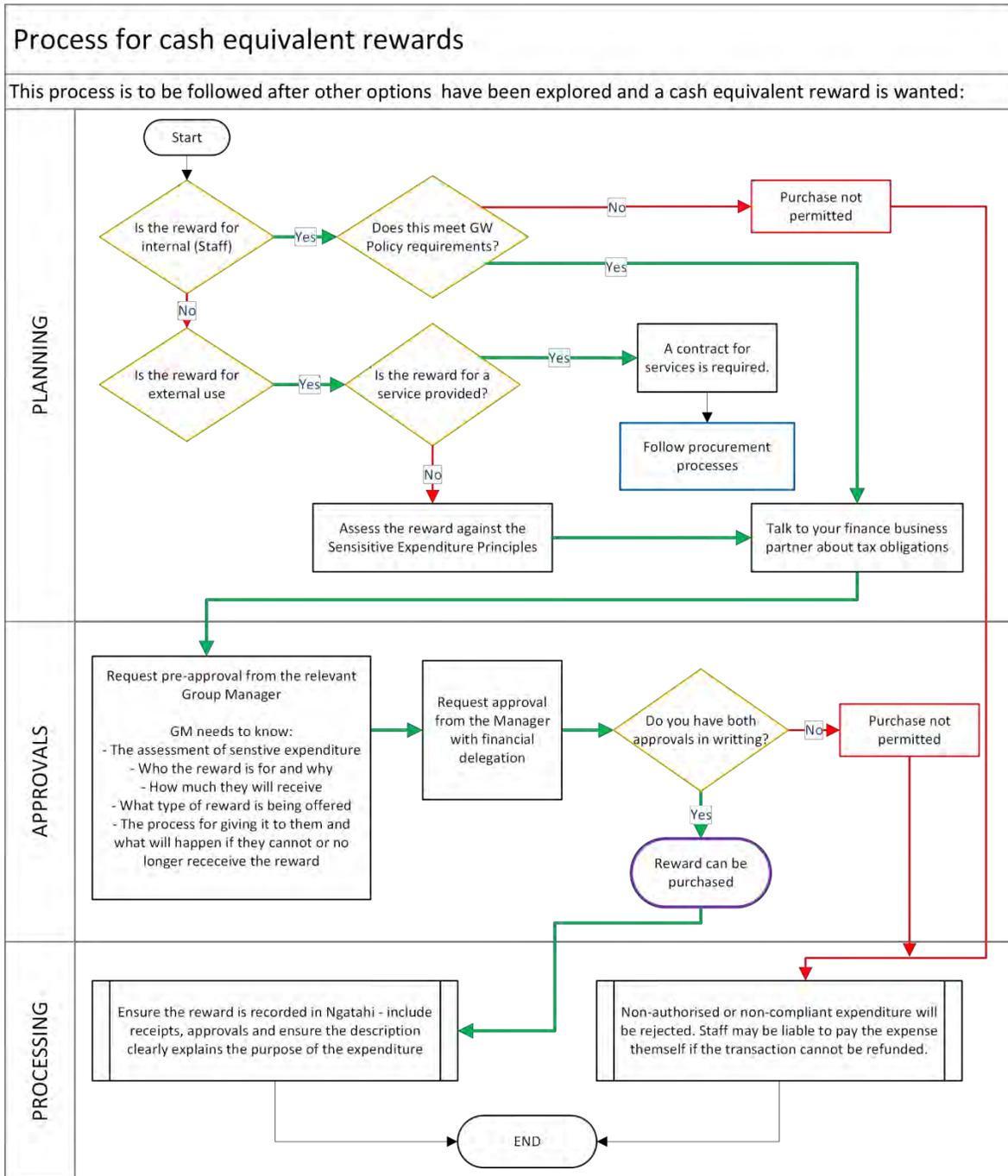
- **Applying the Sensitive Expenditure Principles**
 - o Is the reward(s) for a business purpose?
 - o Is the reward appropriate for the circumstances?
 - o How has the value been determined? And will this be perceived as conservative or lavish?
- **Process and Record keeping**
 - o Who are the intended receivers?
 - o How much will each one be rewarded?
 - o Where and how will they receive their reward?
 - o What will you do with the rewards that are unclaimed/received?
 - o Have the appropriate tax considerations been made? And is this reflected in the budget for the rewards?
 - o How will you prove the recipients got the rewards?
 - o What will you do to record the use of cash equivalent rewards?

The above should be clearly articulated to the Group Manager (in writing e.g. a memo or an email) for them to make an informed decision. This information will also be required to satisfy any scrutiny Greater Wellington may encounter, whether it be from Auditors or the public.

The written pre-approval needs to be attached to the expenditure in Ngātahi.

The following page has a flow chart to help staff through this process.

If there are any questions or concerns, please discuss it with your Finance Business Partner, or the Principal Finance Policy Advisor.



The Policies and Guidelines

The following section contains the policy and guidelines.



Kaupapahere Haepapa Rawa - Asset Accounting Policy

Purpose	The purpose of this policy is to provide a framework that ensures the Council's assets are recognised and accounted for in accordance with NZ GAAP and IPSAS.
Vision	Accounting consistency and compliance for assets, organisation wide, across the Greater Wellington Regional Council.
Rationale	In accounting for its assets, the Greater Wellington Regional Council (the Council) must comply with New Zealand government legislation. Legislation requires the Council to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), specifically Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). Failure to do so may lead to Audit New Zealand, on behalf of the Office of the Auditor General, providing modified audit opinions, together with the ramifications of legislative non-compliance.
Policy Owner	Owned by the Group Manager, Finance and Risk
Responsibilities	Group Manager, Corporate Services Group Manager, Finance and Risk Head of Finance Financial Controller
Application	This policy applies to all staff who are involved in the management of assets, including the acquisition, construction and disposal of assets, together with all staff or contractors responsible for maintaining and reporting on assets.
Related Policy and Legislation	<p>Related Policy Asset Management Policy</p> <p>Applicable Legislation Local Government Act 2002 Local Government (Financial Reporting and Prudence) Regulation 2014</p> <p>Applicable New Zealand Accounting Standards (NZ GAAP and IPSAS) PBE IPSAS 1: Presentation of Financial Statements PBE IPSAS 17: Property, Plant and Equipment PBE IPSAS 13: Lease PBE IPSAS 31: Intangible Assets PBE IPSAS 21: Impairment of non-cash generating assets</p>
Effective Date	The first working day following the date of approval by the Chief Executive
Review Date	31 March 2024

Purpose and Principles	This policy applies to non-current physical assets (i.e. Property, Infrastructure, Furniture, Fittings and Equipment) owned or controlled by the Council.
Policy	<p>The policy applies to the line items of property, plant and equipment, intangible assets and assets held-for-sale as disclosed in the Council's Statement of financial position. It is applicable when performing the following functions:</p> <ul style="list-style-type: none"> • Acquiring, constructing or developing an asset. • Accounting for costs incurred in maintaining an asset. • Renewing, replacing or enhancing the service potential of an asset. • Revaluing assets. • Disposing of assets. • Accounting for depreciation and amortisation of assets. • Reporting and disclosing assets. • Establishing the useful life and residual value of assets. • Testing assets for impairment.

Asset Accounting Policy Guidelines

Guidelines	<p>The following asset accounting guidelines support this policy, providing additional explanations and examples.</p> <ul style="list-style-type: none"> • Asset Accounting Policy – Policy Statements • Asset Accounting Guideline 1: Initial Acquisition • Asset Accounting Guideline 2: Expenditure after Acquisition • Asset Accounting Guideline 3: Depreciation and Amortisation • Asset Accounting Guideline 4: Revaluation • Asset Accounting Guideline 5: Impairment • Asset Accounting Guideline 6: Derecognition • Asset Accounting Guideline 7: Disclosure
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Kaupapahere Tāware me te Whakakonuka - Fraud and Corruption Policy

Purpose	This policy outlines how Greater Wellington Regional Council (Greater Wellington) approaches the risk of fraud and corruption.
Vision	This policy is established to facilitate the development of controls which will aid in the detection and prevention of fraud or corruption against Greater Wellington.
Rationale	<p>Greater Wellington must be seen to maintain the highest standards when it comes to matters of integrity. Greater Wellington must provide confidence to the community and staff regarding the administration and control of public monies including rates.</p> <p>The adverse publicity surrounding fraud or corruption perpetrated upon Greater Wellington Regional Council is a key risk element for maintaining our credibility and reputation in the public sector.</p>
Policy Owner	Owned by the Group Manager, Finance and Risk
Responsibilities	<p>Group Manager, Finance and Risk</p> <p>Group Manager Corporate Services</p> <p>Head of Finance</p> <p>Head of Risk and Assurance</p>
Application	<p>This policy applies to any actual, alleged or suspected fraud or corruption involving employees, former employees, representatives, vendors, outside agencies doing business with Greater Wellington, and/or any other parties with a business relationship with Greater Wellington.</p> <p>For the purposes of this policy, a ‘representative’ of Greater Wellington Regional Council includes:</p> <ul style="list-style-type: none"> • Any contractor or consultant who agrees to be covered by this policy under the terms of their engagement agreement • Temporary staff supplied through an agency • Seconded personnel • Volunteers <p>All agreements for/with all agency staff, seconded personnel, contractors or consultants should contain an express obligation on them to comply with this policy.</p> <p>This policy does not apply to:</p> <ol style="list-style-type: none"> 1. Minor fraud perpetrated by the public against Greater Wellington. For example, providing wrong information on a consent application.

	<p>2. Councillors, who are subject to provisions with the Local Authorities (Members' Interests) Act 1968, the Local Government Act 2002 and Code of Conduct for Elected Representatives.</p>
Related Policy and Legislation	<p>Code of Conduct Procurement Policy Protected Disclosures Policy Conflicts of Interest Policy Internal Financial Policies, such as:</p> <ul style="list-style-type: none"> - Treasury Risk Management Policy - P-Card Policy - Entertainment and Hospitality Expenditure Policy - Sensitive Expenditure Policy - Vehicle Policy
Effective Date	<p>1 July 2024</p>
Review Date	<p>Before July 2027</p>
Purpose and Principles	<p>Greater Wellington recognises the importance of protecting the organisation, its operations, its employees, and its assets from the consequences of fraudulent or corrupt activity.</p> <p>The purpose of this policy is to:</p> <ol style="list-style-type: none"> a) Clearly state the position with respect to fraud and corruption b) Impose a duty on employees to report a suspicion of fraud or corruption, c) Provide protection to those who report suspected fraudulent or corrupt activity, d) Ensure a consistent response to reports of suspected fraudulent or corrupt activity, e) Outline consequences for fraudulent or corrupt activity
Policy	<p>The principal objectives the policy seeks to achieve are to:</p> <ul style="list-style-type: none"> • Protect the integrity of our financial systems and assets from fraudulent or corrupt conduct by employees, contractors, and consultants with a relationship with GW; and • Ensure that such conduct, when it occurs, is detected and acted upon. • Provide a responsibility framework response plan for investigating, dealing with and reporting fraud
Guidelines	<p>The guidelines are provided below.</p>

Fraud and Corruption Policy Guidelines

1. FRAUD RESPONSE PLAN

- 1.1. Any employee who suspects fraud or corruption has been committed should report the incident:
 - a) to their immediate Manager, or
 - b) a Protected Disclosures Officer (refer paragraph 6), or
 - c) directly to the 'Group Manager (GM), Finance and Risk' or 'GM, Corporate Services'
- 1.2. If any of the above are suspected of fraudulent or corrupt activities, then the employee can report it to the Chief Executive.
- 1.3. The manager contacted must report the incident to the 'GM, Finance and Risk' or 'GM, Corporate Services' and also the Head of Human Resources.
- 1.4. If the GM Finance and Risk or GM Corporate Services are involved in suspected fraud or corruption, the Manager, will report the concerns directly to the Chief Executive. If the Chief Executive is involved in suspected fraud or corruption, the GM Finance and Risk or GM People and Customer will report directly to the Chair, the Chair of the Finance, Risk and Audit Committee, and the Council's external auditor, who will provide direction to the GM Finance and Risk or GM Corporate Services in completing steps 1.7 to 1.12.
- 1.5. The matter should not be discussed with anyone else. Strict confidence is required.
- 1.6. If the employee seeks the protection of the Protected Disclosures (Protection of Whistleblowers) Act 2022¹, they should follow the Greater Wellington Protected Disclosures (Protection of Whistleblowers) Policy², and report it to a Protected Disclosures Officer. Officer to whom a protected disclosure of alleged serious wrongdoing may be made:
 - Any Tier 2 officer (GM), or
 - Head of Democratic Services, or
 - Head of Human Resources, or
 - Head of Legal & Procurement
- 1.7. The employee who suspects fraud, can also report it using the organisation Whistle-blower facility. The facility will then report the disclosure to the agreed contacts in the organisation.
 - Greater Wellington education and awareness: [Fraud Awareness](#)

¹ Discloser's entitlement to protection - [Protected Disclosures \(Protection of Whistleblowers\) Act 2022](#)

² [Greater Wellington Protected Disclosures \(Protection of Whistleblowers\) Policy](#)

- Make a report: [Deloitte Whistleblower Service \(deloitte-halo.com\)](https://deloitte-halo.com)

1.8. The 'GM, Finance and Risk' or 'GM, Corporate Services', will then request a written summary of the event, detailing the nature of the suspected fraud or corruption, the person(s) involved, and the amount of money, property or service alleged to be fraudulently misused, and will report this to the Chief Executive.

Note: To be clear, the suspected person(s) should not be contacted.

1.9. The Chief Executive will decide within 48 hours of receiving the written summary whether to further investigate and how any investigation will be undertaken. This may include seeking independent expert advice. The Chief Executive will document the reasons for the decision.

1.10. The Chief Executive has the primary responsibility for the investigation of all fraudulent or corrupt activities as defined in this policy. If the Chief Executive is suspected of fraudulent or corrupt activities, then the Chairperson of the Council holds prime responsibility.

1.11. The Chief Executive may authorise free and unrestricted access to all records and equipment (e.g. electronic, financial, hard copy) when an investigation is being undertaken. This includes the authority to examine, copy, and/or remove all, or any portion of the contents of files, desks, cabinets, and other storage facilities on Council premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities, within the scope of the investigation.

1.12. When undertaking an investigation, the Council will follow the steps set out in this Fraud Response Plan. This includes giving consideration to the following:

- Suspending the person(s) involved while the matter is being investigated;
- Removing the physical and remote access of the person(s) and securing/preserving any potential evidence;
- Informing the relevant insurer that an investigation will be taking place; and
- Preparing an internal and external communications plan.

1.13. The Chief Executive will determine what questions the investigation will set out to answer. This may include:

- How did the incident occur?
- Who was involved?
- Was there a loss suffered? If so, what was the quantum?
- What controls/process improvement opportunities are there?

1.14. If, after the investigation, there are reasonable grounds for suspecting that fraud or corruption has occurred, the Chief Executive will, unless there are

exceptional circumstances, contact the Police or the Serious Fraud Office and be involved in any investigation they undertake.

- 1.15. Where the alleged fraud or corruption involves a representative, the representative’s arrangements with Council will be terminated.
- 1.16. Where the alleged fraud or corruption involves an employee, Council may conduct its own employment investigation prior to, or concurrently with, any investigation by the Police or the Serious Fraud Office. The GM Finance and Risk or GM People and Customer will advise on the appropriate disciplinary action up to and including dismissal, and the procedure to be followed. Where Council makes a final decision regarding the employment relationship, the decision shall be independent of any decision made by the Police or the Serious Fraud Office.
- 1.17. The Chief Executive will report any actual or suspected fraud or corruption to the Chair, the Chair of the Finance, Risk and Audit Committee, and the Council’s external auditor.
- 1.18. At the conclusion of the investigation the events will be documented in a confidential report which will be provided to the Council and external auditor as appropriate if the investigation results in disciplinary action and claims are substantiated. Recommendations may be made to enhance internal control procedures.

2. THE FRAUD REGISTER

- 2.1. The Fraud Register will be managed by the Head of Risk and Assurance.
- 2.2. The access to the Fraud Register shall be restricted to:

Ability to edit:	Ability to view only:
Group Manager, Finance and Risk	Chief Executive
Group Manager, Corporate Services	Group Managers
Head of Risk and Assurance	Head of Legal & Procurement
Head of Finance	

- 2.3. The Fraud register will record:
 - Date of fraud
 - Details of the fraud event
 - Actions that were taken
 - Changes or Recommended changes to internal controls (if any)
 - Any follow up requirements
 - Additional necessary comments/information

3. MANAGEMENT RESPONSIBILITIES MATRIX

	Primary responsibility	Secondary responsibility	Shared responsibility
External reporting of suspected employee fraud	Chief Executive	GM, Finance and Risk	As applicable under the Protected Disclosures Policy
Approval for the development of and the maintenance of the Fraud Policy	Chief Executive	GM, Finance and Risk	
Approval of any engagement contract or letter employing an external forensic investigator	Chief Executive	GM, Finance and Risk	
Referral of suspected cases to the Serious Fraud Office or Police	Chief Executive	GM, Finance and Risk or GM, Corporate Services	GM whose employee it is
Maintenance of Fraud Register	Chief Executive	GM, Finance and Risk	Head of Corporate Risk and Assurance
Fraud risk monitoring	GM, Finance and Risk	GM Corporate Services	GM, Finance and Risk
Internal advice of the fraud policy	GM, Finance and Risk	GM, Finance and Risk or GM, Corporate Services	
Internal training on fraud policy	GM, Finance and Risk	GM People and Customer	Employees involved in providing ongoing PD and employee training.
Maintenance of internal control procedures and fraud protection measures	GM, Finance and Risk	All Officers involved in approving, certifying payments	All employees involved in processing financial transactions or receiving reward from external parties.
Reporting of Fraud – To Council, Audit, and Insurers	GM, Finance and Risk	GM Corporate Services	

Kaupapahere Manaaki me te Whakangahau - Entertainment & Hospitality Policy

Purpose	This Policy is to ensure that entertainment and hospitality expenditure related to Greater Wellington’s core business, is appropriate and in line with the Auditor General’s ‘Sensitive Expenditure Guidelines’.
Vision	Greater Wellington is committed to best practice in financial management, ensuring minimal risks of fraud and/or misuse of public money.
Rationale	<p>Entertainment related and hospitality expenditure occurs where costs may be incurred by Greater Wellington in a social and/or business environment.</p> <p>Such expenditure on entertainment or hospitality is considered ‘sensitive’ by the Office of the Auditor General due to the range of possible purposes it can serve, the opportunities for private benefit and the wide range of opinions as to what is appropriate.</p>
Policy Owner	GM, Finance and Risk
Responsibilities	<p>Finance</p> <p>Business Support Team</p> <p>Human Resources</p>
Application	<p>This Policy applies to all Greater Wellington Staff.</p> <p>All activity related to this Policy may be monitored or investigated using the information held on or generated by use of any Resource (see definitions). Inappropriate use will be reported to appropriate management and any action taken will be guided by the Code of Conduct, employment agreements and employment law.</p> <p>Users of a Greater Wellington Resources and the information held on or generated by those Resources may be the subject of investigation by government agencies. The GM, Finance and Risk or the GM, Corporate Services will respond to any approach from such agencies. This response may result in any relevant information being provided to the requesting agencies to assist its investigation.</p> <p>Any exemptions required under this Policy must be requested via Accounts@gw.govt.nz and approved by the GM, Finance and Risk.</p>
Related Policy and Legislation	<p>Sensitive Expenditure Policy</p> <p>Koha Policy</p> <p>P-card Policy</p> <p>Te Upoko o Te Ika a Māui Commitment</p> <p>GW Code of Conduct and the ‘applicable terms and conditions of employment’.</p> <p>Conflicts of interest policy</p>

Effective Date	The first working day following the date of approval by the Chief Executive
Review Date	31 December 2026

Policy and Principles	<p>To maintain the public’s trust and confidence in Greater Wellington, the Chief Executive and senior management ensure that the organisation operates with a high level of integrity and the necessary behaviours to maintain the integrity of the public sector.</p> <p>To determine how Greater Wellington validates the use of ‘public’ money for the use of Entertainment and Hospitality and ensure approval for expenditure is justified before it is incurred.</p> <p>Managers have the general authority to incur business related entertainment and hospitality expenditure or ‘recognition’ events, appropriate to the circumstances and workplace. Before incurring this expenditure, the relevant manager must have decided that the costs to be incurred are both appropriate and justifiable for the circumstances.</p> <p>All expenditure decisions must adhere to the following principles:</p> <ul style="list-style-type: none"> • they must have a justifiable business purpose • the dominant purpose for the expenditure must be for business purpose • must preserve impartiality • they must be made/approved by an authorised manager • they must be made with integrity • the expenditure must be moderate and conservative in the circumstances • the decision must be transparent • the expenditure must be both ‘perceived’ and ‘actually be appropriate’ (taking into account both the individual transaction and the total amount of sensitive expenditure in that area). <p>When making an expenditure determination, the manager shall recognise:</p> <ul style="list-style-type: none"> • The schedule of allowable expenditure (<i>note the policy guidelines</i>) • The availability of budget • Any taxation consequences resulting from the proposed expenditure (<i>note the policy guidelines</i>) <p>The ‘actual’ or ‘perceived’ private benefit that the public may consider has occurred as a result of the proposed expenditure.</p>
Guidelines	Please refer to the Entertainment & Hospitality Policy Guidelines to understand how to use this Policy which covers a range of items from coffee and biscuits, to catering and alcohol, and even gifts. It

Attachment 1 to Report 24.554

[REDACTED] also incorporates expenditure relating to conferences, external training courses and seminars.

Entertainment & Hospitality Policy Guidelines

The Entertainment & Hospitality Policy is to ensure that staff expenses related to Greater Wellington's (GW) core business, is appropriate and in line with the Auditor General's 'Sensitive Expenditure Guidelines' (2020).

For the purposes of this Policy and Guidelines, references to Greater Wellington also includes Wellington Region Emergency Management Office (WREMO).

The incurring of entertainment expenditure is a privilege, not a right. It must be able to withstand the test of public scrutiny associated with a public sector organisation.

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits, catering, alcohol, and gifts. It also incorporates expenditure relating to conferences, external training courses and seminars. This Policy relates to such expenditure which has, as its purpose:

- + Building relationships
- + Representing Greater Wellington
- + Reciprocating hospitality where this has a clear business purpose and is within normal bounds
- + Recognition of a significant business achievement
- + Supporting internal organisational development (Training and development programmes)
- + Staff appreciation
- + Building revenue

These guidelines are divided into three parts:

Part One: Determining and Approving Entertainment & Hospitality Expenditure

Part Two: Schedule of Specific Entertainment & Hospitality Expenditure

Part Three: Food

GUIDING PRINCIPLES

Greater Wellington spends public money! The spending must meet standards of probity and financial prudence so it can withstand parliamentary and public scrutiny and support trust and confidence in the public sector. All expenditure decisions must therefore adhere to the following principles:

- They must have a **justifiable business purpose**
- The **dominant purpose** for the expenditure must be **business**
- **Impartiality** must be preserved
- They must be made by a properly **authorised manager**
- They must be made with **integrity**
- The expenditure must be **moderate and conservative** in the circumstances
- The decision must **be transparent**
- The expenditure must **be both perceived and actually be appropriate** (taking into account both the individual transaction and the total amount of sensitive expenditure in that area).

2

PART ONE:**DETERMINING AND APPROVING ENTERTAINMENT & HOSPITALITY EXPENDITURE****1. DETERMINING WHEN ENTERTAINMENT AND HOSPITALITY EXPENDITURE IS APPROPRIATE AND THE APPROVAL PROCESS**

- 1.1. Managers with financial delegation to approve business related entertainment expenditure and arrange recognition events, appropriate to the circumstances and workplace.
- 1.2. Approval for entertainment and hospitality expenditure must be given before the expenditure is incurred.
- 1.3. Before incurring this expenditure, the relevant manager must have decided that the costs to be incurred are both appropriate and justifiable under the circumstances. When making this decision, the manager should consider:
 - + The **guiding principles** (*as listed above*)
 - + The **schedule of Specific Entertainment and Hospitality Expenditure** (refer Part Two)
 - + The **actual or perceived private benefit** that the public may consider has occurred as a result of the proposed expenditure
 - + The **availability of funds** within GW's agreed annual budget and their delegated financial authority limitations and conditions
 - + Any **taxation consequences** resulting from the proposed expenditure

Receiving hospitality

- 1.4. Receiving hospitality is not strictly sensitive expenditure because it does not involve expenditure on GW's behalf, however it does come with sensitivities that need to be managed carefully.
- 1.5. It is important that receiving hospitality does not affect GW's or an individual's decision-making, because this could be perceived as acting without impartiality or integrity. Any staff receiving hospitality, valued at \$50 or more, must enter it into the 'Gift Register' AND advise their manager.

The approval process

- 1.6. Approval for entertainment and hospitality expenditure valued at \$50 or more must be given prior to the event and made by a manager with the appropriate delegations to do so. All relevant documentation must be provided to support the approval of the expenditure including:
 - + The names of the parties entertained; and
 - + The reasons for the entertainment and hospitality expenditure
 - + Proof of expected expenditure such as quotes
- 1.7. Managers shall not:

- + approve an entertainment or hospitality expense that they will personally benefit from
 - + approve the entertainment expenses of anyone who directly reports them
- 1.8. If the entertainment and hospitality expenses in this policy are incurred by the Chief Executive (CE), avoiding reciprocal approval processes must be followed.
- 1.8.1. In the case of the Chief Executive, final approval shall be given by the Chairperson of the Council.
- 1.8.2. In the cases of the Chairperson of the Council, final approval shall be given by the Chairperson of the FRAC.
- 1.9. All receipts, invoices and other relevant original documentation must be retained, uploaded and recorded correctly in Ngātahi and the business purpose for the expenditure noted
- 1.10. Any payments for sensitive expenditure made using a P-Card (or credit card) must be done in accordance with GW's P-Card Policy.
- 1.11. Any payments for 'Travel and/or Accommodation' be done in accordance with GW's Travel Policy and Sensitive Expenditure Policy.
- 1.12. Cash payments to staff for awards and bonuses is not appropriate under this Policy.

2. EXPENDITURE THAT SHOULD NOT BE FUNDED BY GW

- 2.1. GW needs to ensure appropriate use of ratepayer funds that meet the requirements of the Sensitive Expenditure Policy and have clear rationale or justifiable cause from an Auditors and publics point of view. Therefore, the following should not be funded by GW:

Entertainment and/or events:

- Entertainment expenses that are, or may be perceived to be, lavish or extravagant under the circumstances
- Events to promote an election campaign of an individual councillor or candidate

Catering internal meetings or social/network events

- Catering for group morning/afternoon teas or short meetings (Refer Part 2 section 2)
- Catering for internal short presentations or presentations where the invited list is open to all staff and/or the invitees are just invited but not 'required'.

Note: Although GW funds are not to be spent on catering these sorts of functions, 'bring your own plate' or some form of shared kai is allowed.

Other

- Alcohol
- The purchase of property, goods or services for personal use or for non-business reasons
- Expenditure involving regular team drinks or team outings

3. TAX CONSIDERATIONS

- 3.1. GW must ensure it complies with taxation legislation. In this regard:
- + All Gifts including flowers, event tickets, restaurant meals, accommodation and vouchers may be subject to Fringe Benefit Tax (FBT)
 - + GST is also payable by GW on the value of the fringe benefit
- 3.2. This may mean that the cost incurred is significantly greater than originally expected.
- 3.3. Generally, FBT does not apply to an event that is on GW's premises or for which the time, place and venue are controlled by the organisation. However, gifts, goods or services provided below cost are subject to FBT and must be notified to Finance. All entertainment expenditure provided to an employee where:
- + The employee can enjoy the entertainment benefit when he or she chooses (e.g. movie tickets or a café voucher); and
 - + The benefit is not consumed or enjoyed in the course of employment duties
- 3.4. If a manager is unsure of the implications of a particular gift or payment, he/she should seek advice from Finance.
- 3.5. All tax penalties for non-compliance will be on charged to the department responsible.

4. ACCOUNTING AND REPORTING PROCEDURES

- 4.1. All business-related expenditure that is not subject to FBT should be coded to a project and to the appropriate GL code.
- 4.2. All staff gifts and non-business-related entertainment expenditure, for which FBT applies, should be coded to the employees cost centre and GL code 62620 – Staff Gifts or 63625 - Refreshments.
- 4.3. At the end of each tax quarter, the Finance Department reviews the expenses in the 62620 account and includes these items in the Council's FBT return. The calculated FBT cost is then charged back to the cost centre of the relevant department concerned.
- 4.4. The CE may require Groups to report on any entertainment expenditure incurred as part of the quarterly review process.

PART TWO:

SCHEDULE OF SPECIFIC ENTERTAINMENT AND HOSPITALITY EXPENDITURE

1. GENERAL CONSIDERATIONS

- 1.1. Any expenditure GW has identified below must:
- + Meet the guiding principles (refer page 1) and
 - + Have been determined as appropriate and justifiable by the relevant manager
 - + Must have an itemised receipt recorded and coded in Ngātahi
- 1.2. GW's **Te Upoko o Te Ika a Māui Commitment** should be considered, particularly when:

- + Choosing a location for where the business takes place
- + Ordering ‘catering’ for functions
- + Considering gifts

Note: If you’re unsure of what businesses to support as part of the commitment, please ask a member of Te Hunga Whiriwhiri for advice.

The following identifies areas of expenditure that GW has identified which is open to approval (after appropriate considerations are given) by management in certain circumstances.

2. RECOGNITION EVENTS

2.1. GW is unable to make a financial contribution towards alcohol for recognition/leaving events. Also see part 3, 2.1.

2.2. Staff may provide a sensible amount of alcohol at their own expense.

Recognition of Service

2.3. As part of recognising length of service for employees, managers can arrange a celebration. It is important before doing so for the manager to check the employee is comfortable with having their service openly recognised and celebrated. The manager should consider any preferences of the employee for a less formal function.

2.4. Ideally the acknowledgement should be on, or as near as possible to, the anniversary of a staff member joining GW and be along the following lines:

	Length of service: 10 years’ service	Length of service: At each 20, 30, 40 years’ service
Recognition celebration	A morning or afternoon tea with invitees from the Employees function, held on GW premises. GW will contribute \$10 per head, to a maximum total of \$200 for the catering.	A morning or afternoon tea with invitees from within GW, held on GW premises. GW will contribute \$10 per head, to a maximum total of \$300 for the catering.
Recognition gift	GW will contribute up to \$100 towards the gift. If the gift is a voucher / pressie card, the purchase will require GM approval (and consultation with the GM People and Customer).	GW will contribute up to \$200 towards the gift. If the gift is a voucher / pressie card, the purchase will require GM approval (and consultation with the GM People and Customer).

Note: The manager may like to invite the CE and/or relevant GM to attend and speak as the anniversary marks a significant contribution to the organisation and a significant milestone in the employee’s working life.

Leaving functions

- 1.1. Expenditure on farewells and retirements should be appropriate based on the length of service of the employee.
- 1.2. The nature of the leaving function must be agreed with the employee’s manager and/or GM.
- 1.3. In general, only current employees of GW should be invited to functions. Any external invitations must be pre-approved by the relevant GM or the CE.
- 1.4. The following provisions have been made for staff leaving GW:

	Where an employee has worked for GW for less than 12 months	Employee has worked for GW for one or more years but less than 10 years	Employee has worked for GW for more than 10 years
Leaving celebration	Farewell morning / afternoon tea could be appropriate, with food provided by the attendees. No financial contribution from GW.	A farewell function maybe appropriate. If catering is provided the function should be held on GW premises. GW will contribute \$10 per head, to a maximum total of \$200 for the catering.	A farewell function maybe appropriate. If catering is provided the function should be held on GW premises. GW will contribute \$10 per head, to a maximum total of \$400 for the catering.
Invitation list for celebration	Employee’s team	Internal GW staff with a close working relationship with the employee. External invitations should be pre-approved by the relevant GM or the CE.	Internal GW staff. External invitations should be pre-approved by the relevant GM or the CE.
Leaving gift	A collection maybe appropriate for staff to contribute to a gift should they wish to. No financial contribution from GW	A collection maybe appropriate for staff to contribute to a gift should they wish to. No financial contribution from GW	GW will contribute up to \$300 towards the gift. If the gift is a voucher / pressie card, the purchase will require GM approval (and consultation with the

			GM People and Customer).
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Note:

- Any gifts received by an employee within the past financial year would need to be taken into consideration because if the total value exceeds \$300, Fringe Benefit Tax is required.
- Vouchers and/or Visa Prezzie cards (cash equivalent rewards) must have written preapproval by the appropriate GM, regardless of a staff members Delegated Financial Authority due to the high fraud risk potential. GM approval is a safeguard mechanism to reduce the risk.

Births, Deaths and other significant personal events

1.5. GW may contribute towards a gift, up to the value of \$90 (incl. GST, cards and fees, such as delivery) to an employee for a significant event. Staff may do a collection to increase the value of the gift if they wish. Significant personal events may include:

- Birth or adoption of a child
- Death of a close family member
- Wedding
- Outstanding academic achievements

1.6. Personal events that do not qualify for a gift from GW include:

- Birthdays
- Anniversaries

1.7. For more guidance regarding gifts (including cultural), refer to the Koha Policy and the Sensitive Expenditure Policy.

2. EXCEPTIONAL GW EVENTS

2.1. GW will occasionally experience a reason to host an event of significance. These events are a one-off and include a large number of guests that may or may not include external guests and may or may not require catering and/or some other form of expenditure, such as merchandise or souvenirs.

2.2. For all expenditure, the considerations of the Sensitive Expenditure Policy apply and should be documented appropriately for transparency. The GM and CE will determine the budget requirements at their discretion.

2.3. The GM and/or CE should sign off on expenditure for these exceptional events regardless of other managers Delegated Financial Authority. The budget for the event should not be a driving factor to have catering or other 'expenses' for the event.

2.4. In the case of these events, written approval will be required which contains:

- + The purpose of the event
- + The approximate number of expected attendees (clarify how many are internal and how many are external)
- + The rationale for why catering should be provided (providing for external is 'generally' much more acceptable than for internal only functions)

- + The kind of catering expected (this is to demonstrate that we are not being ‘extravagant’)

Note: Appropriate information in the approval process is required to demonstrate to the Auditors and the general public that GW is mindful of how GW spends public money.

- 2.5. Once written approval is given, it must be filed appropriately in Ngātahi with the expense.

3. OTHER

Entertainment of a spouse or partner

- 3.1. Approval may be given for the entertainment expenses of the spouse or partner of a guest or the host, provided such entertainment serves a bona fide GW business purpose. In this regard, participation in official functions and community events that require the attendance of a spouse or partner are considered by GW to be a legitimate business purpose.

Non-monetary recognition

- 3.2. Approval may be given for entertainment expenditure provided to an employee as an award (e.g., “movie tickets” award).
- 3.3. Such expenditure shall be reasonable, having regard to the likelihood that it may be subject to Fringe Benefit Tax, and must be notified to the Finance team.

Organisation Functions

- 3.4. ELT will determine how GW function(s) are carried out at their discretion. They will communicate their expectations for the function(s) to the organisation to allow consistency, fairness and guidance for sensitive expenditure. They will consider:
 - the maximum dollar amount per person that GW will contribute (the maximum amount will be inclusive of transport, food/drink, entertainment and activities etc).
 - how the GW function(s) will be carried out, such as by ‘all of organisation function’, by group or department etc.
 - where and when the function(s) will take place

PART THREE: FOOD

Due to limitations that may trigger additional costs for Fringe Benefit Taxation, ensure Finance is consulted when outside the policy guidelines.

1. CATERING

Catering for internal staff meetings

- 1.1. Catering (lunch) for internal staff meetings or ‘away days’ **should not be requested or approved** unless the meeting runs for most of the day (5+ hours) when it is acceptable to provide refreshments and a working lunch.

Note: The only exception is for Māori cultural training meetings/events which is customary to share kai. These meetings do not have a time limit to require food.

- 1.2. Refer to part 3, 3.6 for reasonable expenditure recommendations, noting that GW does not provide additional funds for morning/afternoon tea (refer part 1, 2.1), therefore if a meeting requires this, they are to be factored into the lunch expenditure.
- 1.3. Refreshments for internal short-duration meetings are available from staff kitchens/utility areas and staff are responsible for getting their own refreshments.

Catering for meetings with external parties

- 1.4. Catering may be requested and approved for meetings with external parties for a working lunch if the meeting bridges beyond 12:00–14:00. The meal rates (below in 3.6) should be applied.
- 1.5. If meetings with external parties do not require lunch but small refreshments (snacks), then expenditure should not exceed \$10 (incl. GST) per head.

Lunches/dinners with external parties

- 1.6. Approval may be given when the external party is being entertained for a business reason, however, alcoholic beverages are not permitted expenditure. The rates below apply.

Coffees or food at external Café

- 1.7. Approval may be given if the expenditure is **for an external party and is for a business purpose**.

Note: No approval will be given to expenditure on refreshments at an external café for routine staff catch-ups, team meetings or work breaks.

2. DRINKS

Alcohol expenditure

- 2.1. The serving of alcoholic beverages is permissible at ‘all of GW’ events, such as the Awards or Christmas function. The expenditure of alcohol must be approved by the CE, and only after they are satisfied that:
- + The guiding principles of this policy have been met
 - + The expenditure has been determined by the CE as appropriate and justifiable
 - + The costs related to the alcohol are reasonable and not excessive
 - + The ratio of alcohol to food is sensible and reasonable
 - + Alcohol will not be provided to any attendee under 18 years of age, or who is intoxicated
 - + The purpose of serving refreshments at the event is to extend hospitality

3. MEALS

- 3.1. Staff who travel for business, refer to the Travel Policy for per diem and claiming meals information. For staff conducting business locally, the following information applies.
- 3.2. Expenditure rates will be per the applicable employment agreement and where it is silent the reasonable expenditure amounts in 3.6. (below) will apply.
- 3.3. Meals (food expenses) can only be claimed on days where staff are on official business and that are not included with flights, accommodation, conferences or seminar packages.
- 3.4. Morning and afternoon tea, and snacks are not able to be claimed.
- 3.5. No alcoholic drinks will be reimbursed. If alcohol is consumed, it must be paid for by the staff on a separate receipt. (GW cannot accept receipt with an alcohol item on it, even if that item was paid separately.)
- 3.6. The following are reasonable expenditure recommendations:

Breakfast	Lunch	Dinner
Up to \$25 (incl. GST)	Up to \$25 (incl. GST)	Up to \$80 (incl. GST)

- 3.7. Staff **may not claim** an allowance or reimbursement for meals:
- That are included with flights, accommodation, conferences or seminar packages.
 - On days or weekends that you are not on official business
 - When you are being entertained by hosts (in this case you may need to consider the Koha Policy)

Koha Policy

Purpose	To ensure that the giving of koha is in line with Greater Wellington Regional Council (Greater Wellington) sensitive expenditure policies.
Vision	The practise of giving koha delivers Greater Wellington guidelines and meets the expectations of our mana whenua partners.
Rationale	As a publicly funded and accountable institution, Greater Wellington must ensure that it conducts its business in accordance with the overarching principle of financial prudence. Greater Wellington must ensure that any donations or koha gifted to a third party are transparent and subject to appropriate scrutiny.
Policy Owner	Owned by Te Pou Whakarae
Responsibilities	Finance Te Hunga Whiriwhiri
Application	This policy applies to all Greater Wellington staff and Councillors.
Related Policy and Legislation	Sensitive Expenditure Policy (including gifts and invitations) Entertainment and Hospitality Expenditure Policy Delegations Manual
Effective Date	31 May 2021
Review Date	December 2024
Purpose and Principles	<p>The purpose of this policy is to provide:</p> <ul style="list-style-type: none"> • An understanding of the concept of Koha • An appropriate application of Koha <p>Greater Wellington recognises that it is appropriate to offer koha in circumstances where:</p> <ul style="list-style-type: none"> • There is a clearly identified relationship between Greater Wellington and the recipient of the koha • It can be clearly demonstrated that koha, is justified in cultural terms • Koha will reflect the occasion and the mana of Greater Wellington and iwi • Koha offered on behalf of Greater Wellington will be paid for by Greater Wellington, and • Koha should not be confused with payment for services.

Guidelines

The Koha Policy Guidance incorporates:

- What is koha?
- When to give koha?
- Alternative payment to koha
- How much should be given? (Koha range)
- Requests for koha ([Request for Koha Form](#) and [Koha receipt acknowledgement form](#))
- Gifting koha
- Role of Te Hunga Whiriwhiri

Koha Policy Guidelines

1. PURPOSE

- 1.1. Giving koha is based around the concept of reciprocity and is an expression of building and maintaining relationships. Giving koha is an integral part of Māori culture and usually significant protocol is attached to it. Traditionally, koha has taken many forms but in more recent times it has tended to be in the form of money.
- 1.2. The word "koha" is often used to describe various types of payment. However, this policy defines koha strictly as an unconditional gift within the context of the New Zealand taxation system. Any payment which incurs tax should not be called koha.
- 1.3. It is important to note that merely calling a payment koha does not, by itself, alleviate the recipient from any tax obligations.
- 1.4. According to Inland Revenue koha is money, but it can also be goods and services. It's given without any expectation on the part of the person receiving it.

2. WHAT IS KOHA?

- 2.1. Koha is given as a gift or contribution in gratitude and support towards a certain task, e.g. Powhiri, presentation, blessing, marae based Hui.
- 2.2. Koha is given separately, over and above any payment for goods or services. Non-monetary examples of koha might include taonga, such as greenstone, carvings, kai (food), or resources readily available to Greater Wellington and may include staff time and expertise, use of vehicles, facilities or outdoor equipment, such as marquees and seating.
- 2.3. Payments are not koha if they have a tax implication, such as:
 - A payment for the use of marae facilities involving accommodation, food, drink and/or where an invoice will be sent (In cases where a marae is registered for GST, then such tax is payable by Greater Wellington in addition to the charge levied by the marae)
 - Any other payment that is not an unconditional gift - all such payments are assessable for tax in one form or another.
- 2.4. Any payment of the types described in this section must not be described as koha, and should be charged to the appropriate Greater Wellington budget holder.

3. WHEN TO GIVE KOHA

- 3.1. Occasions where it would be appropriate for Greater Wellington to give koha include:
 - Attending an event at a marae including:
 - an overnight stay
 - a consultation hui

- a consent hearing or workshop

3.2. When Greater Wellington representatives attend a tangihanga at a marae or an alternative location.

4. ALTERNATIVE PAYMENT TO KOHA

4.1. Koha should not to be used to resource one-off cultural support to Greater Wellington activities involving tikanga Māori, such as pōwhiri, commemorations or dedications/blessings. Instead, Greater Wellington will use alternative payment arrangements which will require the service provider to:

- submit an invoice
- invoice for GST if they are registered
- be responsible for their own tax obligations

4.2. This arrangement can be used for both regular and irregular, non-recurring events.

4.3. The receiver will provide vendor details and be entered into the Ngātahi financial system as an approved vendor. Payments will then be made on invoice with an allocated Purchase Order number provided for future works.

4.4. Situations where koha would not normally be expected include:

- Staff attendance at a regular meeting with mana whenua held at a marae, and
- Informal or ongoing discussions between staff and mana whenua representatives about a Greater Wellington matter

5. HOW MUCH SHOULD BE GIVEN?

5.1. It is up to Greater Wellington to determine an appropriate level of koha. Staff must assess the amount on a case by case basis – there is no neat formula. Factors to take into account include:

- Significance of the event or activity
- Other Greater Wellington funding provided in relation to the event or activity
- The nature of the relationship between Greater Wellington and recipient

5.2. In relation to koha cultural support additional factors include:

- Support provided
- Number of Greater Wellington attendees

5.3. In relation to koha for a marae based event additional factors include:

- Number of Greater Wellington attendees
- Duration of time spent at marae and meals provided.

5.4. In some instances it may be appropriate for Greater Wellington to offer a non-monetary koha along with a monetary koha or in lieu of any monetary koha. Situations where this

may be appropriate include a blessing or dedication at an outdoor location where a tree or park seat could be placed.

- 5.5. Non-monetary koha may also be offered at celebratory events such as openings or historical Treaty settlement milestone celebrations.

6. KOHA RANGE

Activity	Range
Monetary Koha	
K1. Representing Greater Wellington at a tangi:	
Family member of staff or Councillor	\$100
staff member, ex-Councillor or current Councillor	\$200 - \$400 depending on years of service
tangata whenua partner representatives or kaumatua	\$200 - \$400 depending on nature and duration of engagement with Greater Wellington
other dignitaries	\$100 - \$400 depending on nature and length of relationship
K2. As a gift of appreciation for cultural support provided to Greater Wellington staff or Councillors during activities involving tikanga Māori	\$100 - \$400 per day or part thereof subject to the nature and duration of the support
K3. When visiting a marae to support staff at an event like a wānanga or noho marae	\$200 upwards depending on the number of people and meals etc.
Non-monetary koha	
K4. Representing Greater Wellington at celebrations, blessings, dedications or commemorations where it is appropriate to offer non-monetary koha to recognise the event	\$100 - \$400 on the gift depending on the Greater Wellington role or contribution to the event or events

7. REQUESTS FOR KOHA

- 7.1. All requests for koha must be made in writing in advance of any koha being given using the [Request for Koha Form](#). The request must be approved by the staff member's one-up manager who holds the appropriate financial delegation.
- 7.2. The completed and signed form should be given to the Finance Department at least one day before the koha is needed. Finance will process the form and arrange for the funds to be provided to the recipient of the funds.

- 7.3. Koha should be charged against the relevant group's WBS Code / Cost Centre and General Ledger Code 65150 (Consultants – Iwi) / 25250 Iwi Consultations.
- 7.4. If koha is monetary it will usually be given in cash form, and offered to the relevant iwi organisation or marae.
- 7.5. After the koha is offered, a [Koha receipt acknowledgement form](#) must be completed and emailed to the Finance Department at (accounts@gw.govt.nz). There are certain exceptions to this as below:
 - In certain circumstances it may not be appropriate to request an acknowledgement, e.g. when koha is provided to support a family in troubled times during a tangi.
 - In certain circumstances, the recipient of the koha will provide their own receipt, in which case the above acknowledgement form will not be separately needed

8. GIFTING KOHA

- 8.1. Koha from Greater Wellington or on behalf of Greater Wellington should be provided in the form of cash in a plain envelope.
- 8.2. Acknowledgement of receiving koha should be obtained from the recipient of the koha and recorded on the attached Koha Receipt Acknowledgement Form.

Notes:

- Presenting a koha in cash to a marae is perfectly acceptable.
 - Where individual staff attending an event wish to offer personal koha, it should be included in the Greater Wellington envelope.
- 8.3. There are different protocols for giving koha. If you are unsure, check with the Te Pou Whakarae or hosts prior to the event to ensure that it is given in a way that is appropriate for the occasion.

Example:

When giving koha in a formal marae setting, it is customary for the last speaker of the visitors to offer koha on behalf of the group. The koha, in an envelope, is laid down on the ground in front of the hosts with the last speaker making eye contact with the hosts. Alternatively, the koha is handed from the last speaker to a representative of the hosts as on some marae it is not appropriate to place koha on the ground.

9. ROLE OF TE HUNGA WHIRIWHIRI

- 9.1. If there is any doubt around the protocols associated with this policy, advice should be sought from Te Hunga Whiriwhiri in the first instance.

Kaupapahere mō ngā Utu Tuku Rawa ki waho o te Rohe - Out of Region Deployment Expenditure Policy

Purpose	This policy provides a compliance framework for expenditure for Greater Wellington Regional Council (Greater Wellington) staff who are deployed out of the Wellington Region.
Vision	Greater Wellington is able to deploy staff in a fast and efficient manner to provide support to the area in need, while making sure the staff member(s) are financially supported and aware of their sensitive expenditure responsibilities and reporting processes.
Rationale	<p>Greater Wellington is accountable for the use of public money; therefore, the highest standards of probity and financial prudence are expected that will enable the Council to withstand public scrutiny. This is outlined in the Sensitive Expenditure Policy, which apply to all staff, even if they have been deployed to help others.</p> <p>It is crucial that staff, who could be called to be deployed with very little notice, understand their financial responsibilities and approval processes, in a quick and effective manner before they deploy.</p> <p>This Policy and Guidelines are to support that and reduce unacceptable use of public funds.</p>
Policy Owner	Owned by the GM, Finance and Risk
Responsibilities	The Senior Advisor, Business Resilience is responsible for this Policy and associated guidance.
Application	<p>This policy applies to all staff while on deployment to another Civil Defence Emergency Management (CDEM) Group.</p> <p>Out of Region Deployment Expenditure Policy Guidelines [link to be inserted]</p> <p>All activity related to this Policy may be monitored or investigated using the information held on or generated by use of any Resource (see definitions). Inappropriate use will be reported to appropriate management and any action taken will be guided by the Code of Conduct, employment agreements and employment law.</p> <p>Users of a Greater Wellington Resources and the information held on or generated by those Resources may be the subject of investigation by government agencies. The GM, Finance and Risk or the GM, Corporate Services will respond to any approach from such agencies. This response may result in any relevant information being provided to the requesting agencies to assist its investigation.</p> <p>Any exemptions required under this Policy must be requested via Accounts@gw.govt.nz and approved by the GM, Finance and Risk.</p>

Related Policy and Legislation	<p>P-Card Policy Sensitive Expenditure Policy Procurement Policy GW Code of Conduct and the ‘applicable terms and conditions of employment’. Entertainment & Hospitality Expenditure Policy Information Technology, Security and Use Policy Vehicle policy</p>
Effective Date	<p>The first working day following the date of approval by the Chief Executive</p>
Review Date	<p>31 December 2026</p>
Purpose	<p>Unforeseen events can happen at any time across the country. When they do happen, the level of impacts can vary greatly. Greater Wellington prides itself on being able to help and assist wherever and whenever needed.</p> <p>When a staff member is deployed to assist in Civil Defence Emergency Management (CDEM), they have the support of Greater Wellington behind them, however they must also understand that they:</p> <ul style="list-style-type: none"> • Need to use resources efficiently, effectively and economically and able to account publicly for our use of funds • Are accountable for expenditure they have incurred • Are aware expenditure may be a cost to Greater Wellington • Ensure that expenditure is assessed, authorised, and reviewed consistently • Set out clearly defined parameters for expenditure when on deployment • Are mindful that expenses may be claimed back from NEMA or the receiving CDEM Group, and any unnecessary expenses may put additional pressure on the CDEM Group or NEMA
Principles	<p>Greater Wellington spends public money! The spending must meet standards of probity and financial prudence so it can withstand parliamentary and public scrutiny and support trust and confidence in the public sector. All expenditure decisions must therefore adhere to the following principles:</p> <ul style="list-style-type: none"> • They must have a justifiable business purpose • The dominant purpose for the expenditure must be business • Impartiality must be preserved • They must be made by a properly authorised manager • They must be made with integrity • The expenditure must be moderate and conservative in the circumstances • The decision must be transparent

	<ul style="list-style-type: none">• The expenditure must be both perceived and actually be appropriate (taking into account both the individual transaction and the total amount of sensitive expenditure in that area).
Guidelines	<p>Staff being asked to be deployed must understand their roles and responsibilities before deployment. This includes gaining approval from the appropriate managers before deploying.</p> <p>The Out of Region Deployment Expenditure Policy Guidelines sets out the parameters of what is allowed, as well as the expenditure processes required from staff being deployed.</p>

Out of Region Deployment Expenditure Policy Guidelines

The Out of Region Deployment Expenditure Policy is to ensure Greater Wellington is able to deploy staff in a fast and efficient manner to provide support to the area in need, while making sure the staff member(s) are financially supported and aware of their sensitive expenditure responsibilities and reporting processes.

For the purposes of this Policy and Guidelines, references to Greater Wellington also includes WREMO.

While the rationale for deployment is a noble one, Greater Wellington must stay responsible for the health and safety of its staff as well as all expenditure incurred while on deployment. Expenditure must be able to withstand the test of public scrutiny associated with a public sector organisation.

These guidelines encapsulate the essence of a range of other Greater Wellington Policies, all of which have important provisions that relate to the range of circumstances a deployed staff member will encounter. Potential breaches could be considered serious misconduct and may result in disciplinary action being taken.

The guidelines have been broken into two parts:

Part One: Pre-deployment processes

Part Two: Deployed expenditure and reporting processes

GUIDING PRINCIPLES – Sensitive Expenditure

Greater Wellington spends public money! The spending must meet standards of probity and financial prudence so it can withstand parliamentary and public scrutiny and support trust and confidence in the public sector. All expenditure decisions must therefore adhere to the following principles:

- + They must have a **justifiable business purpose**
- + The **dominant purpose** for the expenditure must be **business**
- + **Impartiality** must be preserved
- + They must be made by a properly **authorised manager**
- + They must be made with **integrity**
- + The expenditure must be **moderate and conservative** in the circumstances
- + The decision must **be transparent**
- + The expenditure must **be both perceived and actually be appropriate** (taking into account both the individual transaction and the total amount of sensitive expenditure in that area).

PART ONE: PRE-DEPLOYMENT PROCESSES

1. APPROVING DEPLOYMENT

- 1.1. Staff must get written approval from their manager before agreeing to a potential deployment.
- 1.2. Staff must complete the [pre-deployment checklist](#) and fulfil the requirements in it.
- 1.3. Staff must acknowledge, understand and accept the terms and conditions of deployment. This includes:
 - Understanding relevant GW Policies, particularly regarding expenditure and code of conduct.
 - Understanding where they are going, timeframes and workload expectations
 - Equipment to be used and returned
- 1.1. Before being deployed, staff should save the phone numbers of the Senior Advisor, Business Resilience and the Business Continuity and Emergency Manager in case issues arise and expenditure may be required.
- 1.2. Staff are expected to respect and treat all provisions made by the receiving CDEM Group. This means:
 - Staff will not incur additional charges for the receiving CDEM Group while on deployment unless necessary for the response or their own health, safety, and wellbeing.
 - If using a vehicle that is not their own, staff will only use it, for business purposes. Any personal use will need to be approved by the appropriate manager.

Note: use of a vehicle owned or rented by a public organisation for personal use is seen to have benefits to an individual which is in violation of the Sensitive Expenditure Policy.

 - When taking equipment (from the receiving CDEM Group or Greater Wellington), it is returned to the appropriate place at the end of deployment.

PART TWO: DEPLOYED EXPENDITURE AND REPORTING PROCESSES

1. P-CARDS

- 1.1. P-Card usage must be appropriately controlled, and as such must be in line with all GW expenditure related policies, appropriately managed and authorised, as well as subject to audit reviews.
- 1.2. All P-Cardholders must ensure that expenditure is business related and that this Policy, the Travel Policy, Council's Fraud Policy and other discretionary expenditure policies are adhered to at all times.
- 1.1. Deployed P-Cardholders are responsible for:

- Ensuring they fully understand and comply with the P-Card Policy, the Sensitive Expenditure Policy and any other related policies as well as the 'Banks' terms and conditions of use.
 - For coding P-Card transactions in Ngātahi, as well as ensuring they have been approved, in a timely manner.
- 1.3. Deployed staff must keep itemised receipts for all expenses while on deployment, and correctly lodge them in Ngātahi.
- 1.4. If a P-Card holder forgets to ask for the GST receipt at time of purchase, they are expected to go back to the vendor and ask for it, if the purchase is over \$50. If the vendor cannot provide the receipt, the P-Card holder will be required to explain why they have no receipt as a note in the attachments section of the transaction in Ngātahi.

Approvers of P-Card Expenditure

- 1.5. Under usual circumstances, approvers must pre-approve expenditure in writing (e.g., an email) and then specifically review & approve all P-Card transactions from their P-Cardholders, ensuring the expenses are itemised (for transparency) and are for business purposes (as per P-Card Policy Part 1 - 3.2). However, given the nature of a civil defence emergency, a 'blanket' pre-approve email may be provided by the approver to allow for the deploying staff member to work efficiently.
- 1.6. The approver should:
- Set out the expectation for types of things that can be purchased and to what value. This approach should only apply to low value items.
 - Give consideration to the Sensitive Expenditure Policy before providing preapproval.
 - Specify the times that the approval applies to.
- 1.7. If a transaction is genuinely charged in error, P-Cardholders must notify their Department Manager and P-Card administrator and reimburse the amount charged to the P-card.

Possible Deployed Expenses

- 1.8. Greater Wellington considers staff being away from home may require some additional support, therefore, expenditure may include:
- First aid or personal medical equipment required while on deployment (approval from a manager is required if over \$50)
 - Food, when it is not provided by the receiving CDEM Group (refer 3.2)
 - Business items, such as stationary, if it isn't provided
- 1.9. Travel costs that are not covered by the National Emergency Management Agency (NEMA) or the receiving CDEM Group, such as fuel for a vehicle that has been provided for the staff member to use.

Prohibited Expenses

- 1.10. Greater Wellington does not allow any expenditure on alcohol.
- 1.11. Medical procedures that are not an emergency.
- 1.12. Gear for deployment e.g., a sleeping bag, suitable footwear, or a bag etc.

2. TRAVEL ARRANGEMENTS

- 2.1. The 2023 Travel Policy covers the processes, requirements and reporting provisions that are required for Greater Wellington auditing and meeting its carbon neutrality targets.
- 2.2. During an emergency, NEMA will manage the travel arrangements of all staff approved for deployment. The NEMA coordinators will be responsible for booking and communicating the arrangements.
- 2.3. Unless otherwise stated, the receiving CDEM Group, or NEMA, are responsible for accommodation and travel costs.
- 2.4. If accommodation has not been organised by the CDEM or NEMA, or if issues with the accommodation arise, GW staff will need to:
 - Contact the Senior Advisor, Business Resilience or the Business Continuity and Emergency Manager. Staff can book their own accommodation for the first night using their P-Card, or their own money and seek reimbursement from Greater Wellington.
 - If suitable accommodation has not been provided by NEMA or the CDEM Group after the first night, staff must then make every effort to contact the Business Support Team to have travel and/or accommodation sorted. All bookings are to be requested and processed via the Business Support teams. (Travel Policy, Part 2 - 1.1)
 - Contact the appropriate manager to discuss the matter and seek approval for expenditure if required.
- 2.5. All work-related travel, accommodation and conferences must have prior written approval from the appropriate Manager or CE. (Travel Policy, Part 1 – 1.1)
- 2.6. Staff may use their P-Card, or their own funds and claim it back from Greater Wellington, to book travel and/or accommodation for the remainder of their deployment as a last resort.
 - GW staff are not permitted to book travel or accommodation on their P-Card (refer P-Card Policy) except in exceptional cases where travel or accommodation cannot be facilitated by the Business Support team. A P-Card may be used to book the travel and/or accommodation with the approval of the Senior Advisor, Business Resilience and the Business Continuity and Emergency Manager.
 - The traveller has responsibility for uploading the booking information, as well as the approval email from the appropriate person, into the He Kete travel folder as this will be required for auditing purposes. The transactions team and the business support team will be able to check if travelling staff have followed correct process or not. Managers of staff using P-Cards to book travel and accommodation on their P-Card will be notified. (Travel Policy, Part 2 -1.6)

3. EATING, SHOPPING AND OTHER EXPENSES

3.1. The Entertainment and Hospitality Policy sets the expectations regarding expenditure as per the recommendations from the Auditor Generals ‘Sensitive Expenditure Guidelines’ 2020.

Clothing or Equipment

- 3.2. Deployed staff are to be provided with the safety gear (clothing) and equipment required to fulfil their duties while away.
- 3.3. Deployed staff are expected to pack their own clothing and personal items that may be required while away. GW will not pay for items, such as shoes or a jersey, that a staff member may have forgotten to pack.
- 3.4. Staff are not permitted to buy clothing or equipment without prior approval from the Senior Advisor, Business Resilience or Business Continuity and Emergency Manager.
- 3.5. If any gear is needed, staff must discuss with the Senior Advisor, Business Resilience or the Business Continuity and Emergency Manager. Any gear purchased (on a P-card) should remain the property of Greater Wellington and be returned to the office post-deployment.

Food and Drink

- 3.6. In most deployed circumstances, food and drink will be available to staff by the receiving CDEM Group. When this is available, staff are not permitted to purchase other food and drink using Greater Wellington funds.
- 3.7. If deployed staff are not provided food, they may use their P-Card to purchase food or claim back the expense from Greater Wellington.
- 3.8. Expenditure rates will be per the applicable employment agreement and where it is silent the reasonable expenditure amounts in 3.14. (below) will apply.
- 3.9. If the food provided is not suitable, e.g., for dietary needs, or when off shift or on travel days, staff may purchase food. Any food purchased should be on a reasonable basis, and as within the amounts stated below, 3.14.
- 3.10. All meals should be purchased within a reasonable timeframe in which the meal is generally consumed, except for food for meals purchased at a supermarket.
- 3.11. An itemised receipt needs to be kept (or digital record) as proof of purchase.
- 3.12. When staff are contemplating where to eat, consideration for affordable priced café or restaurant to eat at should be prioritised. High-end or fine dining is not acceptable.
- 3.13. The amounts listed are a suggested limit, not a target.
- 3.14. Reasonable expenditure recommendations are:

Breakfast	Lunch	Dinner
<i>Up to \$25 (incl. GST)</i>	<i>Up to \$25 (incl. GST)</i>	<i>Up to \$80 (incl. GST)</i>

3.15. Morning and afternoon tea, and snacks are not able to be claimed.

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- 3.16. No alcoholic drinks will be reimbursed. If alcohol is consumed, it must be paid for by the staff on a separate receipt. (GW cannot accept receipt with an alcohol item on it, even if that item was paid separately.)

Miscellaneous or unforeseen expenses

- 3.17. At times, staff may find themselves needing to make a purchase. If this purchase is not covered by the 'blanket approval email' (see 1.5) and under the value of \$100, staff should endeavour to contact and discuss the items with the Senior Advisor, Business Resilience or the Business Continuity and Emergency Manager to seek approval before charging the expense.

*Reasonable = A balanced serving that meets your dietary requirements and is relatively middle ranged pricing for the restaurant. They should not be **perceived as extravagant**, as per the Sensitive Expenditure guidelines!!*

Kaupapahere Kāri Utu - P-card Policy

Purpose	This policy is to provide guidance on the use of Greater Wellington's P-Cards (Purchase Cards and credit cards) as a method of payment for Greater Wellington related expenditure and falls within agreed expenditure limits.
Vision	Greater Wellington is committed to best practice in financial management, ensuring minimal risks of fraud and/or misuse of public money.
Rationale	Greater Wellington implemented a P-Card (including credit cards) solution across the Council to form an additional payment channel to meet the needs/requirements that other procurement processes fall short.
Policy Owner	GM, Finance and Risk
Responsibilities	<p>Card holders and Approvers are responsible for ensuring they fully understand and comply with the P-Card Policy and related policies and business rules.</p> <p>The P-card holder is responsible for coding P-Card transactions in Ngātahi, as well as ensuring they have been approved, approving managers are responsible for reviewing and approving in a timely manner.</p> <p>Cardholders and Approvers are required to finish the coding/approving transactions within six working days after transaction is assigned to them in Ngātahi.</p> <p>Refer to P-Card Policy Guidelines to understand the appropriate usage and processes for handling P-Cards.</p>
Application	<p>This Policy applies to all Greater Wellington employees that are issued a P-Card and their associated approval managers.</p> <p>All activity related to this Policy may be monitored or investigated using the information held on or generated by use of any Resource (see definitions). Inappropriate use will be reported to appropriate management and any action taken will be guided by the Code of Conduct, employment agreements and employment law.</p> <p>Users of a Greater Wellington Resources and the information held on or generated by those Resources may be the subject of investigation by government agencies. The Group Manager, Finance and Risk will respond to any approach from such agencies. This response may result in any relevant information being provided to the requesting agencies to assist its investigation.</p> <p>Any exemptions required under this Policy must be requested via Accounts@gw.govt.nz and approved by the Group Manager, Finance and Risk.</p>

Related Policy and Legislation	The 'Bank' terms and conditions (card use) Procurement Policy Vehicle Policy (Fleetcards) Travel Policy Entertainment and Hospitality Expenditure Policy Sensitive Expenditure Policy GW Code of Conduct and the applicable terms and conditions of employment Delegations Manual
Effective Date	The first working day following the date of approval by the Chief Executive
Review Date	31 December 2026
Purpose and Principles	Using P-Cards is a common way to pay for sensitive expenditure and is more transparent than using cash. However, associated risks with using P-Cards need to be managed. These risks include cards being used: <ul style="list-style-type: none"> • For inappropriate business-related expenditure (both the type of expenditure and amount) • To obtain cash for a business purpose, with subsequent expenditure being poorly documented or justified; and For personal benefit, by obtaining cash or paying for personal items
Policy	To provide GW staff with an additional payment channel that meets their needs to carry out efficient business operations that is appropriately controlled, and in line with all GW expenditure related policies.
Guidelines	The P-Card Policy Guidelines below outline: <ul style="list-style-type: none"> • Understand the appropriate usage and processes for handling P-Cards (including compliance and monitoring) • Application or amendment process (templates provided) • Termination process • Responsibilities • Spend limits • Breaches of use
Definitions	Purchase Card (P-Card) – a card with the usual credit functions and abilities to use online and on EFTPOS machines, however they have NO ability to withdrawal cash. Credit Card – a card with all the normal functions BUT can also withdraw cash. (Only the GM, Finance and Risk and Head of Finance have this authority)

P-card Policy Guidelines

These guidelines support the policy to provide process and procedure for the use of Greater Wellington P-Cards (and credit cards) as a method of payment for Greater Wellington related expenditure where other procurement methods are not fit for purpose, and the expenditure falls within agreed limits.

For the purposes of this Policy and Guidelines, references to Greater Wellington also includes Wellington Region Emergency Management Office (WREMO).

P-Card usage must be appropriately controlled, and as such must be in line with all Greater Wellington expenditure related policies, appropriately managed and authorised, as well as subject to audit reviews.

The issuance of a Greater Wellington P-Card is an act of trust by the Council. This needs to be reflected in the way in which a P-Cardholder uses the P-Card. The general terms and conditions of the P-Card must be complied with. The highest standards of ethics and probity are expected from every P-Cardholder.

Potential breaches or behaviours that are not in line with this Policy, or any applicable Policy could be considered serious misconduct and may result in disciplinary action being taken.

Note: The difference between a P-Card and a credit card is:

- **P-Card** – a card issued by the bank to an individual to complete instantaneous expenditure both physically instore and online. It has security and protection features of the bank and DOES NOT have the ability to withdraw cash.
- **Credit Card** – a credit card is the same as a P-Card except it can withdraw cash. There are only three credit cards at GW, held by the Group Manager, Finance and Risk and the Head of Finance.

For these guidelines, Credit Cards and P-Cards will be treated the same unless specifically noted otherwise.

1. USE OF P-CARDS

- 1.1. P-Cards should not be used as a matter of course, but only when the normal purchasing procedures are not available or feasible, e.g., immediate payment/services are required, or vendors only accept online credit transactions etc.
- 1.2. As much as possible, P-Cardholders should attempt to purchase through the normal purchasing system (refer the [Procurement Policy](#)).
- 1.3. The nature of expenditure incurred on the P-Card should still comply with GW's other discretionary expenditure policies.
- 1.4. For any purchases related to Fleet vehicles, please refer to the Vehicle Policy.
- 1.5. P-Cards may also be used during travel, both domestically and internationally. Expenditure on P-Cards, regardless of location, must adhere to the sensitive expenditure principles and all GW policies, particularly the 'Travel Policy', and the 'Entertainment and Hospitality Policy'.

Travel and Accommodation

- 1.1. P-Cards are not to be used for booking Travel and/or Accommodation (Refer Travel Policy) unless certain circumstances prevent it, refer 1.6 (below). All travel arrangements can be arranged by contacting business support businesssupportcuba@gw.govt.nz

Note: If flights are delayed or need to be changed, instructions are provided to contact our TMC who are available 24/7.

- 1.2. GW has a travel booking system set up to meet their travel needs, both domestically and internationally, for all GW staff.

Note: The booking system is a vital tool for helping GW report on climate change targets and providing transparency in line with the Sensitive Expenditure Policy.

- 1.3. In cases where purchase of travel and/or accommodation cannot be facilitated by the Business support group, a manager's approval is required for using a P-Card to book the travel and/or accommodation, and the Business Support group must also be supplied the booking information of the arrangements.

Internet use

- 1.4. P-Card payments made on the internet need to reflect good security practice, such as purchasing only from reputable companies known to the public organisation.
- 1.5. The card holder needs to keep a copy of any online order forms / invoices completed when making purchases and correctly expensed and approved through Ngātahi.

2. ITEMS NOT TO BE PURCHASED ON P-CARDS

2.1. The following should not be purchased on P-Cards, without appropriate written preapproval (if applicable):

Item	Process
Alcohol	Prohibited expense for staff. Only the CE can provide approval for events that are intended for all of GW.
Teas/Coffees/Milks/Sugars/ Biscuits/Candy (lollies) or any other social hub consumables, for use in any of the GW offices	These are supplied via appropriate procurement processes. If these are needed for off-site purposes, they may be taken from the offices and what's not used, returned.
Fines such as parking or speeding tickets	Prohibited expense. Refer Vehicle Policy.
Hotel minibar or hotel entertainment	Prohibited expense. Refer Travel Policy.
Clothing	All apparel should be supplied to staff using an appropriate vendor in the Greater Wellington system, and through a purchase order. Some offices hold clothing for staff use, if you need clothing for temporary use, please enquire.

Refer to the Sensitive Expenditure Policy

3. P-CARDHOLDERS AND THEIR RESPONSIBILITIES

3.1. P-Cardholders are the individuals to whom the P-Card has been issued and whose name appears on the P-Card.

Note: In some cases there are exceptions, for example, Executive Assistants who are assigned to their Group Manager's (GM) cards in Ngātahi, so they are able to process their transactions for them, or administrators at WREMO who are able to manage the coding for the WREMO team.

3.2. All P-Cardholders must ensure that expenditure is business related and that this Policy, Council's Fraud Policy and other expenditure policies are adhered to at all times.

3.3. Before a P-Card is issued to a staff member to use, they will be required show they need a card, understand the requirements of holding a card, and therefore P-Cardholders are responsible for:

- Ensuring they fully understand and comply with the P-Card Policy, the Sensitive Expenditure Policy and any other related policies as well as the 'Banks' terms and conditions of use.
- Ensure they have signed the 'Greater Wellington Terms and conditions of P-Card use' (Attachment THREE) form to signify that they have read and understood their legal obligations.

- The security and usage of their P-Card at all times. The P-Card holder must not allow the card to be used by any other person.
- Setting and maintaining a card PIN that is unique to all other PINs used by the P-Cardholder. This PIN must not be shared in any circumstances. P-Cardholders must comply with the 'Bank' policy on PIN's.
- Your selected PIN must be one designed to reduce the chance of anybody guessing the numbers you choose
- Reporting lost, stolen or compromised cards immediately to the 'Bank' and the P-Card Administrator (Purchasing.cards@gw.govt.nz) and their manager, in order to help safeguard it from inappropriate use. The P-Cardholder will not be personally responsible for charges incurred if this process is followed.
- For coding P-Card transactions in Ngātahi, as well as ensuring they have been approved, in a timely manner.

Note: Ensuring all transactions are coded in Ngātahi using the correct Ledger code, Account code, Natural Account, GST status and the appropriate description which outlines the purpose of the expenditure. E.g., Good description: "Water provided to volunteers at Blue Beach clean-up event" vs. Bad description: "Drinks".

3.4. P-Cardholders (and Approvers) are required to finish the coding/approving transactions within six working days after transaction is assigned to them in Ngātahi.

Note: The P-Card statement covers a monthly period 21st of previous month to 20th of Current month (e.g. 21st April to 20th of May) with direct debit for the statement period processed on 1st of the following month e.g. will be 1st June for above mentioned statement period.

3.5. If the P-Cardholder is away, coding duties can be delegated to another staff member.

3.6. If a transaction is genuinely charged in error, P-Cardholders must notify their Department Manager and P-Card administrator and reimburse the amount charged to the P-card.

3.7. P-Cardholders who fail to comply with the P-card policy and guidelines requirements, will have their P-Card paused until they can demonstrate they understand their responsibilities.

4. APPROVERS OF P-CARD EXPENDITURE

4.1. Approvers are employees with appropriate financial delegations and to whom P-Cardholder transactions are sent for approval within Ngātahi.

4.2. Approvers must pre-approve expenditure in writing (e.g., an email) and then specifically review and approve all P-Card transactions from their P-Cardholders, ensuring the expenses are itemised (for transparency) and are for business purposes.

4.3. For P-Cardholders that are often needing to make miscellaneous purchases to be able to conduct business efficiently (for example field staff, such as Park Rangers, who need something on a Saturday afternoon to help a park event run safely), a 'blanket' pre-approve email may be provided by the approver instead of preapproving each expense.

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- The approver should set out the expectation for types of things that can be purchased and to what value. This approach should only apply to low value items.
- The approver should give consideration to the Sensitive Expenditure Policy before providing preapproval.
- The approver should specify the times that the approval applies to (it would be preferable that the preapproval period is one month, in line with P-Card financial processing, however, the time period can be at the discretion of the approving manager)
- The P-Cardholder manager is ultimately responsible for managing how the P-Cardholder is using the card.

4.4. Approvers are responsible for ensuring they fully understand and comply with the P-Card Policy, the Sensitive Expenditure Policy and any other related policies as well as the 'Banks' terms and conditions of use.

4.5. If the approver is away, approval duties can be delegated to the staff member on the same level or higher than the current approver.

4.6. Approvers are responsible for:

- Pre-approving expenditure
- Reviewing the P-Cardholders transactions to ensure all transactions have the correct Natural Account, Ledger code, Business unit (cost centre), GST status, appropriate description, (and Financial Project or Work Order code if applicable) & corresponding tax receipt, as well as being a justifiable business expenditure.

Note: Tax Receipts

An itemised tax receipt is a requirement and needs to be understood by P-Card users that they need to ask for it when making a purchase (this may not come naturally as many never ask for it when spending their personal money). If P-Card users forget at the time of purchase, they are expected to go back to the vendor and ask for it if the purchase is over \$50. GW recognises that not all vendors provide itemised receipts and therefore will still accept non-itemised receipts of a low value (below \$50), however does require the P-Card user to clearly identify what items were purchased when completing the expense on Ngātahi.

5. P-CARD ADMINISTRATORS, CHIEF EXECUTIVE, GM, FINANCE AND RISK AND THE CHAIR

5.1. P-Card administrators are not permitted to hold P-Cards.

5.2. **The P-Card Administrator** is responsible for:

- Being the point of contact between GW and the 'Bank' for Issuing new and replacement P-Cards, informing the 'Bank' of any P-Cardholder issues with vendors/merchants etc.
- Monitoring exception reporting on exceeded P-Card limits and escalating non-compliance to the Department Manager.
- Increasing/decreasing P-Card limits as authorised by a GM and/or the CE.
- Investigating any charges disputed or unknown transactions as notified by the GW P-Cardholder.

- Resolving statement enquires raised by P-Cardholders.
- 5.3. **The Chief Executive** is responsible for Reviewing and approving the GM’s P-Card expenditure on a monthly basis.
- 5.4. **The GM, Finance and Risk** is responsible for Reviewing and approving any other GM’s P-Card expenditure on a monthly basis if requested by the CE.
- 5.5. Approval must be given strictly in accordance with the delegations register and only where budgetary provisions exist.
- 5.6. In the absence of both the CE and GM, Finance and Risk, P-cards for GMs will not be approved until the return of either the CE or GM, Finance and Risk.
- 5.7. The GM, Finance and Risk is also required to review the P-Card Policy at least once every three years and get the approval of the CE.
- 5.8. In order to avoid reciprocal approval processes:
- The Chief Executive’s expenditure shall be approved by the Council Chair on the recommendation of the GM, Finance and Risk.
 - The Council’s Chair shall be approved by the Chair of the Finance, Risk and Assurance Committee (FRAC) on the recommendation of the GM, Finance and Risk. No manager shall approve an entertainment or hospitality expense that they will personally benefit from.

6. APPLICATION OR AMMENDMENTS, AND TERMINATION OF P-CARDS

Criteria for acquiring a P-Card

Greater Wellington, as part of its financial prudence will manage the volume of P-Cards in circulation to provide safeguards for staff and be transparent to ratepayers. The is aimed at being fit-for-purpose, however we recognise that it is not a one-size-fits-all situation, and exceptions can be made for roles with sufficient rationale to do so.

P-Card criteria is not hierarchical, in many cases, manger or team leaders may find they do not need a P-Card but someone they manage does. This is because roles have different functions and requirements.

Part-time employees are discouraged from having a P-Card due to the policy requirements for processing and the potential need to deal with transactional issues, however this will be considered based on the requirements of their role.

This table indicates which roles are eligible to apply for a Purchase Card:

Eligible Staff	Rational
Chief Executive and Group Managers	Top tier management need to be prepared for any situation, whether it be a business an emergency event.
Executive Assistants	EA’s may require a P-Card to effectively and efficiently manage requests made by their GM (or director). Their roles

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	are regularly requiring purchases that fall outside of our vendor lists or procurement processes.
Admin officer at each office (X2)	A business support officer (or two) at each office should hold a card to enable the location to manage unforeseen situations and provide business support at that location at all times.
Field Staff e.g., Park Rangers, biosecurity and flood protection	Field staff are often in situations that require a P-Card due to the urgency, or outside of business hours, or the ad-hoc nature of the expense (e.g., to repair a damaged gate in the Regional Park, parking fees, urgent safety equipment etc.)
Operations officers	Staff that have 'operations' roles may require a p-card as they can often be away from the office or work 'after hours'. These roles have public and/or business engagement out of office more than usual. They will have small costs to cover on a more regular basis and a P-card would be more efficient.
Budget centre managers (tier 3)	Managers may need to have the ability to deal with the range of expenses their team may face. There must be regular use (<i>more than two times a month</i>) for a P-Card to be required.
A depot office employee - Mabey Road - Workshop (Masterton)	A staff member based at a depot that should always hold a P-Card for unforeseen events, as they will be able to provide support if needed, similar to that of the business support teams that are based in the main offices.
WREMO	WREMO staff also play an essential role during an emergency situation and having the ability to respond quickly and effectively is essential and P-cards can help with that. WREMO staff are actively in the in the community on a day-to-day basis which often incurs charges such as parking etc.
Project managers and/or administrators	These roles, by nature, have a responsibility to keep work running efficiently and may require a P-Card to do this. They would be expected to encounter the need to cover small cost or irregular costs more often than other roles.
Digital focused roles (incl. marketing and comms, media and social media, and design roles)	These roles procure online goods such as software, marketing tools, consultation platforms etc. these forms of procurement often only accept 'credit card' as payment, therefore these roles may require a P-Card.
Community Roles (e.g. Education and Training Programme (Travel Choice),	These roles engage with the community and are out of office more than usual. They will have small costs to cover on a more regular basis and a personal expense claim would not be fair. A P-Card is required here.

Manager Ecosystems and Community (Environment))	
Not Eligible	Rational
Contractors	These roles are not permitted to have a P-card as per Policy.
Fixed term employees	
Principal and Chief advisors	These roles do not require expenditure that cannot be prepared in advance via procurement processes. The lack of frequency for needing a p-card these roles may have, does not justify the liability.
Principal Engineers	
Analyst roles	
Policy Roles (unless Tier 3)	These roles can utilise other members of their group or can do an expense claim to manage their rare expenditure requirements. Most of their expenditure requirements should be covered through a purchase order process.
Specialist roles	Generally, these roles are dominantly office based with little to no teams or community facing activities, therefore most of their expenditure requirements should be covered through a purchase order process.
Finance & Risk Group (with the exception of the GM and Head of Finance)	This team has financial abilities/access that the rest of the business does not, so to reduce fraudulent risks, this team will not have p-cards.

Applying for a P-Card

- 6.1. P-Cards are for GW employees only (including fixed-term). They will NOT be issued to non-employees, contractors, casual employees and Councillors, except for the Chair.
- 6.2. The Finance and Risk Group will arrange and manage the acquisition of all P-Cards.
- 6.3. All P-Cardholders applications and associated credit limits must be endorsed by their Department Manager and approved by their GM.
- 6.4. In case of an application by a GM the application must obtain approval from the CE.
- 6.5. Staff requiring a P-Card must:
 - Complete the ‘application form’, found in **attachment one**.
 - Sign the ‘Greater Wellington Terms and conditions of P-Card use’ (attachment three)
- 6.6. Acceptance of the P-Card Application Form (saved in the employee personal file in Ngātahi) indicates that you (the P-Cardholder) understand all the terms and conditions, policies and rules for use of the P-Card.
- 6.7. Before the P-Card is issued, the staff member will be required to complete a ‘User survey’ to demonstrate they understand the requirements for being a P-Cardholder (Also see section 7).

Terminating a P-Card

- 6.8. The P-Card must be surrendered and returned the P-Card administrator (Finance) by the P-Cardholder on termination of their employment or changing roles with GW.
- 6.9. The P-Card cancellation will be processed by Finance immediately once the expenditure has been reviewed and signed off. The P-Cardholders manager must sign off the "Termination of Employment Checklist" certifying that the expenditure has been reviewed and approved.
- 6.10. The P-Card Administrator has the right to pause or cancel a P-Card at any time. This may occur when an issue has arisen that needs to be resolved. The P-Card can be reactivated once the issue is remedied.

Amendments to P-Cards

- 6.11. P-Card limit increase requests must be approved by the CE. The request must provide a rationale of any limit increases. The signed credit limit increase request form is to be sent to the P-Card administrator by email to Purchasing.cards@gw.govt.nz to process before the limit is increased. **(Attachment one)**

7. P-CARD EXPENDITURE LIMITS

- 7.1. Each P-Card has a monthly credit limit for each Cardholder, regardless of the P-Cardholders financial delegations and budget.
- 7.2. In circumstances where there is a need for higher limits the Chief Executive's explicit written approval stating the reasons for a limit above the policy limit must be obtained.
- 7.3. Monthly credit limits should be kept at a minimum amount necessary for the employee to undertake their duties for GW (normally between \$1000 and \$5,000). The limit required (per P-Cardholder) is to be included in the rationale on the application form.

8. COMPLIANCE AND MONITORING

- 8.1. All P-Cardholders will be required to complete a 'User survey' to demonstrate their level of understanding regarding financial processes and relevant GW policies, as well as help inform GW about the areas in which P-Cardholders may not be understanding and can focus educational training towards.
- 8.2. The 'User survey' will not be anonymous, however, only the appropriate staff or management will be able to see the survey information, such as the finance team, GM's, and Human Resources.
- 8.3. P-Card usage is subject to regular audits and monitoring.
- 8.4. Potential breaches or behaviours that are not in line with this Policy, or any applicable Policy could be considered serious misconduct and may result in disciplinary action being taken.
- 8.5. P-Cardholders who fail to meet the policy guidelines may incur temporary or permanent loss of access to their P-Card without notice until the issue(s) are resolved.

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- 8.6. Un-coded and/or Unapproved transactions will be treated as non-compliance.
- 8.7. The 'Bank' and the P-Card Administrators monitor P-Card spending trends and will alert the Department Manager of any potential misuse or fraudulent activity.
- 8.8. P-Card expenditure will be subject to review by the appropriate council committee and the Council's external auditors.

On-going monitoring

- 8.9. All P-Cardholders will be required to complete a 'User survey' once every six months to demonstrate they are keeping up with correct processes and guidelines.
- 8.10. The 'User survey' will not be anonymous, however, only the appropriate staff or management will be able to see the survey information, such as the finance team, GM's, and Human Resources.
- 8.11. P-Cardholders who demonstrate a poor understanding of P-Card requirements outlined in these guidelines, may have their P-Cards put on pause until the staff member has completed further training.
- 8.12. P-Cardholders who do not complete the 'User survey' within 30 days of being asked, will have their P-Cards put on pause until they complete the survey successfully.

Attachment ONE**P-CARD CONSIDERATIONS AND APPLICATION FORM**

The issuance of a Greater Wellington P-Card is an act of trust by the Council. This needs to be reflected in the way in which a P-Cardholder uses the P-Card.

P-Cards can be a convenient and accessible form of payment that is widely accepted by vendors and/or other goods providers, however they also come with a high level of responsibility and potential to increase GW's risk of fraud. To help manage this, P-Cards will only be issued to staff who require them to be able to carry out their work in an efficient and practical manner.

Things to consider:	Yes	No
Have you viewed the GW procurement process for the goods and services you require?	GW's procurement processes should be used whenever possible. Using a P-Card to avoid GW's procurement processes is a breach of the Procurement Policy and could result in loss of P-Card.	Consider other Policies before making any expenditure decisions (Procurement Policy, Sensitive and Expenditure Policy, Koha Policy, Vehicle Policy etc.)
Do you need to procure goods or services on a monthly basis?	You may require a P-Card if other GW procurement methods aren't sufficient	If you only need to procure goods or services occasionally, using GW procurement processes should be followed in the first instances. If the this doesn't work (e.g., the vendor may only accept credit cards, or the purchase may be time sensitive etc.) consider asking your manager (or other appropriate person) to make the purchase with their P-Card
Do you often have unexpected expenses?	Fieldworkers (such as Parks staff) may require a P-Card to help them efficiently conduct their business as unforeseeable circumstances often require immediate attention.	If you can plan your procurement, then the Procurement Policy and team are here to support you.
Have you been set up and trained to use Ngātahi?	Good! You will need to use Ngātahi to code and approve all P-Card expenditure	Join Ngātahi support on TEAMS. The Ngātahi team has online training and information to help you manage all your expenditure!
Do you have a Delegated Financial Authority (DFA)?	You can be an approver	You <u>cannot</u> be an approver

APPLICATION FORM

TO: Group Manager,

FROM:

DATE:

FOR YOUR ACTION

Please approve issuance of the Purchasing card to:

Legal Name:	
Date of Birth:	(Day / Month / Year) ___ / ___ / _____
Job Title:	
Employee status	<input type="radio"/> Full time <input type="radio"/> Part time <input type="radio"/> Fixed Term <input type="radio"/> Other
Department:	
Rationale for needing a P-Card:	
Card Monthly Limit:	<input type="radio"/> \$1000 <input type="radio"/> \$1500 <input type="radio"/> \$2000 <input type="radio"/> \$3000 <input type="radio"/> \$5000

The P-cardholder agrees to abide by the P-Card policy, guidelines and its terms and conditions. The Chief Executives approval is only required for their direct reports.

I understand the information provided to be honest and true.

	Approved by:	Approved by:
.....
P-Cardholder's name:	Managers name:	(GM or CE) Name:
.....
<i>Signature</i>	<i>Signature</i>	<i>Signature</i>

Please send this signed application approval memo form, with Greater Wellington Terms and Conditions agreement, plus a scanned and attached a form of ID to the P-Card Administrator, Finance.

Email: Purchasing.cards@gw.govt.nz

CREDIT LIMIT INCREASE FORM

TO: Chief Executive

FROM:

DATE:

FOR YOUR ACTION

Please approve the increased limit of the Purchasing Card to:

Legal Name:	
Job Title:	
Department:	
Rationale for needing an increase to the limit on your P-Card:	
New Transaction Limit required:	

The P-cardholder agrees to abide by the P-Card policy, guidelines and its terms and conditions.

I understand the information provided to be honest and true.

.....	Approved by:	Approved by:
P-Cardholder's name:
	Managers name:	Chief Executive:
.....
<i>Signature</i>	<i>Signature</i>	<i>Signature</i>

Please send this signed memo form to the P-Card Administrator, Finance.

Email: Purchasing.cards@gw.govt.nz

Attachment Two**GREATER WELLINGTON TERMS AND CONDITIONS OF PURCHASE CARD USE**

I hereby confirm that on receipt of my Greater Wellington (GW) Purchase Card (the “P-Card”) issued in my name, I will abide by the following conditions:

- A. The P-Card will be used only by me and only after I have signed the reverse of the card in the space provided.
- B. I undertake to comply in all respects with BANK Terms and Conditions in relation to the P-Card and understand as a BANK cardholder that I am jointly and severally liable along with GW for all transactions on this P-Card.
- C. I will not charge personal expenditure to the Card. The P-Card will only be used for GW business related expenses in accordance with GW’s policies and guidelines, and I agree that it is my responsibility to always keep myself informed of such policies and guidelines.
- D. I have read and understood the P-card Policy and related guidelines.
- E. Should I use the P-Card for personal expenditure or expenses which are subsequently not approved as valid GW business related expenses, then I authorise GW to deduct from any sum it owes to me at any time the amount of unapproved expenditure and I agree that should amounts still be outstanding, I will pay these immediately in full to GW. GW may also recover any such amount as a debt.
- F. I agree that personal transactions on council P-Cards constitute gross misconduct and will be dealt with accordingly.
- G. If the P-Card is lost or stolen, then I understand that I must notify BANK and notify GW immediately, and request a replacement P-Card. In the event that BANK is not notified, the liability of all expenses incurred by an unauthorised person will be with GW as the P-Card owner.
- H. I take full responsibility to code and submit my expenditure as per the policy guidelines and scan tax invoices, itemised receipts, and vouchers into the Ngātahi system within the required timeframes.
- I. I will immediately surrender my P-Card to the P-Card Administrator in Finance upon submitting my resignation at GW or accepting any secondment role within GW.
- J. I understand and accept that the P-Card can be withdrawn or cancelled by GW at any time, entirely at its discretion.
- K. I understand that I must complete a ‘user survey’ once every six months to demonstrate my understanding of financial policies and the P-Card guidelines.
- L. I understand and agree that any failure to comply with any of the above conditions of use, or any of the GW’s policies and guidelines referred to above, will result in the P-Card being withdrawn or cancelled.

P-CARDHOLDER'S NAME:

POSITION

P- CARDHOLDER'S

SIGNATURE:

DATE:

Send this signed agreement form, with your application to: P-Card Administrator, Finance.

Email: Purchasing.cards@gw.govt.nz

P-Card - Supporting Information

Whatever the method of contracting a supplier or purchasing goods, staff are required to follow all applicable policies such as Sensitive Expenditure Policy, Travel Policy, Entertainment and Hospitality Policy.

Alternative option to P-Cards

P-cards are not the only or the preferred option for procuring at Greater Wellington and often neglect to consider the principles of Sensitive Expenditure. There are other preferred options:

1. PURCHASE ORDERS

A purchase order (PO), is a commercial document issued by a buyer to a seller indicating types, quantities, and agreed prices for products or services required. It is used to control the purchasing of products and services from external suppliers.

PO's allow Greater Wellington to clearly communicate with sellers/vendors to maintain transparency. They may also help a staff to manage incoming orders and pending orders.

PO's provide benefits by streamlining the purchasing process in a standard procedure.

PO's should not be open ended or carry through multiple financial years. They should be set up wherever possible at the beginning of a financial year to align with the approved budget as this will help managers keep track of their expenditures.

All staff have access to the '**Creditor Accounts Enquiry**' in Ngātahi, which allows them to search for existing creditor accounts. Staff should use this when considering expenditure.

Note: Staff can use a P-card for low value purchases where the vendor is not in our system instead of issuing a purchase order.

2. ACCOUNT ONLY PURCHASE

An 'account only' business area P-Card is available. This is not a physical card. Areas of the business that currently utilise this option are:

- Fleet management
- Bank accounting
- ICT – subscriptions

Some areas of the business may be able to utilise this option to make sure specific areas of expenditure are covered while removing the option for other things to be expensed. If a manager thinks they could improve the efficiency in their area using this option, they can speak to accounts about setting it up.

3. EXPENSE CLAIM

If staff find themselves in a situation where they enquire a business expense but do not hold a P-Card, they are able to pay it with their own funds and do an expense claim. Expenses claims

are paid directly to staff (not through Payroll) and are paid in the following payment run after the expense is approved.

4. MANAGING NON-COMPLIANCE

To ensure Greater Wellington's liabilities are kept with a safe control, and that P-Card expenditure is managed within public scrutiny and audit acceptance levels, Finance will enforce measures to stop on-going policy breaches.

Before any enforcement measures are taken, Finance will always aim to work with the P-Cardholder and/or the approver to remedy the situation first.

This involves reminder notifications about outstanding transactions or approvals, requests for more information, and if needed, an email to the appropriate manager indicating the issue and the remedy requirements.

This may happen when:

- An inappropriate expenditure has occurred
- Non-coded transactions (incl. non-approved transactions) that exceed 30 days, or;
- Non-coded transactions (incl. non-approved transactions) have remained for a period of 60 days or longer, or;
- More than two disputed transactions (expenses that were not allowed and/or are personal and the p-card holder is required to pay the funds personally) at any one time.

Enforcement measures can be:

- Pause of P-Card to stop any further transactions
- Cancellation of card – no new card issued
- Appropriate GM notified and/or HR

Kaupapahere Paremata Rawa a ngā kaimahi o Te Pane Matua Taiao - Personal effects cover for Greater Wellington's employees Policy

Purpose	This is a policy outlining when and how Greater Wellington will cover the loss of or damage to the personal effects of Greater Wellington employees
Vision	To contribute to the council policies, proactively and driven by organisational vision, strategy, priorities, and key risks.
Rationale	This policy was developed in order to enable Greater Wellington employees and particularly managers, to clearly understand the organisation's position regarding damage to personal property
Policy Owner	Owned by the Group Manager, Finance and Risk
Responsibilities	The relevant manager, and the approval of a contribution may only be made by the relevant Group Manager or the Chief Executive
Application	This Policy applies to all Greater Wellington employees
Related Policy and Legislation	GW Code of Conduct and 'applicable terms and conditions of employment'
Effective Date	The first working day following the date of approval by the Chief Executive
Review Date	31 December 2026
Policy	To acknowledge that Greater Wellington accepts no liability for personal effects damaged or stolen in the workplace.

<p>Guidelines</p>	<p>Greater Wellington expects that employees provide their own insurance relating to personal items that they choose to bring into the workplace.</p> <p><i>Note: This includes while also using GW vehicles as personal contents is not insured.</i></p> <p>When travelling on business, booked through the Business support team, travel insurance is provided. <i>Refer Travel Policy.</i></p> <p>Circumstances may arise where it would be appropriate for Greater Wellington to make a contribution towards the costs of repair or replacement of a staff member’s personal effects, or to cover the staff member’s insurance excess.</p> <p>Requests for such a financial contribution must be made to the relevant manager, and the approval of a contribution may only be made by the relevant Group Manager or the Chief Executive at their discretion.</p> <p><i>*This Policy does not come with ‘Guidelines’.</i></p>
<p>Definitions</p>	<p>Workplace – this includes ‘Working from home’ and ‘Out of office’ locations.</p>

Kaupapahere Whakahaere Tūraru - Risk Management Policy

Purpose	<p>Greater Wellington (GW) is committed to achieving its strategic and business objectives. The systematic process of risk management is central to achieving this outcome.</p> <p>The purpose of this policy is to document the expectations and requirements relating to risk management at GW.</p>
Vision	<p>GW will fully understand the risks its exposed to and have controls and strategies in place to deal with its risks, as such it will be well placed to deliver on its plans and have contingency plans in place should disaster strike.</p>
Rationale	<p>Good risk management enables GW to better achieve its objectives.</p>
Policy Owner	<p>Owned by the Group Manager, Finance and Risk</p>
Responsibilities	<p>The Treasurer is responsible for this Policy and associated Guidelines and Procedures on Risk Management and reporting on risk.</p> <p>Each group at GW has a Risk Champion who is the designated person who coordinates group risk reporting and leads discussion on risk management at least quarterly and manages the groups risk register.</p> <p>Every member of staff is responsible for risk management, assessing it and alerting and elevating via the risk champion at the time a risk is noted.</p> <p>The roles and responsibilities of all parties are contained in section 1 of Risk Management Guidelines and the associated accountabilities are contained section 1 and in the Risk Management Procedures.</p>
Application	<p>Risk management is the responsibility of all staff, such that we can achieve our tasks effectively and collectively achieve the organisation's objectives.</p> <p>It covers all Council subsidiary companies but excludes CentrePort.</p>
Related Policy and Legislation	<p>Project Management Policy HSW risk management standard</p>
Effective Date	<p>31st August 2020</p>
Review Date	<p>1 September 2023</p>
Purpose and Principles	<p>The purpose of this policy is to document the expectations and requirements relating to risk management at GW. The 7 objectives below underline the purpose of risk management:</p> <ul style="list-style-type: none"> • increase the likelihood of the Council achieving its strategic and business objectives • safeguarding, the Council's assets and those people using them, people resources, finances and reputation

	<ul style="list-style-type: none"> • ensure risk management practices are integrated into all Council operations and processes • provide a timely response to risks escalation and issues as they occur • promote awareness of risk management process and a culture of risk management awareness such that everyone in the organisation is responsible for managing risk • aid decision making • maintain a flexible and evolving risk management framework which is aligned with ISO 31000:2018 and best practice generally. <p>For risk management to be effective at all levels within GW the following 8 principles need to be in place with risk management which ensure value is created and protected by explicitly addressing uncertainty:</p> <ul style="list-style-type: none"> • being an integral part of Council processes • is systematic, structured and comprehensive • is tailored, customised proportionate to context of achieving objectives • is part of decision making, and inclusive of our stakeholders • is dynamic, iterative and responsive to change • is timely and based on best available information • takes into account human and cultural factors • is capable of continual improvement and enhancement <p>Source:- ISO 31000:2018 abridged</p>
<p>Policy</p>	<p>Risk Management is about identifying, analysing, evaluating and treating risks the organisation faces. This includes reporting on and continually reviewing risks in order to enhance the success of the organisation achieving its objectives.</p> <p>All staff are responsible to, identify risks that might impede on delivering on outcomes, and to report on them via the groups risk champion.</p> <p>Identify risks Identify risks which could impact on delivering each person’s performance and day to day objectives and determining if they need to be elevated.</p> <p>Evaluate and analyse risk Understand the consequences and likelihood of the risk and how it could impact on individuals and ultimately GW on delivering on its objectives.</p> <p>Understand Risk Appetite</p>

	<p>Council has set in place a risk appetite, such that it will have either no tolerance for risk in some instances (Health & safety, Environment damage, legal compliance) and have a more balanced approach in other areas</p> <p>Treat risks This involves finding solutions i.e. controls to either avoid or eliminate the risk or reducing its likelihood of occurring or if it does occur reducing its consequences. This could be achieved by transferring the risk or sharing it with another party, incurring expenditures to avoid or reduce the risk. Risk is to be treated so it fits within the risk appetite.</p> <p>Reporting on risks Each group has a risk champion who coordinates risk reporting, this is through the quarterly business plan reporting process which focuses on specific objectives and also via the Quantate risk register and eventual reporting on risk to the Finance Risk & Assurance Committee.</p> <p>Risk Ownership and culture All staff are responsible to report on risk to their managers and ensure it is elevated to the group risk champion. That way if things look like going wrong or could go wrong actions can be taken early and ownership of the problem shared and plans developed to avoid unpleasant surprises.</p> <p>If the above are followed this will ensure a culture of risk management where staff instinctively manage risk through all council activities mindful of the Council's appetite for risk which is overall risk averse, to balanced where Council is in an activity which by its nature is risky.</p>
<p>Guidelines</p>	<p><u>Risk Management Guidelines</u> – This document sets out the organisational roles & responsibilities, Council's risk appetite, risk assessment process, risk scoring criteria and other tools, it also provides guidance and procedures on the monitoring, review and reporting on risk. This is aligned to ISO 31000 on Risk Management.</p> <p><u>Risk Management Procedures</u> also support this document. It sets out everyone's accountabilities regarding risk management, provides best practice examples around risk management processes, the monthly reporting utilising a standard template and how to access the Council risk register.</p>

Risk Management Policy Guidelines

This document sets out the organisational roles and responsibilities around risk management. It provides a framework on how risk management operates using the ISO 31000 2018 Risk Management Standard. It draws heavily on this standard, it covers off what the councils risk appetite is and how risk is to be managed at Council. It discusses the escalation and risk reporting processes for the 3 Council risk assessment processes. It lists the Councils risk management criteria and provides a detailed explanation into the different types of risk sources the Council is exposed to.

It is supplemented by the Risk Management Procedures which provides best practice examples and working examples of how to record and report on risks.

These guidelines set out the responsibilities and processes to be followed when undertaking risk management. They are supplemented by the Risk Management Procedures³

1. ORGANISATIONAL ROLES AND RESPONSIBILITIES

The Council's ability to conduct effective risk management is dependent upon having an appropriate risk governance structure and well-defined roles and responsibilities.

The Council's risk management policy is applicable to all Council staff. It is of importance that each individual staff member is aware of their collective risk management responsibilities.

Party	Risk management roles and responsibilities
Council	Requires that appropriate risk management governance structure is in place such that the organisation can deliver on its objectives as set out in its long term and annual plans.
Finance, Risk and Assurance Committee (FRAC)	Under its terms of reference review and approve the effectiveness of GW's risk policies and frameworks, and GW's identification and management of risks faced by Council and the organisation. This review includes whether GW is taking effective action to mitigate significant risks. Agree the risk appetite for the Council
Business Assurance (Internal Audit)	The function provides FRAC and the ELT with assurance based on independence and objectivity that risk management, including policies and processes are being undertaken and implemented in accordance with Council policy.
Chief Executive	The CE has the overall responsibility for ensuring the organisation has a risk management framework in place that identifies risks, monitors and manages risk and ensures the Council is aware of material risks facing the organisation.

³ The Risk Management Procedures set out the risk ownership accountabilities, what good risk management looks like and the procedures to be followed as part of the quarterly process of reporting using the Council's risk management register and reporting templates.

	<p>The CE receives quarterly reports from the organisation updating on the status of risks and risk management.</p> <p>Promotes a culture of risk management awareness and ensures strategic, comprehensive and systematic risk management is operating throughout the organisation.</p>
Executive Leadership Team	<p>The ELT:</p> <p>Approve the risk management policy, guidelines and procedures.</p> <p>Sets the Council's risk management objectives, principles, and appetite via the risk management policy.</p> <p>Ensure risk management practices and culture are pervasive throughout the organisation.</p> <p>Ensures the Councils assets and operations, including liability risks, and hazards to staff and the public are adequately protected through appropriate risk planning, budgeting, internal systems and controls.</p> <p>Set the risk appetite for the Council and ensure its confirmed/agreed by FRAC.</p>
Group Mangers	<p>Ensure their group has appropriate risk management process in place in alignment with Council policy, such that all risks that are escalated to GM level have appropriate risk treatments and that all other risks are identified, treated and reported on as required by policy.</p>
GM Corporate Services	<p>GM Corporate Services is the reporting officer to the FRAC Committee and is responsible for ensuring appropriate recording, reporting and risk management processes are in place.</p>
Treasurer	<p>Is the risk management coordinator, and responsible for the organisations risk register.</p> <p>The Treasurer liaises with the groups risk champions and ensures the risk management processes around the register are undertaken.</p> <p>The Treasurer reports to FRAC via the GM Corporates Services on the Council's risk management.</p> <p>Ensures the risk management policy is regularly updated and reflects industry best practice.</p>
Risk Champions	<p>In each of the Councils group is responsible for the group's risk management.</p> <p>The risk champion coordinates regular meetings on risk management and has the responsibility for reporting and liaison with the risk owners and for the recording of risk data in the risk register and ensuring risk management practices are in place.</p>
Risk Champions Group	<p>This group meets quarterly to discuss topical issues in risk management both at GW and generally, promotes and provides training, and is part of the process of monitoring and</p>

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	reviewing the effectiveness of risk management at GW. It includes all the Risk Champions and the Treasurer.
Risk Owners	Have the ultimate ownership of individual risk recorded and reported in the risk register. Each risk has an assigned risk owner.
All GW Managers and all staff	GW Managers ensure they are aware of the risks management framework and the need to identify risks which might impact on them and their staff to deliver on the groups LTP, Business Plan and their staff objectives as set out in their individual P4P's.
Project Managers	Supervise and run projects are responsible to ensure that project risks are documented as part of their project management via the project risk register, risks depending upon severity may be escalated to the Council risk register.
Project Management Office (PMO)	Are responsible for fostering organisation wide project management discipline which includes the support and monitoring of the overall project risk management process for GW projects.
Control Owners	Have the ultimate ownership of the individual controls which modify risks. In many cases they maybe the risk owners as well.
Control Assessor	Is the person assigned to assess that the control is working as reported. The control assessor is appointed by the control owner.

The above roles and responsibilities and relationships within Council in relation to risk management are diagrammatically presented below, with ELT and FRAC being the ultimate receivers of risk reporting.

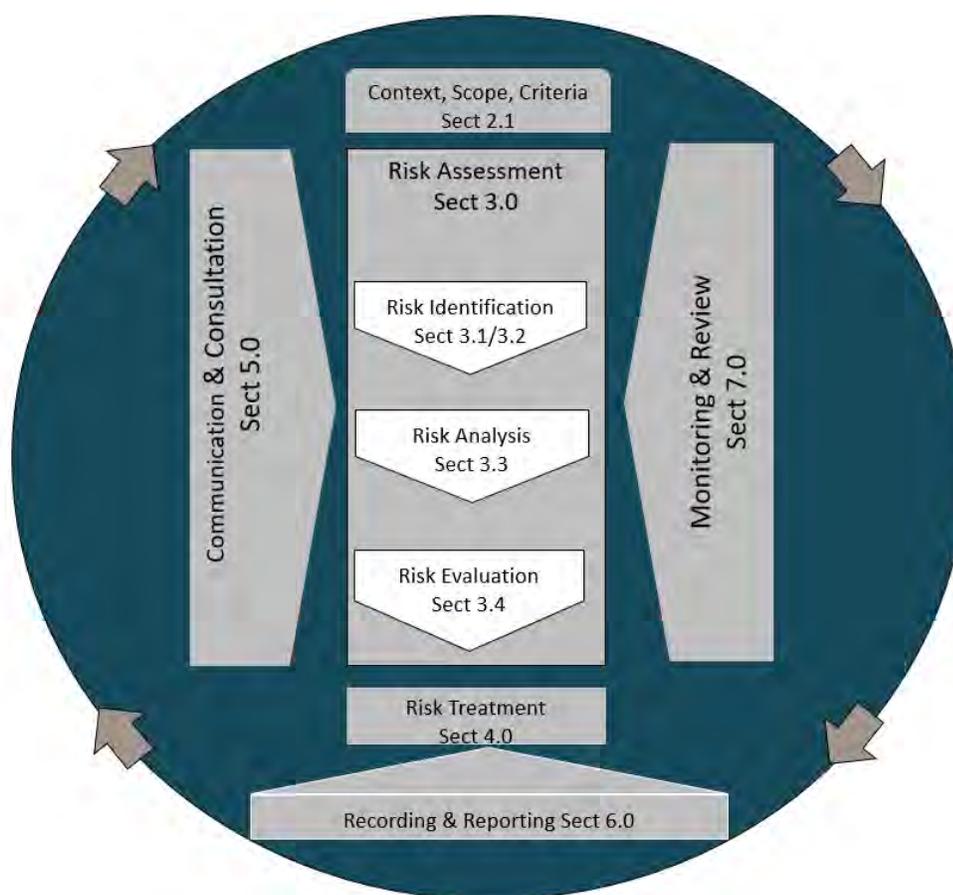


Figure 2: ISO 31000 2018 Risk Management Process

2.1. Establishing the Context, Criteria, Scope

2.1.1. Establishing Context

Establishing the context for the Council’s risk management process is a key step because it builds an understanding of the Council’s internal and external stakeholders.

The external context is the extent to which the Council’s external factors e.g. legislation, economic, environmental, social, and cultural factors (the four wellbeing’s) including its rate payers, customers, regulators and other stakeholders will impact on the Council’s ability to achieve its objectives.

The internal context is about understanding the internal operating environment and the way its components interact – people, culture, goals, organisational structure, systems, process and objectives.

Establishing the risk management context takes into account the Council’s goals, objectives, strategies, and scope, and sets the parameters of the risk management

process in line with the risk appetite set by the Finance, Risk and Assurance Committee in conjunction with management.

The inputs to the Council’s risk appetite are shown as in *figure 3* below:

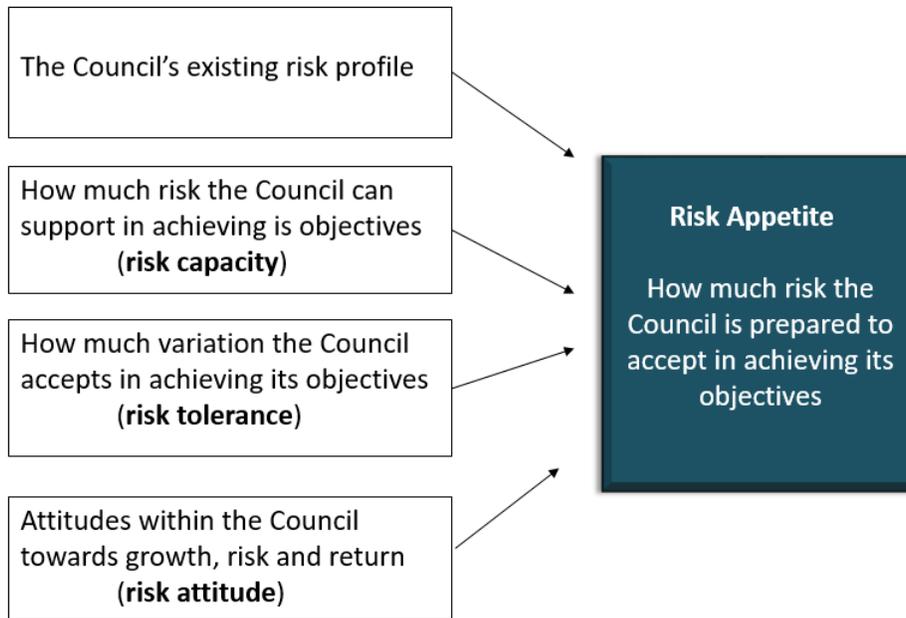


Figure 3: Considerations that determine the Council’s risk appetite

Risk Appetite can be defined as the level of risk or uncertainty the Council is willing to accept or take on in pursuit of achieving its objectives.

Taking on risk or uncertainty in order to achieve Council’s objectives is recognised as necessary and some risks will be significant.

Risk appetite can be assessed over the following categories as defined below:

Risk Appetite definitions	
Risk Averse	Risk avoidance is paramount, with minimal risk exposure and maximum treatments/controls in place, leaving little or no residual risk in order to achieve objectives. In terms of residual risk the target is low risk
Risk Neutral/Balanced	Risk exposure is not preferred but recognised as part of achieving objectives. Treatments/controls to minimise uncertainty are expected to be in place through a cost/benefit assessment approach. In terms of residual risk the target is medium risk
Risk Tolerant/Seeking	Council actively seeks to take on risks in order to enhance its ability to achieve its objectives. Treatments/controls implemented through a cost/benefit analysis. In terms of residual risk the target can be high

Figure 3a – Risk Appetite definitions

Risk appetite is tabulated for the Council major risk sources under *figure 4.* below.

2.1.2. Establishing Scope

Risk Management activities cover all aspects of organisational activities and these are summarised under *Figure 5 Risk management Framework by organisational process.* This guideline sets out the scope of risk management activities.

2.1.3. Establishing Criteria

In terms of assessment criteria these are discussed *under Figure 7 Risk Analysis and Assessment utilising differing risk criteria* and are contained in *Appendix 1.* The amount of risk the Council is prepared to take on is assessed by these criteria and is discussed under the risk context section above.

3. RISK ASSESSMENT: RISK IDENTIFICATION, RISK ANALYSIS, AND RISK EVALUATION**3.1. Risk identification**

Comprehensive risk identification is crucial to the overall effectiveness of risk management.

Source of risk	Risk appetite		
	Averse	Balanced	Tolerant
Loss, failure or damage to assets		X	
Services being severely curtailed		X	
Health & safety to staff and contractors	X		
Physical harm to the general public	X		
Financial, macroeconomic risk		X	
Subsidiary companies and Trusts		X	
Legislative and regulatory	X		
Political and reputation		X	
Projects		X	
Environmental damage	X		
Human Resources		X	

Figure 4: Sources of risk – incorporating risk appetite

The identified risks will determine the ‘what’, ‘why’, and ‘how’ things can happen as a basis for further analysis. There are many sources of risk the Council is exposed to and they are expanded on further in *figure 4. Appendix 2.*

One way of assessing risk is to look at the various levels of the organisation where risks are identified and how they are controlled and reported on.

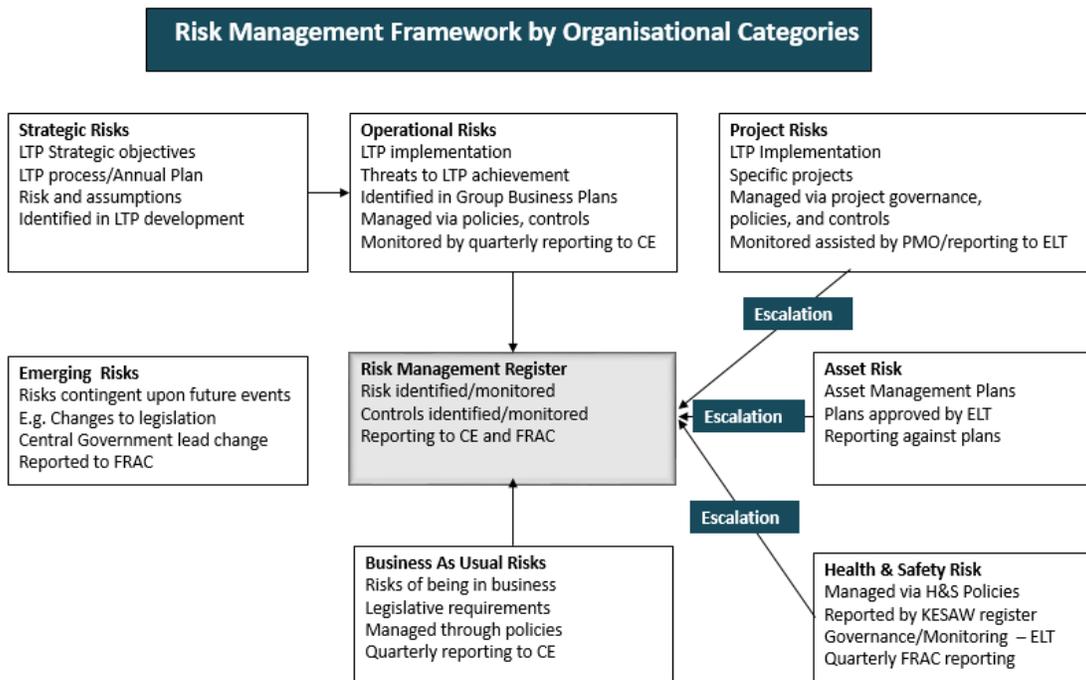


Figure 5: Risk Management Framework by organisational categories

3.2. Risk identification and breakdown

It is important to understand what a risk is, how it comes about, what causes it and what effect it has if it occurs.

Risk identification is dealt with in detail in the Risk Management Procedures document under section 2.2.

3.3. Risk analysis

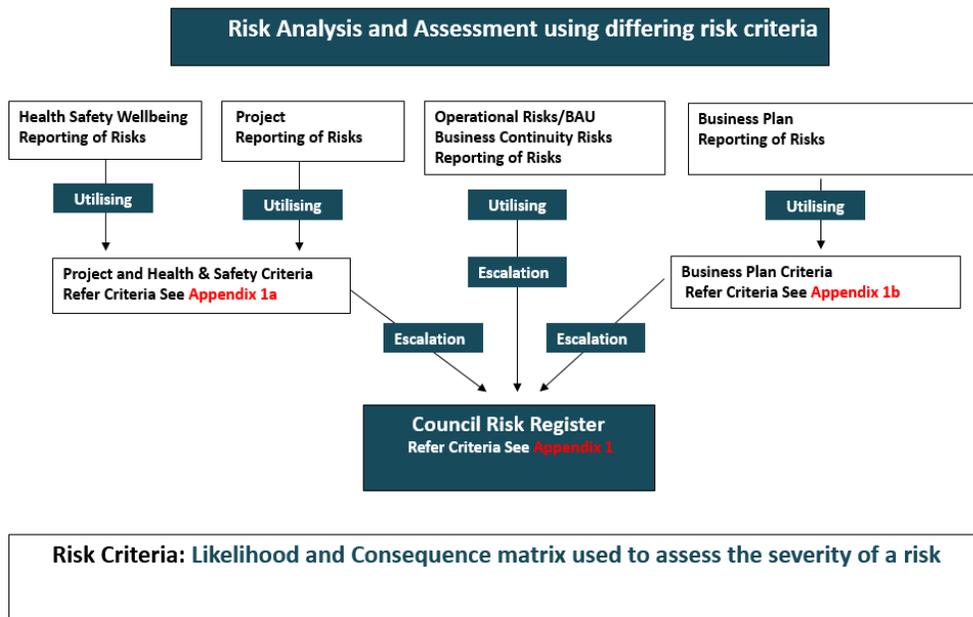
The purpose of the risk analysis step is to define the significance of a risk by assessing its consequence and likelihood of occurrence (also known as risk criteria), taking into account the processes and controls to mitigate it.

Council utilises three sets of risk criteria which are set out in appendix 1. The reason for this is that one risk assessment matrix does not fit all. For example a high risk on a small project could be insignificant compared to low risk measure using the Council risk register criteria.

Risks emanating from Projects and Health and Safety have one set of risk criteria and risks related to delivering on business plans have a simple risk matrix assessment.

These in turn depending on severity could be elevated to the Council Risk register. The various *risk criteria* and matrices are appended in *Appendices 1, 1a and 1b*.

Diagrammatically the risk criteria and interactions with the Council main risk register interact as follows below:



Risk Criteria: Likelihood and Consequence matrix used to assess the severity of a risk

Figure 6- Risk Analysis and Assessment utilising differing risk criteria

The process of assessing the risk utilising the 3 risk criteria to analyse a risk i.e. consequence and likelihood, for the Council’s risk register (Quantate) are included in *Appendix 1*. In terms of these:

Inherent risk is the risk that exists if there were no controls, or if the controls all failed to work while *residual risk* is risk left over after the risk has been treated e.g. through the use of *controls*.

Therefore, there is a need to analyse risk before and after the application of controls, which are intended to reduce risk to an acceptable level (i.e. within the Council’s risk appetite).

This approach to analysing the risks allows the assessment of whether existing controls are enough to manage the risks or whether additional controls i.e. *risk treatments* are needed to reduce the risk in line with the Council’s *risk appetite*.

Controls

A control is something that modifies a risk, generally we look to controls to reduce a risk.

Quantate has a systematic approach to establishing, recording and monitoring controls. There are two types of controls available, *generic controls* which are controls that have been set up in the system and can be used on any risk, and *risk specific controls*. *Risk specific controls* are specifically tailored to a specific risk.

Controls vary in level of importance depending upon their criticality or ability or effectiveness of reducing the consequences or likelihood of the risks impact.

Each control has an assigned owner. The control could be a plan, a policy, or a specific process implemented to modify a risk.

3.4. Risk evaluation

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results from the risk analysis with the established risk criteria to determine where additional action is required.

This could mean, do nothing, consider risk treatment options, undertake further analysis, maintain existing controls, or reconsider objectives.

The outcome of this analysis will depend upon the course of action and escalation required for each risk assessed.

All of the above is performed using the risk criteria as appended in Appendix 1 and the processes set out in *figure 6*.

3.4.1. Risk evaluation using Council's risk register

Once the consequences and the likelihood are chosen per Appendix 1 the risk management software (Quantate) weights them mathematically to determine a risk score.

The score of a risk is a function of its consequences and the likelihood of occurrence of those consequences.

The consequence of a risk is measured across the dimensions of operational capability, stakeholder/reputation, health & safety, environmental and financial, impacts.

The result of calculating the likelihood and the consequences scores the *inherent risk*.

When the effects of the controls are included, the result is a reduction in either or both the likelihood of occurrence or consequence of occurrence which results in a *residual risk*. Adding further *risk treatments* assists with reducing the residual risk till the desired level of residual risk is achieved in alignment with the Councils *risk appetite*.

This process of risk analysis and risk evaluation can be diagrammatically represented see *figure 7*. below. Note it can be an iterative process where a risk is treated, then rescored until the desired level of residual risk is achieved.

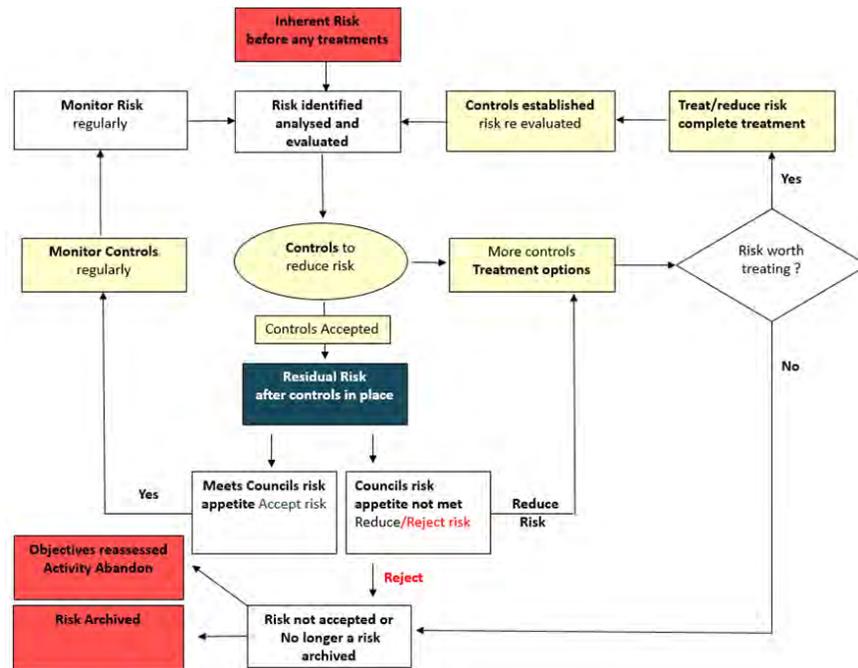


Figure 7: Risk analysis and evaluation using the Quantate risk register

The resultant output from the Quantate risk management software after the risk criteria are scored is a ranking which falls within the following categories.

These categories are derived from a chart that has predetermined levels which determine the risk scoring. See figure 8

In this example the IR – *Inherent risk* is untreated risk at the top the Chart and the RR – *Residual risk* after controls are implemented is at the middle of the chart.

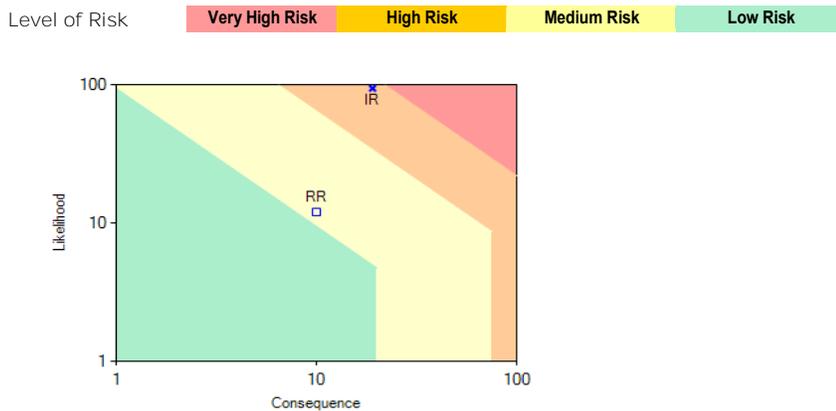


Figure 8: Risk scoring levels

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The likelihood/consequence chart recognises the level of risk is not linear, for example a low likelihood of occurrence with a high consequence impact still produces a high-risk score.

Depending upon where the Inherent and residual risk bands are on this chart determines how they are dealt with. Essentially Inherent risks generally require treatment immediately, to a greater or lesser extent depending upon the risk appetite. Residual risks may require further treatment which is tied in with the escalation process noted in in the second half of the table below.

This is discussed in *figure 9* of risk and associated escalations below:

Risk type	Level of Risk	Action/Treatment	Corporate Escalation	Project/H&S Escalation
Inherent	Very High	Risks without controls should be treated immediately	Applicable GM, Chief Executive	Steering Group (or equivalent) to review immediately.
	High	Risks without controls should be treated immediately	Chief Executive and the applicable GM to review at least quarterly	Steering Group to review at least monthly.
	Medium	Risk is acceptable, provided that the risk is managed as low as reasonably practicable	Quarterly review by the applicable GM.	Project Manager to review with Applicable Business Manager at least quarterly
	Low	Risk is generally acceptable treatment is only warranted if cost of treatment is low with tangible, certain benefits	Quarterly review by the applicable GM.	Project Manager to review with Applicable Business Manager bi-annually
Risk type	Level of Risk	Action/Treatment	Corporate Escalation	Project/H&S Escalation
Residual	Very High	Further treatment should be considered immediately. Only tolerable if the cost of risk treatment far outweighs the benefits. If the level of opportunity presented is not significant, consider ceasing operations that creates this risk exposure or a revised strategy to increase the	Applicable GM, Chief Executive immediately on new risks then to FRAC at quarterly meeting	Steering Group to review immediately and consideration given to entering it into Quantate for further analysis and reporting. Risk strategy acceptance etc to be confirmed at the Steering committee.

		opportunity. Not acceptable in terms of the Councils risk appetite.		
	High	Further risk treatment should be considered. The level of risk is acceptable if the cost of treatment outweighs the benefits that the treatment would deliver. In terms of the Councils risk appetite this would only be acceptable Tolerant risk sources and Balanced risk sources but only after all treatment options are exhausted. It is not acceptable to averse risk sources	Chief Executive and the applicable GM immediately on new risks. High risks to review at least quarterly. Reported through to FRAC. Explanation as to why risk cannot be reduced further if not within risk appetite.	Steering Group to review at least monthly and consideration be given to be entered into Quantate for further analysis and reporting. Risk strategy (acceptance etc.) to be confirmed at a Steering Group meeting.
	Medium	Risk is acceptable, provided that the risk is managed as low as reasonably practicable. In terms of the Councils risk appetite this would be acceptable for Balanced risk sources but not averse risk sources unless all risk treatments options have been exhausted.	Quarterly review by the applicable GM. Explanation as to why risk cannot be reduced further if not within risk appetite	Project Manager to review with least quarterly. Report to Steering Group when required. Escalate to Project Sponsor as required

	Low	Risk is generally acceptable treatment is only warranted if cost of treatment is low with tangible, certain benefits. In terms of the Councils risk appetite this would be acceptable for Balanced and Averse risk sources.	Quarterly review by the applicable GM	Project Manager to review with bi-annually. Report to Steering Group when required. Escalate to Project Sponsor as required.
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Figure 9: Level of risk and associated escalations

3.4.2. Escalation process and risk appetite

If a risk is scoring outside its risk appetite it must be escalated immediately to the GM and CE and to FRAC at the next meeting. Explanations to be provided in the instance where the risk cannot be reduced to the targeted risk appetite level as per *figure 3a*. Process of escalation is further expended in the Risk Management Procedures section 2 *figure 1*.

4. RISK TREATMENT

Risk treatment involves determining the appropriate options for managing the risks identified.

Treatment options are required where the current controls are not mitigating the risk within the defined risk appetite as determined by the first step in Section 2 Establishing the context and the risk appetite matrix in *figure 4*.

Treatment options might include one or more of the following:

- *Avoid or eliminate* the risk by not proceeding with the activity likely to trigger the risk. Risk avoidance must be balanced with the potential risk of missed opportunities.
- *Accept* the risk.
- *Reduce* the risk by reducing the consequence and/or likelihood of it occurring.
- *Transfer/share* the risk in part or entirely to others (e.g. through insurance or a third party, outsourcing management of assets).

When determining the preferred treatment option consideration should be given to factors such as cost or reputation (e.g. a cost/benefit analysis). The treatment should be monitored and reported to the GM on how the implementation of the action is progressing.

Risks that remain outside the Council’s risk appetite after this point will be escalated to the chief executive and the Finance Risk and Assurance Committee, this is via a note in the status of the risk in the reporting process.

There are instances where the risks are not at acceptable levels given the Council’s risk appetite nevertheless Council may advise it wishes continue with the activity.

In this instance management need to advise Council that they have entered into all feasible risk treatments that could reduce the risk.

A risk treatment plan should be considered, especially in the case of very high/high and medium risks and an example is set out in section 2.4 Risk Management Procedures.

5. COMMUNICATION AND CONSULTATION

The communication process is for both the external and internal stakeholders.

For external stakeholders this means:

- Informing them of the Council's approach to risk management and its effectiveness
- Gathering their feedback where necessary to improve the Council's risk management process. Much of this is undertaken during the annual plan and long term planning process or through open consultation and community involvement.

For internal stakeholders this means:

- Communicating to stakeholders the Council's risk management process and their roles and responsibilities in it via the Long Term Plan.
- Ensuring accountability for fulfilling those roles and responsibilities in relation to the process
- Seeking feedback about the effectiveness of the process
- Training risk champions so they are able to provide advice on risk descriptions, controls to be considered, and general risk management process and disciplines at GW.

6. RECORDING AND REPORTING

Risk Reporting

Each group within the organisation has an appointed risk champion whose function is to coordinate the reporting from the risk register.

Each group is to report their risks in an organisation wide approved format which is determined by the GM corporate services in consultation with the chief executive from time to time.

The approved reporting format is available in the Risk Management Procedures document.

The format will list a description of the risk, its risk score, the controls, who is responsible for the risk and any changes to the risk or items of interest relating to the status of risk over the last quarter.

Each quarter, or as determined by the Council timetable, the Finance Risk and Assurance Committee will receive a report on the organisation's risk management.

This report will bring to the attention of the Committee any risks that have been identified by the chief executive/ GM, Finance and Risk as warranting particular mention.

The reporting will focus on changes to the risk register over the quarter, this will include new risks added to the register, risks archived from the register and any changes in scoring. Other items recorded might include emerging risks, or other items management wishes to bring to the Committee's attention.

As well as the above each quarter a group within the organisation will present to the Committee on their risks and their current risk management activities. This provides the Committee over the period of a year with a comprehensive listing and discussion on the Councils risks.

Project Risk Reporting

All projects within GW should be capturing risk with their project reporting templates regardless of prioritisation or ranking. Major and High Priority projects require risk reporting via Project Status reports.

It is expected that that Project Manager will liaise with their respective group's risk champion to discuss and confirm any project risks that need to be entered into Quantate.

It is recommended that only project risks ranked as Very High or High as per *Appendix 1a*⁴ should be considered for input in to Quantate, however this is at the discretion of the Project Manager. Major Project Managers should complete this exercise at least monthly and High Priority Project Managers at least quarterly.

It is also important to note that while the project assessment matrix calculates the risk value based on the 5x5 matrix above, Councils risk criteria in Quantate calculate risk value based on weightings that are dependent on the risk criteria.

⁴ The Project Risk Matrix Criteria in appendix 1a can be found [LINK](#)

In the end this risk value may differ from that of the Project risk – a high or very high project risk with impact to specific project objectives may not translate to the same impact at an organisational level in Quantate.

Health Safety and Wellbeing Risk Reporting

It is recommended that only HS&W risks that are ranked high or very high per *Appendix 1a* be considered for escalation to Council's risk register, however it's at the discretion of the Manager Health & Safety to escalate risks as required as another avenue of bringing the risk to the attention of the GM and ELT and potentially FRAC with appropriate risk treatments.

Business Plan Risk reporting

Risks on delivering on the Business Plan are reported on quarterly along with standard risk reporting as above. The risk champions and group managers are to use their discretion as to whether the risks of not achieving on the plan warrant escalation/inclusion into the Council risk register.

7. MONITORING AND REVIEW

The purpose of monitoring and review is to assure and improve the quality and effectiveness of the risk management process. It's about looking at the whole process obtaining feedback on what works well and what does not and amending the process were applicable to provide best practice risk management.

Risk and process review

Good management of risk requires continued review and process improvement.

The risk management governance structure in *figure 1* sets out the reporting lines and information flows.

Part of the process involves the Risk Champions Group, who as part of their mandate along with the Treasurer review the risk management process and provide feedback on how systems, process etc can be improved.

The following review and monitoring is to be undertaken according to the time frames indicated.

- *Risk Criteria* are to be reviewed at least every five years or after any significant organisational change or event to ensure they reflect the best fit for the organisation. To be led by the Treasurer.
- *All risks* are to be reviewed at least quarterly. This includes reviewing the groups business and considering any new risks that may have come about. This is coordinated by the Risk Champions.
- *All controls* are to be monitored on a regular basis to ensure their confidence and reliability. The frequency of monitoring is assessed by the risk owner/risk champion and recorded in the risk register. The criticality of a control will determine how often it is assessed and is prompted for the risk owner by the Quantate risk register with suggested frequencies.

- *The Risk Management Policy* is to be reviewed every three years to ensure it reflects best practice in terms of this organisation, with the next review to occur in 2023. To be led by the Treasurer along with the Guidelines and the Procedure
- *The Risk Management Guidelines* to be reviewed at the same time as the Risk Management Policy.
- *The Risk Management Procedures* – Is available on the Council's intranet Gwennie under [Job Tools & Guides/Finance and procurement guides/](#) Risk Management/ sets out the quarterly risk review process and how to input and update risks and controls in the Quantate risk register. To be reviewed at the same time as the Risk Management Policy.

The Three Lines of Defence - Effective Risk Management & Control

Are we managing risk properly? The three lines of defence is a model that provides a clear and effective way to strengthen communication on risk management, assurance, and control by clarifying essential roles and duties for various parts of governance, management and day to day operations.

The first line of defence – operational risk and control in the business

Operational managers own and manage risks and are responsible for implementing corrective action to address control deficiencies. They are responsible for identifying controls, maintaining effective controls, assessing controls and mitigating risk. Operational managers are the *Risk Champions, Risk Owners, Project Managers, Control Owners and Control Assessors*.

The second line of defence – the oversight functions

The responsibility of the second line functions is typically reviewing risk management reports, checking compliance with the risk management framework, and ensuring that the risks are actively and appropriately managed. This includes drafting policy, aligning strategy, setting direction, introducing best practice, and providing oversight and assurance to the Council. The second line function includes *the Treasurer, GM, Finance and Risk, GM's and the Chief Executive*.

The third line of defence – independent assurance providers

This is the role of internal audit to provide independent, objective assurance and feedback designed to add value and improve the risk management process. The Finance Risk and Assurance Committee's role in this is to maintain oversight and to monitor the effectiveness of the risk management process as well as the abovementioned audit activities. The third line function includes Business assurance function i.e. *Internal Audit (including Independent QA on projects, Project Probity Audits), External Audit and the Finance Risk and Assurance Committee*.

Appendix 1 - Risk criteria**Risk Criteria:****Consequences - Operational Capability**

Assessment Level	Full Description	Value
Level 5 Diversion >12 months	Event results in management diversion from strategic objectives for a period of > 12 months and/or delivery of LTP outcomes across work area significantly affected for greater than six months. Critically detrimental effects on stakeholders. Long term loss of capability (>12 months) and/or severe staff morale problems may likely arise leading to loss of a significant number of key senior staff, impacting on skills, knowledge and expertise.	85
Level 4 Diversion >6 months	Event results in management diversion from strategic objectives for a period of > 6 months and/or delivery of LTP outcomes across work area significantly affected for up to six months. Moderate detrimental effects on stakeholders. Event results in loss of operational capability for up to 2 months and/or major morale or other organisational problems affecting performance and productivity may arise and could lead to loss of key staff within two or more areas of council, resulting in skills, knowledge and expertise deficits.	35
Level 3 Diversion >2 months	Event results in management diversion from strategic objectives for a period > 2 months and/or delivery of LTP outcomes across work area significantly affected for up to one month. Minor detrimental effects on stakeholders and/or major morale or other organisational problems affecting performance and productivity may arise and could lead to loss of key staff skills, within one area of council, resulting in skills, knowledge and expertise deficits within this area of council.	12
Level 2 Managed	Event reduces efficiency or effectiveness of service. Managed internally with no or limited diversion from strategic objectives and/or Moderate staff morale problems resulting in some staff resignations but managed through minor restructuring.	7
Level 1 Minor	Event causes minor disruption felt by limited small group of stakeholders and/or Minor staff morale impact resulting in minor dissention but managed over a short period of time.	3

No impact	No impact on operational capability	0
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Consequences - Stakeholders /Reputation

Note: ‘**Stakeholder**’ means clients, public, industry groups (such as forestry/agriculture), local government bodies, lobby groups, or lwi.

Assessment level	Full Description	Value
Level 5 Extreme	Extreme dissatisfaction and loss of confidence by stakeholders and/or regulatory body investigation and/or statutory management installed and/or significant sanctions against the organisation. Regulatory action resulting in major prosecution and conviction of council (e.g. fine of >\$100k).	95
Level 4 Major	Major loss of stakeholder confidence and/or extensive stakeholder dissatisfaction expressed through media resulting in a long period of negative coverage (>2 months). Widespread, unified, coordinated revolt by consent holders and/or ratepayers against fees/conditions or sanctions imposed against the organisation. Regulatory action resulting in moderate prosecution and conviction of council (e.g. \$25-\$100k)	45
Level 3 Moderate	2-3 stakeholders sectors dissatisfaction expressed through media resulting in a long period of negative coverage (>2 months) and/or Central Government impose statutory sanctions. Regulatory action resulting in prosecution but no conviction.	15
Level 2 Single	Single stakeholder sector express dissatisfaction through national media for up to one month and/or Central Government – CEO, Ministry for the Environment directed by Minister to make enquiries and/or Regulatory action resulting in investigation but no prosecution	7
Level 1 Individual	Individual(s) express dissatisfaction through local media to GW directly and/or Individual(s) refuse to pay fees/rates as a stand against council activities and/or Breach of law with internal investigation with minor changes to operations.	3
No Impact	No significant impact on stakeholders or image	0

Consequences - Health and Safety

Assessment level	Full Description	Value
Level 5 Extreme	Extremely harmful - Multiple fatalities	85
Level 4 Major	Very harmful - Single fatality and /or multiple severe injuries/disabilities	35
Level 3 Significant	Harmful - Serious injury and/or permanent disability. Lost time injury > 1 week	12
Level 2 Moderate	Slightly harmful – Medical aid required. Lost time injury < 1 week	7
Level 1 Minor	No harm foreseen. First aid injury but no or minimal medical treatment required	3
No impact	No injury or health & safety impact	0

Consequences - Environmental

Assessment level	Full Description	Value
Level 5 Extreme	Serious damage to the environment of national importance, and/or with prosecution certain, and/or effects not able to be fully mitigated.	85
Level 4 Major	Serious damage to the environment of national importance, and/or with prosecution expected, and/or effects able to be fully mitigated within 5 years.	35
Level 3 Significant	Serious damage to the environment of local importance, and/or with prosecution probable, and/or effects able to be fully mitigated within 1 year.	12
Level 2 Moderate	Material damage to the environment of local importance, and/or with prosecution possible, and/or effects able to be fully mitigated within 3 months.	7

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Level 1 Minor	Negligible impact to the environment, and/or effects able to be fully mitigated within 1 week.	3
No Impact	No impact on the environment.	0

Consequences - Financial

Assessment level	Full Description (life of a project, not per annum)	Value
Level 5 Extreme	Cost of unplanned expenditure or loss of income or cash over \$15 million	85
Level 4 Major	Cost of unplanned expenditure or loss of income or cash over \$10 million	35
Level 3 Significant	Cost of unplanned expenditure or loss of income or cash over \$5million	12
Level 2 Moderate	Cost of unplanned expenditure or loss of income or cash over \$1 million	5
Level 1 Minor	Cost of unplanned expenditure or loss of income or cash over \$500,000	2
No Financial Impact	No measurable financial impact or below \$500,000	0

Likelihood

Assessment level	Full Description	Value
Almost/Near Certain	Likelihood of a Consequence occurring from an event within a 10-year period may be credibly regarded as a 'real possibility' i.e. the probability of occurrence is greater than non-occurrence. Expected to occur at least once within a 10-year period, i.e. a 1 in 10 year event.	95
Likely	Likelihood of a Consequence occurring from an event within a 10 year period may be credibly regarded as a 'real possibility' i.e. the probability of occurrence is similar to non-occurrence. There is a 50% probability of occurrence within a 10-year period, i.e. between a 1 in 10 and 1 in 20 year event.	35
Unlikely	Likelihood of a Consequence occurring from an event within a 10-year period would be considered as having some potential to occur. i.e. a reasonable probability of occurrence over time, but less than the probability of non- occurrence. Chance of occurrence is less than 50% within a 10-year period, i.e. between a 1 in 20 and a 1 in 50 year event.	12
Highly Unlikely	Likelihood of a Consequence occurring from an event whilst possible within a 10-year period would be regarded by most people as unlikely i.e. the probability of non-occurrence is somewhat larger than occurrence. Has less than 10% chance of occurrence within a 10-year period i.e. between a 1 in 50 and 1 in 100 year event.	5
Rare	The Likelihood of a Consequence occurring from an event is not expected within a 10-year period. Occurrence of the event would probably be regarded as unusual. (The probability of occurrence is quite small). Has less than 1% chance of occurrence in a 10-year period., i.e. a 1 in 100 year event	2

Appendix 1a - Risk criteria – Projects & Health & Safety

		IMPACT					
LIKELIHOOD	Almost Certain > 90%	→	Low	Moderate	High	Very High	Very High
	Likely 75 - 90%	→	Low	Moderate	Moderate	High	Very High
	Moderate 50 - 75%	→	Low	Moderate	Moderate	High	High
	Possible 25 - 50%	→	Low	Low	Moderate	Moderate	Moderate
	Unlikely < 25%	→	Low	Low	Low	Moderate	Moderate
			↑	↑	↑	↑	↑
			Minor	Moderate	Significant	Major	Extreme

		Minor	Moderate	Significant	Major	Extreme
		↑	↑	↑	↑	↑
Stakeholders / Reputation	→	Individual(s) express dissatisfaction through local media to GWRC directly and/or Individual(s) refuse to pay fees/rates as a stand against council activities	Single stakeholder sector express dissatisfaction through national media for up to one month and/or Central Government – CEO, Ministry for the Environment directed by Minister to make enquiries	2-3 stakeholders dissatisfaction expressed through media resulting in a long period of negative coverage (>2 months) and/or Central Government impose statutory sanctions.	stakeholder confidence and/or extensive stakeholder dissatisfaction expressed through media resulting in a long period of negative coverage (>2 months). Widespread, unified, coordinated revolt by consent holders and/or ratepayers against fees/conditions or sanctions imposed against the organisation.	Extreme dissatisfaction and loss of confidence by stakeholders and/or regulatory body investigation and/or statutory management installed and/or significant sanctions against the organisation.
Legal / Regulatory	→	Breach of law with internal investigation with minor changes to operations.	Regulatory action resulting in investigation but no prosecution	Regulatory action resulting in prosecution but no conviction.	Regulatory action resulting in moderate prosecution and conviction of council (e.g. \$25-\$100k)	Regulatory action resulting in major prosecution and conviction of council (e.g. fine of >\$100k).
Financial	→	Cost of unplanned expenditure or loss of income or cash over \$500,000	Cost of unplanned expenditure or loss of income or cash over \$1 million	Cost of unplanned expenditure or loss of income or cash over \$5million	Cost of unplanned expenditure or loss of income or cash over \$10 million	Cost of unplanned expenditure or loss of income or cash over \$15 million
Environment	→	Negligible impact to the environment, and/or effects able to be fully mitigated within 1 week.	Material damage to the environment of local importance, and/or with prosecution possible, and/or effects able to be fully mitigated within 3 months.	Serious damage to the environment of local importance, and/or with prosecution probable, and/or effects able to be fully mitigated within 1 year.	Serious damage to the environment of national importance, and/or with prosecution expected, and/or effects able to be fully mitigated within 5 years.	Serious damage to the environment of national importance, and/or with prosecution certain, and/or effects not able to be fully mitigated.
Executive Support	→	The Executive team largely support the objectives of the project/programme as outlined in the business case/ scoping document	The project / programme team are experiencing some issues with influencing key members of the Executive team	The project / programme team are experiencing significant issues with influencing key members of the Executive team	The project / programme team are experiencing major issues with influencing key members of the Executive team	Project / Programme is receiving no support from Executive to meet key objectives as outlined in the business case or scoping document

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Communication	→	All key stakeholders are receiving regular updates including key messages as outlined in Communications plan. More communication may be required in other areas.	All key stakeholders are receiving key messages only as outlined in Communications plan.	Some stakeholders are not receiving key messages only as outlined in Communications plan.	Most key Stakeholders are not receiving key messages.	Key Stakeholders are not being updated on project / programme progress.
Approvals	→	Have to shift project tasks to accommodate time taken to complete approvals. Still manageable within project schedule.	Approval time is causing some delays to the project / programme schedule	Approval time is causing significant delays to the project / programme schedule	A Major deadline has been missed due to delays in approvals	A number of Major deadlines have been missed due to delays in approvals
Business Deliverable (quality)	→	A few minor business/project deliverables not met	Nearly all business deliverables met	Most deliverables met	Only a few business deliverables met	Not implemented or does not meet business deliverables
Project Budget	→	Can manage within base budget	Contingency required	CEO approval needs to be sought for additional budget	Board and/or CEO approval needs to be sought for additional Budget	Repeat approval needs to be sought for additional Budget
Schedule	→	Slightly late but < 10 % beyond initial time scope	10 - 25% over initial time scope	25 - 50% over initial time scope	50 - 100% over initial time scope	Exceeds 100% initial time scope
Procurement	→	Vendor quality or delays experienced finding suitable vendors, but is manageable within project.	Moderate changes required within the project to accommodate Vendor quality or delays finding suitable vendors	Significant change/compromises required within the project to accommodate Vendor quality or delays finding suitable vendors	Change control required to accommodate Vendor quality or delays finding suitable vendors	Change control requiring CEO and/or Board required to accommodate Vendor quality or delays finding suitable vendors
Technical / Design	→	Technology requirements is largely as expected. Minor issues .	Technology meets nearly all expectations. Some issues.	Significant issues with Technology impacts project deliverables	Major issues with Technology impacts project deliverables	Critical issues with Technology directly impacts project deliverables.
Business Integration	→	Project has minor issues integrating with processes, systems, organisations, culture	Project has moderate issues integrating with processes, systems, organisations, culture	Project has significant issues integrating with processes, systems, organisations, culture	Project has major issues integrating with processes, systems, organisations, culture	Project does not integrate with processes, systems, organisations, culture
User Acceptance	→	Project / Programme matches requirement, some minor issues.	Project / Programme matches requirements but users have moderate issues.	Project / Programme matches requirements but users have significant issues.	Project / Programme matches requirements but users have major issues.	Project / Programme fails to meet requirements but users reject product/service
Resources & Team	→	Staff working at full capacity	Minimal staff capacity in non-critical areas Increased absenteeism / illness Increased hours being worked	capacity in critical areas Substantially increased project team personnel turnover, or excessive hours	Staff shortages in critical areas Results in multiple injuries or serious illness	Total loss of organisational capability to undertake project
Health & Safety	→	Minimal or no 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. Possible long term effects * notifiable event	harmful. 1 or more fatality, severe disabling injury. Long term effects * notifiable event

Risk Likelihood - Probability (Rating)		
	Description	Probability
Rare (1)	The threat may occur in exceptional circumstances or A <u>very good</u> state of knowledge has been established on the threat	< 25%
Highly Unlikely (2)	The threat could occur infrequently or A <u>good</u> state of knowledge has been established on the threat	25 - 50%
Unlikely (3)	The threat could occur occasionally or A <u>moderate</u> state of knowledge has been established on the threat	50 - 75%
Likely (4)	The threat could occur quite commonly or A <u>poor</u> state of knowledge has been established on the threat	75 - 90%
Almost / Near Certain (5)	The threat can be expected to occur or A <u>very poor</u> state of knowledge has been established on the threat	>90%

Figure 7 - Project/Programme Risk Criteria Assessment matrix for Project Management including Health & Safety criteria

The above in figure 7 matrix is supported by the following risk escalation matrix:

Quantitative Rating	Qualitative Rating	LIKELY RESPONSE
0-50	Low	<ul style="list-style-type: none"> No immediate response or action required. Could be excluded from risk monitoring activities with infrequent re-evaluation of risk at project level e.g. review quarterly. Risk ownership may not be allocated.
51-200	Moderate	<ul style="list-style-type: none"> Regular monitoring and re-evaluation of risk and any factors that may increase consequence or likelihood occurrence at project level e.g. monthly Risk ownership allocated to individual within the project but no risk treatment plan required as yet.
201-300	High	<ul style="list-style-type: none"> Ongoing monitoring of risk and progress of risk response / treatment plan at project level. Risk ownership allocated with risk owner accountable for the risk and outcomes and also for developing the risk treatment plan. Develop risk response strategies as part of risk management and operational processes.
301+	Critical	<ul style="list-style-type: none"> Requires urgent action and immediate escalation of risk to GWRC senior management / Executive for prioritised response and risk treatment plan development. Incorporate mgmt of risk into established strategic governance and operational processes. Risk ownership allocated with risk owner accountable for the risk and outcomes and also for developing the risk treatment plan.

More Information on how risks are managed under Projects is contained in the Project Management Policy and related Guidelines.

Appendix 1b - Risk criteria – Business Planning

Risk Description	Likelihood of Occurrence (L)*	Consequence of Occurrence (C)*	Risk Score LxC	What controls will be implemented? How will the risk be managed?	Risk Owner	Timeframe to address the risk
<i>What is the risk that you see impacting on delivering on the objective or activity you are planning</i>	<i>What is the chance of this risk happening, high 3, med 2, or low 1 before any controls are considered</i>	<i>What is the impact if this risk occurs, high 3, med 2, or low 1 before any controls are considered</i>	<i>Score 1 (1x1) to a max of 9 (3x3)</i>	<i>What ideas (control treatments) are you thinking about to reduce the risk happening and if the risk occurs what measures are you considering to reduce the impact.</i>	<i>The person who owns the risk</i>	<i>When (date) will we address the risk and the controls to mitigate it?</i>

*Score Likelihood & Consequence of the risk occurring, 1 being low and 3 being high – Enables risks to be ranked.

The department risk champion and/or group managers should consider if any of the above risks warrant being placed in the Quantate risk register

When reporting back on this template add in another column on the right side to report the current status.

Appendix 2 - Sources and types of risks

When identifying risks, all sources of potential risk should be considered. The sources and types of risks are summarised, there may be other sources of risk that might be included as the council's risk management framework continues to evolve.

The following are the contextual risk categories as set out in *figure 4*, expanded here with some examples:

Description of risk source	Context details	Examples of some types of risk
Loss, failure or damage to assets	GW is responsible for managing in excess of a \$1 billion of assets. These are spread across its activities and include assets such as flood protection works, rail and water supply infrastructure, parks and forests. These are exposed to a series of risks, the source of which is sometimes outside of our control e.g. natural hazards. Maintaining these assets in a cost effective manner to provide the best possible service to our community is controlled mainly by our asset management plans together with regular monitoring and maintenance.	Failure of GWRL rail assets causes serious injury. Failure of flood protection structures and measures due to flooding/earthquake. Water capacity insufficient to meet security of supply standard.
Services are severely curtailed	GW provides critical services, the curtailment to which can cause significant disruption and/or hardship to the community. The most significant curtailments would be a major loss of water supply or public transport. Other services include harbour navigation, resource consent management, flood monitoring alerts, all of which can be affected by outages that would cause varying degrees of distress.	Failure of GW's telephony system. Damage to Water supply infrastructure from an event which interrupts supply. Loss of the provision of IT services. Failure of KiwiRail network assets or network operations causes damage to GWRL assets or cancellation of multiple services.

Physical harm to the general public	GW is responsible for a variety of activities and infrastructure that have the potential to harm members of the general public. Risks range from those that we have a direct relationship to the general public (e.g. maintaining our assets) to those where the direct relationship is managed by contractors for whom we are responsible (e.g. Transdev's management of rail services, KiwiRail management of the tracks).	Harm to staff , contractors when carrying out aerial pest control operations. Infrastructure in parks fails. Failure of KiwiRail network or third party assets, or network operations causes serious injury.
Health and safety of staff and contractors & volunteers	GW staff, contractors & volunteers are exposed to a series of hazards potentially affecting their personal safety. Most of the significant hazards are in external environments and the work activities performed. Many of these hazards cannot be eliminated and risk is mitigated as much as is reasonably practicable.	Failure to provide a safe work environment. Rangers threatened or injured by the public whilst carrying out operations. Death or severe harm to staff, contractors and/or public resulting from incidents, including asset failure. Failure of GWRL rail asset causes serious injury.
Financial, macroeconomic risk	Unforeseen financial impact including; loss of monies from defalcation, changes to exchange rates, interest rates, financial markets dislocation, commodity prices, loss of other incomes, fines/penalties, poor investment or expenses incurred.	Loss of Council funds due to fraud. Loss of Councils revenues due to public transport not being operational. Financial losses arising from serious events
Subsidiary companies and trusts	GW has several subsidiaries, namely CentrePort Ltd, WRC Holdings Ltd, Port Investments Ltd, Greater Wellington Rail Ltd and Wellington Water, Wellington Regional Economic Development Agency, Local Government Funding Agency,	CentrePort gets into financial difficulty. Damage to infrastructure beyond insured levels requiring Council support. Stadium trust requires financial support due to catastrophe.

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	Ltd. GW was the settlor and is a trustee of the Wellington Regional Stadium Trust. Ownership of these companies exposes GW to risk.	
Legislative and regulatory	Failure to follow regulatory obligations, non-compliance in terms of the Acts GW operates under.	<p>Failure to provide a safe work environment.</p> <p>Water supply fails to meet NZ drinking water standards resulting in public health issues.</p> <p>A major disaster impacts on the capacity and capability of emergency management to meet its statutory obligations.</p> <p>The Electoral Officer is required to re-run an election process.</p>
Political/reputation	Any action or event that could bring GW into disrepute. Including but not limited to service delivery failure, damage or harm to the public, poor decision making process leading to public challenge.	<p>All risks have a degree of political impact depending on their effect with the community.</p> <p>Our reputation takes time to build and can be lost very easily.</p> <p>Poor communication on PT timetable changes/delivery.</p> <p>Inadequate or improper public consultation process leading to public dissatisfaction with GW.</p>
Projects	GW is exposed to the risk associated with the implementation and management of projects. Risks arise due to a number of factors and the project management policy requires that risks are identified as part of the project documentation process.	<p>Major transport projects.</p> <p>Flood protection projects.</p> <p>Failure to deliver on key projects.</p>

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<p>Environmental damage</p>	<p>Significant damage to the environment either through GW actions or lack of actions.</p>	<p>Hazardous and toxic materials not identified. Water quality containments. Environmental damage caused by operations.</p>
<p>Human resources</p>	<p>Poor staff engagement and retention, poor recruitment practices or a failure to anticipate future resourcing, competency and leadership requirements will adversely impact on GW’s ability to operate effectively and efficiently.</p>	<p>Inability to attract and retain skilled staff. Ineffective employment relations. Inadequate human resource planning. Poor staff knowledge, skills, engagement. Loss of key staff on a large scale.</p>

Kaupapahere Utu Matawhāiti - Sensitive Expenditure Policy

Purpose	This policy provides a compliance framework for sensitive expenditure.
Vision	That there are clearly defined parameters for sensitive expenditure, that such expenditure is assessed before it is incurred and that it is authorised and reviewed consistently.
Rationale	<p>Greater Wellington Regional Council (Greater Wellington) is accountable for the use of public money therefore the highest standards of probity and financial prudence are expected that will enable the Council to withstand public scrutiny.</p> <p>Greater Wellington is committed to using resources efficiently, effectively and economically and to accounting publicly for its use of funds.</p> <p>This policy supports that and ensures that all staff understand their obligations in relation to sensitive expenditure.</p>
Policy Owner	Owned by the Group Manager, Finance and Risk
Responsibilities	<p>The Group Manager, Finance and Risk is responsible for this Policy and associated guidance.</p> <p>All staff with financial delegations and P-Cards are obligated to apply the principles of sensitive expenditure to ALL financial transactions and decisions.</p>
Application	<p>This policy applies to all staff, including WREMO staff.</p> <p>Staff refers to all employees (Full, Part time and Fixed term) and contractors.</p> <p>For the avoidance of doubt, this does not include Councillors as they follow the “Sensitive Expenditure for Elected Officials Policy”.</p>
Related Policy and Legislation	<p>All financial policies – refer to the ‘Financial Policy Handbook’</p> <p>Procurement Policy</p> <p>Code of conduct</p> <p>Conflict of Interest Policy</p> <p>Information Technology, Security and Use Policy</p> <p>Learning and Development Policy and Guidelines</p> <p>Carbon Reduction Strategy</p> <p>Greater Wellington Regional Council Policy for Remotely Piloted Aircraft Systems (RPAS/Drones).</p>
Effective Date	1 July 2024
Review Date	31 December 2024

<p>Purpose and Principles</p>	<p>The purpose of this Policy is to:</p> <p>Ensure staff are using funds efficiently, effectively and economically to be accountable (publicly) for use of (ratepayer) funds</p> <p>Set out clearly defined parameters for sensitive expenditure</p> <p>Ensure that sensitive expenditure is assessed, authorised, and reviewed consistently for all staff</p> <p>Ensure that all staff are accountable for expenditure they have incurred</p> <p>Incurring sensitive expenditure is a privilege not a right. Expenditure decisions must adhere to the following principles as stated in the guidance.</p>
<p>Guidelines</p>	<p>The guidance for sensitive expenditure is below.</p>
<p>Definitions</p>	<p>Some key definitions are enumerated below:</p> <p>One-up principle - is the principle that expenditure must be approved by a person at a higher level with delegation.</p> <p>Relating to financial delegations, this means that delegation holders cannot approve transactions involving themselves or from which they could be seen to benefit, instead they must be approved by their one-up manager.</p> <p>Probity - refers to uprightness, honesty, correct and ethical conduct.</p>

Sensitive Expenditure Policy Guidelines

Greater Wellington is accountable for the use of public money therefore the highest standards of probity and financial prudence are expected that will enable the Council to withstand public scrutiny.

Greater Wellington is committed to using resources efficiently, effectively and economically and to accounting publicly for its use of funds.

‘Sensitive Expenditure’ includes expenditure by Greater Wellington or its staff that provides, has the potential to provide, or has the reasonably perceived potential to provide a benefit to an individual staff member that is additional to the business benefit to Greater Wellington; or expenditure that could be considered unusual when Greater Wellington’s purpose and other functions are considered.

This Guidance covers the areas where sensitive expenditure may occur by staff carrying out Greater Wellington business. More guidance is provided in the Financial Policies Handbook⁵.

To learn more about Sensitive expenditure, visit the OAG online educational portal:

<https://oag.parliament.nz/good-practice/sensitive-expenditure/videos>

⁵ The Financial Policies Handbook is intended to be a collated version of all financial policies to improve accessibility and use of the policy guidance. It is updated and released to the organisation at the start of the financial year.

PURPOSE

This policy and guidelines provide a compliance framework for sensitive expenditure, which has clearly defined parameters for sensitive expenditure. The purpose of this Guidance is to:

- Set out clearly defined parameters for sensitive expenditure, where appropriate.
- Ensure that sensitive expenditure is assessed, authorised, and reviewed consistently for all staff.
- Ensure that all staff are accountable for ALL expenditure they have incurred.

SECTION 1: SENSITIVE EXPENDITURE PRINCIPLES

Incurring sensitive expenditure is a privilege not a right. It must be able to withstand the test of public scrutiny associated with a public sector organisation – including in relation to probity and financial prudence.

The Principles

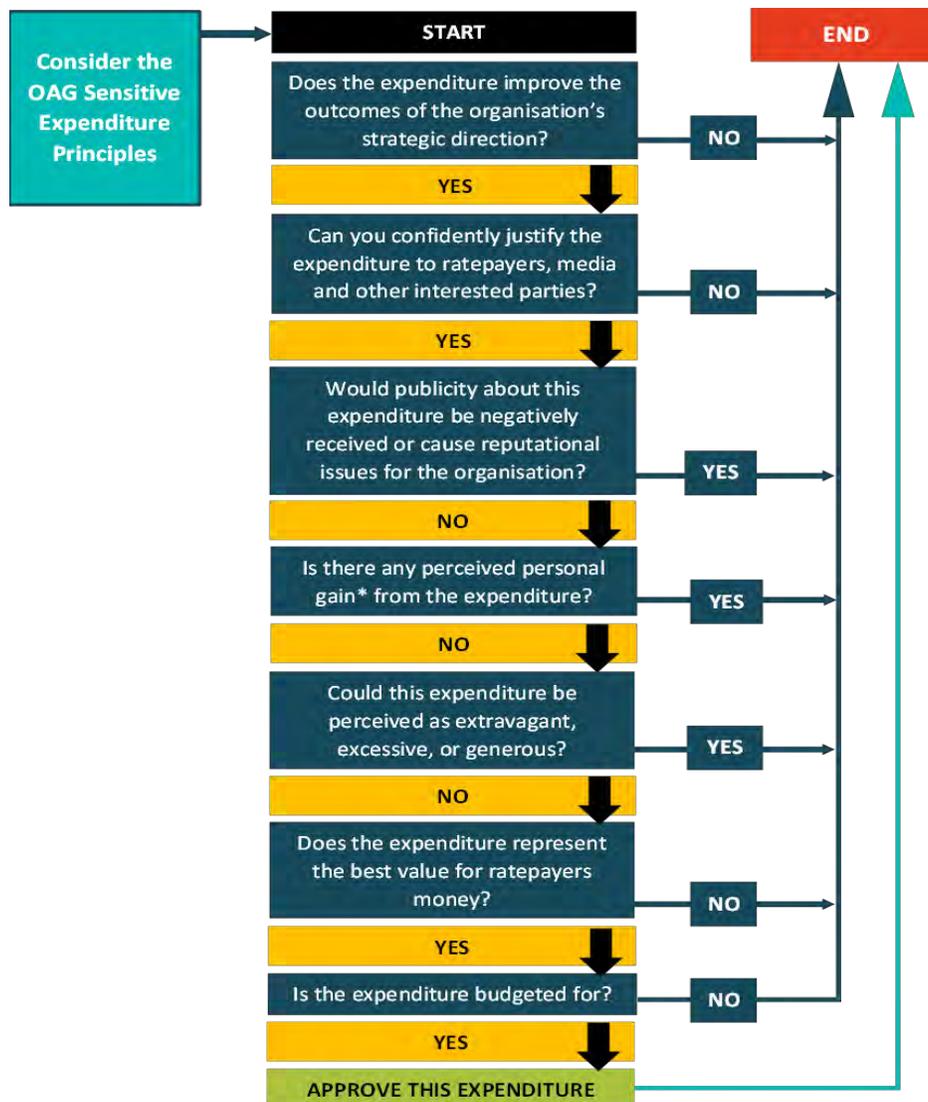
- 1.1. Expenditure decisions must adhere to the following Principles. These Principles must also be applied as a set as they are all equally important and should be applied together.
 - a) They must have a **justifiable business purpose** that is consistent with Greater Wellington’s objectives, and the dominant purpose for the expenditure must be business.
 - b) **Impartiality** must be preserved. Impartiality in this context, means decisions are based on objective criteria, rather than based on any sort of bias, preference, or improper reason.
 - c) They must be **made with integrity, restraint and reasonableness**. Integrity is about exercising power in a way that is true to Greater Wellington’s values, purposes, and duties for which that power is entrusted to, or held by, someone. It is about consistently behaving in keeping with agreed or accepted moral and ethical standards.
 - d) They must be **moderate and conservative**, having regard to the circumstances, when viewed from the standpoint of the public and given the circumstances of the spending. It includes considering whether the justifiable business purpose could be achieved at a lower cost.
 - e) They must be made **transparently**. Transparency in this context means being open about the spending and willing to explain any spending decisions or have them reviewed.
 - f) They must be made with **proper authority**. This means that the person approving the spending has the appropriate financial delegation to do so, for the type and amount of spending and follows correct procedures.

- g) The expenditure **must be appropriate**. Appropriateness is considered both in perception and in reality, considering the individual transaction and the total amount of sensitive expenditure in the area.

How to apply the principles:

1.2. To determine the appropriateness/reasonableness of sensitive expenditure the principles must be applied. In addition, the following questions should be considered:

- Does the expenditure support the Council’s strategic and business intent?
- Could the expenditure be justified to a stakeholder, e.g. the public?
- Could publicity about the expenditure or occasion adversely affect the Council (would it survive the “front page of the newspaper” test)?



* Personal gain includes anybody associated to an employee of Greater Wellington Regional Council.

SECTION 2: ACCOUNTABILITY AND TRANSPARENCY

All transactions involving sensitive expenditure must be as transparent as possible. All receipts, invoices and other relevant original documentation must be retained. Where a receipt has been lost, a bank statement may be considered adequate documentation to support reimbursement.

The amounts may be small in quantum, but the impact can be significant. In deciding what appropriate sensitive expenditure is, staff need to take account of both individual transactions and the total amount of sensitive expenditure.

This is because even when sensitive expenditure decisions can be justified at the item level, the combined amount spent may be such that, **when viewed in total, the entity could be criticised for extravagance and waste.**

Leadership and Self-discipline

- 1.1. To be truly effective, this sensitive expenditure policy, its procedures and other controls must be embedded in Greater Wellington's values, philosophy, practices and business processes. When this occurs, all staff become involved in the proper and prudent management of sensitive expenditure.
- 1.2. All Staff must model proper and prudent behaviours in the management of sensitive expenditure to the highest standard.
- 1.3. Staff in leadership roles must lead proper and prudent practices by example. This includes maintaining the integrity of the public sector through impartiality, accountability, trustworthiness, respect, and responsiveness.
- 1.4. Overall responsibility for ensuring compliance with this policy rests with the Executive Leadership Team (ELT). ELT must ensure staff in their department are aware of and educated about the financial policies and procedures.

Good controls and judgement

- 1.5. Staff with Financial Delegations and/or Purchase Cards are accountable for properly and prudently spending public money under their control, in accordance with relevant internal controls (safeguards).
- 1.6. While good internal controls will assist good sensitive expenditure decisions, 'good judgement' is also required.

This is because it is not possible or desirable to attempt to set rules for every possible situation. In the absence of a specific rule for a given situation, staff are expected to exercise good judgement by taking the principles into account.

- 1.7. Staff are advised to err on the side of caution and if in doubt, seek advice from:
 - Senior management
 - Finance Business Partners

➤ Principal Finance Policy Advisor

Approval of sensitive expenditure

- 1.8. Approval of sensitive expenditure should be given only when the person approving the expenditure is satisfied that the 'principles of sensitive expenditure' have been adequately met.
- 1.9. Approval must be given BEFORE the expenditure is incurred, wherever practicable. (Also refer to the P-Card Policy with regards to pre-approval processes)
- 1.10. Approval must be given strictly in accordance with the delegations register, specifically one's Financial Delegations, and only where budgetary provisions exist.
- 1.11. The one-up principle applies in all cases, unless one of the specific provisions relating to reciprocal approvals applies.
- 1.12. In order to avoid reciprocal approval processes:
 - The Chief Executive's expenditure shall be approved by the Council Chair on the recommendation of the Group Manager, Finance and Risk.
 - The Council's Chair shall be approved by the Chair of the Finance, Risk and Assurance Committee (FRAC) on the recommendation of the Group Manager, Finance and Risk. No manager shall approve an entertainment or hospitality expense that they will personally benefit from.
- 1.13. In all cases, if personnel are unsure about the escalation of approvals, they should contact Group Manager, Finance and Risk.
- 1.14. Only the CE and GM, Finance and Risk, as the Policy owners, can approve expenditure that falls outside of (or does not comply with) any of the financial policies.

General controls for expenditure claims

- 1.15. All staff expense claims must be submitted promptly after the expenditure is incurred; this means within one month of the expenditure being incurred.
- 1.16. Expenses should be claimed and approved within the financial year they occur, however, in exceptional circumstances, expenditure can be submitted up to 12 months of being incurred. Any claims beyond 12 months cannot be claimed or approved.
- 1.17. Sensitive expenditure will only be reimbursed if it is deemed to be actual, moderate and conservative with regard to the circumstances it has been incurred directly in relation to Greater Wellington business and complies with policy.

- 1.18. Valid original GST compliant invoices/receipts and other supporting documentation must be maintained/ submitted.
- 1.19. All claims must clearly state the business purpose of the expenditure when it is not clear from the supplier documentation supporting the claim.
- 1.20. Wherever possible, Greater Wellington's preferred suppliers are to be used. For the avoidance of doubt, Greater Wellington will ensure that the selection of suppliers is in its interest and not affected by the availability or possibility of purchasing privileges for staff.

SECTION 3: STAFF EXPENSES

The Sensitive Expenditure Policy is the hierarchical financial policy, however there are other policies that serve a range of specific purposes and deal to the opportunities for private benefit, and the uncertainty as to what is appropriate. The financial policies with specific purpose include:

- Entertainment and Hospitality Policy
- Travel and Accommodation Policy
- Personal effects cover for Greater Wellington Employees Policy
- Out of Region Deployment Expenditure Policy
- Purchase Cards (P-Card) Policy
- Treasury Risk Management Policy
- Asset Accounting Policy
- Koha Policy

Expenses incurred by staff

- 1.1. The following table outlines the values agreed to by ELT for the expenses listed. Staff are required to stay within the limits including the GST and additional charges such as delivery fees.

Table of set values for staff expenses

Note: For all of the following categories, if a card (farewell card, congratulations card, get well card etc.) is included, it is to be included in the total value allowable. Also, any delivery or postage fees. They are not to be claimed as an additional expense.

Expense	Value	Condition(s)
Any staff receiving hospitality or a gift	\$50 + (incl. GST)	It must be entered into the 'Gift Register' AND advise their manager
Staff recognition, leaving and significant events		
Recognition Celebration*	Staff with 10+ years of service = up to \$200 (incl. GST) Staff with 20, 30, 40+ years of service = up to \$300 (incl. GST)	Based on \$10 per head. A cash gift (incl. prezzie cards, vouchers etc.) is not permitted without prior GM, Finance and Risk approval. Additional tax may be applicable.
Recognition Gift*	Staff with 10+ years of service = up to \$100 (incl. GST) Staff with 20, 30, 40+ years of service = up to \$200 (incl. GST)	Based on \$10 per head. A cash gift (incl. prezzie cards, vouchers etc.) is not permitted without prior GM, Finance and Risk approval. Tax implications must be considered.
Leaving Celebration	Staff with less than 1 year service = \$0 Staff with 1+ years of service = \$10 per head and maximum \$200 (incl. GST) Staff with 10+ years of service = \$10 per head and maximum \$400 (incl. GST)	Greater Wellington contribution only applies to celebrations held on Greater Wellington premises.
Leaving Gift**	Staff with 10+ years of service = up to \$300 (incl. GST)	Additional taxes are applicable for any cash gifts.
Employee Gift – for significant event, such as Birth or Adoption, Death, Wedding, Hospitalisation, Outstanding academic achievements etc.	Up to \$90 (incl. GST and other costs, such as delivery fees etc.)	Significant events that do not qualify for a gift from Greater Wellington include: <ul style="list-style-type: none"> - Birthdays - Anniversaries - Other reoccurring events

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Exceptional GW Events	The GM and CE will determine the budget requirements at their discretion.	This applies to events such as Annual awards/Xmas function etc. The considerations of the Sensitive Expenditure Policy apply and should be documented appropriately for transparency.
Social and Professional Membership		
Social club activities	\$4 per person per fortnight	Greater Wellington will match staff monetary contributions to its social club
Professional membership	n/a	Refer to the Learning and Development Policy and Guidelines
Food		
Meal Allowance (Per-diem)	Up to \$120 (incl. GST) per day	Non-claimable meals must be subtracted from the allowance. <i>Staff who have Greater Wellington per diems (allowances) in their employment agreement, are to use their contract allowances and not what is guided here.</i>
Breakfast – Staff away for business purposes	Up to \$25 (incl. GST)	No alcohol permitted and no expense receipt with alcohol on it will be accepted. Staff are encouraged to use the Meal Allowance (Per-diem) instead of itemised meal expense claims. No vouchers of any type for meals when travelling.
Lunch – Staff away for business purposes	Up to \$25 (incl. GST)	
Dinner – Staff away for business purposes	Up to \$80 (incl. GST)	
Staff meetings (incl. team away days)	Up to \$25 (incl. GST) per person The value also includes additional costs such as delivery.	Meeting must be a minimum of 5 hours. Staff should include the type of meeting, date, time, number of attendees and venue, when claiming catering.
Travel		
Accommodation	A reasonable fee per night is \$200 (incl. GST).	All accommodation is to be booked using the TMC via Business Support Team who will work through various options to get the most suitable accommodation as per Policy.

Vehicles		
Operational Vehicles (Utes, work-specific 4WDs)	Diesel or Petrol = up to \$55,000 (excl. GST)	The limits are inclusive of all on-road costs.
	Electric or Plug-in Hybrid = up to \$65,000 (excl. GST)	
Fleet / Rem Vehicles (excl. Chair and CE)	Diesel or Petrol = up to \$40,000 (excl. GST)	
	Electric or Plug-in Hybrid = up to \$65,000 (excl. GST)	
Health		
First aid or personal medical equipment	\$50 (incl. GST)	Staff on deployment who require personal medical equipment, or first aid require manager approval if expenditure exceeds \$50 (incl. GST).

* The cost of the celebration and/or gift is incurred by the budget holder of that staff member.

** Any gifts received by an employee within the past financial year would need to be taken into consideration because if the total value exceeds \$300, Fringe Benefit Tax is required.

Table of prohibited expenses

Items	Rationale
Alcohol	Staff are not permitted to purchase alcohol or claim expenses using a receipt that has alcohol on it. Only the Chief Executive can approve alcohol expenditure if deemed appropriate for GW events.
Parking fines or traffic offences incurred by staff	As per the Vehicle Policy, staff are expected to drive safely, obeying all laws. Any staff that incur fines have done so on their own and not as a business expense.
Additional food/catering e.g., biscuits/cakes, lollies/chocolate or snacks etc.	Only meetings over five hours are permitted to have food supplied, if required. Morning and/or afternoon tea, such as biscuits, cannot be purchased as additional. These must be factored into the cost of lunch. <i>Note: Staff may be permitted to buy biscuits for meetings with external people and held outside of a Greater Wellington office. E.g. Parks staff meeting with a stakeholder group at a site they have been volunteering the time to restore for the greater good of the community.</i>
Clothing (on P-Cards)	All apparel should be supplied to staff using an appropriate vendor in the Greater Wellington system, and through a purchase order. Staff needing clothing or uniform gear should contact Business Support, as stock is available for staff use. Apparel does not include consumables such as disposable spray overalls, gloves and boots etc.

	In rare unforeseen and high priority circumstances, clothing can be purchased using a P-Card, however sufficient rationale for why the clothing wasn't procured through a vendor and the sensitive expenditure principles must be met and supplied in Ngātahi.
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SECTION 4: GOODS AND SERVICES EXPENDITURE

Loyalty reward scheme benefits & prizes

- 1.1. Staff are not permitted to purchase goods or services for personal use through a Greater Wellington purchase order. All purchase orders shall be made in the name of Greater Wellington and not an individual staff member.
- 1.2. Staff making procurement decisions shall not personally receive any loyalty rewards, benefits or prizes as a result of those decisions.
- 1.3. Any loyalty rewards or prizes accrued by staff as a result of carrying out their official duties shall, to the greatest extent practicable, be the property Greater Wellington and/or only be applied for the benefit of Greater Wellington.
- 1.4. Accruing air points (or air dollars) or other forms of flying rewards (varies from airline to airline), and hotel reward programmes, from business-related travel is strictly prohibited.

Vouchers, Prezzie Cards and Other Cash Equivalent Rewards

- 1.5. Vouchers, Prezzie cards or other cash equivalent rewards are strongly discouraged from use at Greater Wellington and staff should consider other forms of rewards whenever possible.
- 1.6. All staff intending to use any cash equivalent rewards, they must gain pre-approval from their Group Manager regardless of the value.

Note: When requesting the preapproval, the rationale against the sensitive expenditure principles needs to be supplied as well as clarification regarding who is receiving it, how much, and how will they be receiving it.

These forms of rewards are a high risk for fraud and require a more regimented safeguard process to reduce the risk. These forms of reward may also be subject to taxes, such as FBT and withholding tax.

Procuring assets

- 1.7. All staff are to ensure they have understood the requirements of the Procurement Policy before procuring any goods and services, particularly noting the changes in delegations for procurement over set values.
- 1.8. Staff requiring assets in order to do their job, such as phones, laptops, monitors, keyboards etc, are required to request these through ICT.
- 1.9. Staff are not permitted to purchase these assets on P-Cards without ICT approval. *(ICT needs to keep track of assets being used in the organisation due to potential security issues. ICT may allow P-Card purchases for items such as adaptors or charging cables.)*

- 1.10. All staff requiring non-standardised equipment must ensure they have met and documented each of the sensitive expenditure requirements (refer section 1), in order to get approval.

Disposal of surplus Greater Wellington assets

- 1.11. If assets are no longer required and are eligible for disposal, the appropriate approvals from a manager with the delegated authority⁶ must approve the disposal and the method before it takes place.
- 1.12. The disposal of assets must be transparent and fair, and conducted in such a way that the personal judgment and integrity of Greater Wellington staff are not compromised. The market value of the asset must also be recognised.
- 1.13. Staff disposing of assets must not derive any undue benefit from the disposal. The potential for actual or perceived undue benefit by staff must therefore be recognised by GM's when deciding upon the procedure for disposal. In this regard, any assets specifically identified for disposal to Greater Wellington staff, other than items of insignificant value must be subject to a tender or other similar process that is appropriate to the value of the asset.
- 1.14. Disposal of assets to a not-for-profit organisation, such as a school or charitable trust, may be appropriate for some items. This is to be agreed to in writing and approved by the appropriate authority before any assets are given away.

Assets being considered for disposal should refer the appropriate group and policy before taking any actions. For example, disposing of a vehicle, refer to the [Vehicle Policy](#) and speak to Fleet Management, disposing of a phone or laptop, refer the ICT policy and speak to ICT management.

Volunteers

Volunteers are anyone that provide their time to help Greater Wellington without compensation. The use of volunteers at Greater Wellington is allowed and is often viewed as a great way for the community to get involved, such as planting days in Regional Parks.

- 1.15. Staff utilising volunteers for some form of Greater Wellington business can do so if no compensation is provided, however if compensation, such as a payment, gift voucher, prezzie card etc, is offered then the volunteer is no longer a 'volunteer' and appropriate tax implications need to be considered.
- 1.16. Wherever possible, staff wanting to compensate 'volunteers' should seek advice from procurement and utilise a version of a 'contract for services' if possible.
- 1.17. Before any volunteers are committed, staff must inform their financial business partner to ensure that all tax implications have been considered, such as withholding tax (which requires an [IR330 form](#)) and FBT.

⁶ Refer to the [Delegations Manual](#) to understand which staff have delegated authority.

- 1.18. Greater Wellington is obligated to ensure the appropriate tax is paid, therefore all 'volunteers' used must provide a GST number if they have one OR be made aware of our withholding tax obligations. No compensation to volunteers is to be made without 1.16 and 1.17 (above) have been met.
- 1.19. Staff who use volunteers for intellectual purposes may offer incentives, such as lunch, instead of compensation for their time, as a way of attracting volunteers.
- 1.20. Greater Wellington may hold something equivalent to an 'appreciation event' such as a BBQ to give thanks to the volunteers, including those who may not have been paid due to their employment obligations.

SECTION 5: STAFF SUPPORT AND WELFARE EXPENDITURE

Greater Wellington Clothing/Apparel

- 1.1. Staff may be supplied with branded or protective clothing by Greater Wellington as and when needed. Staff may only wear and/or use the clothing for work-related purposes.
- 1.2. Clothing is to be purchased using a preferred supplier set up as a vendor in Ngatahi.
- 1.3. Staff are required to return the clothing (apparel) to Greater Wellington either when an item is replaced or no longer required or the staff member leaves Greater Wellington.
- 1.4. Branded apparel is not to be used for personal use.

Social Club activities:

- 1.5. Greater Wellington will match staff monetary contributions to its social club up to \$4 per person per fortnight.

Note: In this case, the justifiable business purpose for social club contributions is connected with organisational development and wellbeing.

Recognition events:

- 1.6. The Entertainment and Hospitality Policy must be complied with for any expenditure for staff (also note expenditure limits in section 3):
 - Farewells and retirements
 - Recognition of services
 - Recognition of achievements
 - Significant events (such as deaths, births, weddings etc)

Sponsorship of staff or others:

- 1.7. Staff should limit their ask to their team or peer group for personal sponsorship. Refer to the Sponsorship Policy.

Professional membership:

- 1.8. Greater Wellington offers various forms of training to developing employees so that they can better achieve organisational outcomes and be successful in their roles, which increases the organisational capabilities. Staff should refer to [Learning and Development Policy and Guidelines](#) for more information.

Payments / rewards outside an employment agreement:

- 1.9. In circumstances not covered above where a payment or reward is not provided for in a staff member's employment agreement, personnel must:
 - 1.9.1. Obtain prior approval from Human Resources; and
 - 1.9.2. Contact Human Resources prior to seeking approval to ensure that payment; or
 - 1.9.3. Reward is appropriate and consistent with similar circumstances; and
 - 1.9.4. Tax implications to be clearly understood and addressed (*seek advice from Finance about tax*)

SECTION 6: GIFTS, DONATIONS AND INVITATIONS

For information regarding giving and receiving of gifts for cultural purposes, refer to the [Koha Policy](#).

Receiving Gifts

- 1.1. While receiving gifts and invitations are not strictly issues of sensitive expenditure, in that they do not involve expenditure by or on behalf of Greater Wellington, receiving gifts and invitations are nevertheless sensitive issues and should be guided by the following:
 - a) Accepting a gift or an invitation must not alter Greater Wellington (or its agents') decision-making (as this could be perceived as acting without impartiality or integrity). In this context, an altered decision means a decision that would not have been made without the gift.
 - b) Receipt and acceptance of gifts (except for inexpensive gifts (less than \$50) that are openly distributed by suppliers and clients) and invitations shall be disclosed and recorded in the gifts register.
 - c) Those involved in procurement activity should not accept gifts or hospitality to avoid any perceived conflict of interest.
- 1.2. Any gifts received by staff valued at \$50 (incl. GST) or more will be classed as a gift that must be entered into the 'Gift Register' and their manager must be advised.

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- 1.3. It is important that receiving hospitality does not affect Greater Wellington's or an individual's decision-making. This could be perceived as acting without impartiality or integrity. Any staff receiving hospitality, valued at \$50 (incl. GST) or more will be classed as a gift and must enter it into the 'Gift Register'⁷ and advise their manager.
- 1.4. Receiving gifts in the form of cash must be handed to Greater Wellington. These gifts are used for community good and can be donated. (Refer 'Donations' below)
- 1.5. Staff attending an event or a hui and present or provide support due to their role can sometimes receive a gift. As this can be cultural, staff are able to accept the gift on behalf of the organisation but will then hand it over for charitable good.
- 1.6. Staff attending an event or a hui in their own personal capacity can keep any form of gift they receive.

Note: If staff are being paid to be there as an employee, then they are not considered to be there as a private individual. Staff should discuss this with their manager before attending if there is any uncertainty about their attendance.

- 1.7. Any gifts received by an employee within the past financial year must be taken into consideration for Fringe Benefit Tax (FBT)⁸ requirements.
- 1.8. Staff are required to include the gift recipients name and reason for the gift in Ngātahi when coding the expense.

Donations

- 1.9. A donation is a payment (in money or by way of goods and services) made voluntarily and without expectation of receiving goods and services in return.
- 1.10. The purpose of any donation made by Greater Wellington must be consistent with its values and purpose, and appropriately documented.
- 1.11. The cost of the donation must be appropriate in the circumstances.
- 1.12. All donations must be approved by Group Manager, Finance and Risk.

Invitations to a social function or event

- 1.13. Staff must advise their manager of any invitations they receive from external parties to social functions or events, in accordance with the one-up principle. The manager will decide whether acceptance of the invitation is appropriate.
- 1.14. The decision as to whether to accept the invitation must:
 - comply with the Principles
 - be dependent upon whether attendance would benefit a business relationship of Greater Wellington

⁷ The 'Gift Register' is managed by the Executive Assistants. All gift information must be sent to them for record purposes. The appropriate manager must also be notified of the received gift.

⁸ If the total value exceeds \$300, FBT is required.

- include consideration as to whether acceptance could be perceived as a means of influencing a Council decision-making process

Invitations to social functions or events and the manager's decision on the invitation shall be recorded in the Gifts Register.

SECTION 7: PERSONAL USE OF GREATER WELLINGTON ASSETS

General

- 1.1. Greater Wellington accepts and makes provisions for the reasonable and incidental use of the following Greater Wellington assets:
 - Mobile phones
 - Laptops
 - Tablets
 - Photocopiers
 - Personal Locator Beacons (PLBs) or GPS
- 1.2. Staff who have Greater Wellington assets in their employment agreement, such as remuneration vehicles or on-site accommodation in Regional Parks, are permitted to use those assets as per their contract.
- 1.3. Staff are prohibited from the use of any Greater Wellington property⁹ and/or equipment for private business purpose.
- 1.4. Staff who reside on Greater Wellington property, such as Park Rangers, may use Greater Wellington assets to carry out regular maintenance at the Greater Wellington owned property they reside in.
- 1.5. Managers may permit staff to use Greater Wellington assets for the purpose of training and experience (or 'gear familiarisation') in their personal time if the personal benefit is minimal and the benefit to the organisation is significant.

Example: Thermal imaging gear used for pest control requires training and practice to become proficient at pest control work. Allowing staff to use the gear in their personal time improves their skills which are applied to Greater Wellington work and reduce costs to the organisation for additional training time.

Mobile Devices (Phones and Tablets)

- 2.1. Where there is a justifiable business purpose, Greater Wellington will provide appropriate staff with a mobile phone and/or a tablet and pay for the usage.
- 2.2. All use of Greater Wellington phones/tablets should be responsible and reasonable.
- 2.3. Greater Wellington may allow staff to use their work phone as their personal phone too if there are no additional costs incurred by the organisation.

⁹ For the purposes of this Guidance 'property' is defined as any item owned, leased, or borrowed by Greater Wellington.

Attachment 1 to Report 24.554

- 2.4. All invoices for Greater Wellington mobile phones and tablets will be paid directly by Greater Wellington on a monthly basis.
- 2.5. By default, roaming capabilities are deactivated from Greater Wellington mobile phones and tablets. Staff who leave the country are required to notify ICT to have the roaming activated while abroad.
- 2.6. Any roaming charges incurred by staff on days that they are not conducting business will be required to inform ICT and Finance, and pay back the charged amount.
Note: This may happen when staff add on personal days when travelling for business, or for staff who use their work phone as a personal phone too.
- 2.7. Users must take reasonable steps to protect Greater Wellington IT assets and resources in their care from loss, damage, unauthorised access or disclosure and misuse, and may be held personally responsible for any carelessness or negligence.
- 2.8. Staff must follow the off-boarding process for staff and other users to ensure that all Greater Wellington assets are returned and processed.

Internet and email

- 2.9. Reasonable personal use, consistent with the [Information Technology Security and Use Policies](#) is permitted.

Photocopying

- 2.10. Personal photocopying, other than the occasional incidental use, shall be a cost to the staff member.

SECTION 8: PERSONAL ASSETS USED FOR GREATER WELLINGTON WORK

Tools, equipment and gear

- 1.1. Staff using their own assets (tools/equipment/gear) for Greater Wellington work uses should discuss this with their manager before use as Greater Wellington does not compensate staff for loss or damage of to their personal belongings¹⁰.

Mileage - Using Private Vehicles

- 4.1. Each year, the Inland Revenue Department (IRD) set out the rates at which [mileage](#) can be claimed. Staff claiming mileage will have their claimable amounts automatically calculated in Ngātahi when uploading their claim.

¹⁰ Refer to [Personal Effects Cover for Greater Wellington's Employees Policy](#)

- 4.2. Greater Wellington discourages staff to use their own private vehicles for business purposes. In the circumstance that no Greater Wellington (fleet) vehicle is available, the staff member must take all appropriate steps first before requesting permission to use their own vehicle, such as
- Make a booking as soon as the need arises
 - Change the time or date of the meeting
 - Review other bookings to see if there is an available seat going to the same destination
 - Assessing if there is a public transport option
- 4.3. If a fleet vehicle is not available and the use of a private vehicle is the only option, that staff member must get written preapproval from their manager before undertaking any business-related journey(s). The preapproval should include any expected travel costs, such as a mileage allowance as well as the rationale for why cannot use a fleet vehicle.
- 4.4. Greater Wellington accepts no liability for accident, fire or theft damage incurred while a staff member is using their private vehicle for Greater Wellington business purposes. Claims for such damage must be made against the individual's own insurance provider.

Note: Refer to the [Vehicle Policy](#) for more information.

SECTION 9: COMPLIANCE

Purchase Cards

- 1.1. To ensure Greater Wellington's liabilities are kept with a safe control, and that P-Card expenditure is managed within public scrutiny and audit acceptance levels, Finance will enforce measures to stop on-going policy breaches.
- 1.2. Before any enforcement measures are taken, Finance will always aim to work with the P-Cardholder and/or the approver to remedy the situation first, such as
- Reminder notifications about outstanding transactions or approvals,
 - Requests for more information,
 - If needed, an email to the appropriate manager indicating the issue and the remedy requirements.
- 1.3. Purchase card expenses will additionally subject to the monitoring and compliance regime set out in the P-Card Policy & Guidance.
- 1.4. Enforcement measures can be:
- Pause of P-Card to stop any further transactions
 - Cancellation of card – no new card issued
 - Appropriate GM notified and/or HR

Other transactions

- 1.5. Transactions are to be monitored regularly for compliance with this policy to ensure effective control of sensitive expenditure.
- 1.6. Staff with financial delegations are required to confidently support their expenditure decision(s) to be a good use of public money when/if under public and audit scrutiny.
- 1.7. Breaches of this policy will be sanctioned in accordance with the Code of Conduct.

Kaupapahere Haerenga - Travel Policy

Purpose	Greater Wellington staff may be required to travel for business purposes in New Zealand or overseas which incur travel and accommodation expenditure that needs to be managed in accordance with sensitive expenditure guidance.
Vision	Greater Wellington manages all travel and accommodation that best meets the guidance of sensitive expenditure and is able to be accurately reported on to help Great Wellington meet its strategic outcomes.
Rationale	This Policy is to provide a consistent approach to how all GW staff should manage their travel needs in to conduct business efficiently and effectively.
Policy Owner	GM, People & Customer
Responsibilities	People & Customer – Business Support Group Finance Executive Assistants Approving Managers
Application	<p>This Policy applies to all Greater Wellington Staff.</p> <p>All activity related to this Policy may be monitored or investigated using the information held on or generated by use of any Resource (see definitions). Inappropriate use will be reported to appropriate management and any action taken will be guided by the Code of Conduct, employment agreements and employment law.</p> <p>Users of a Greater Wellington Resources and the information held on or generated by those Resources may be the subject of investigation by government agencies. The GM, Finance and Risk or the GM, Corporate Services will respond to any approach from such agencies. This response may result in any relevant information being provided to the requesting agencies to assist its investigation.</p> <p>Any exemptions required under this Policy must be requested via Accounts@gw.govt.nz and approved by the GM, Finance and Risk .</p>
Related Policy and Legislation	<p>Sensitive Expenditure Policy</p> <p>P-Card Policy</p> <p>GW Code of Conduct and the ‘applicable terms and conditions of employment’</p> <p>Conflicts of interest policy</p> <p>Carbon Reduction Policy</p>
Effective Date	The first working day following the date of approval by the Chief Executive.
Review Date	31 December 2026

Purpose and Principles	<p>This Policy and its guidelines are to ensure that travel and accommodation expenditure is economical and efficient, having regard to purpose, distance, time, urgency, personal health, security, and safety considerations, while enabling Greater Wellington to better report on their travel impacts.</p> <p>Greater Wellington staff that need to travel should:</p> <ul style="list-style-type: none"> • Consider technology-enabled solutions as opposed to travel in person • Utilise the business support team to book travel and accommodation • Have written approval before travel <p>Consider travelling at times and on carriers in line with our 'value for money' philosophy.</p>
Policy	<p>To provide consistent and transparent approach to the expenses Greater Wellington staff incur from travel and accommodation while travelling in New Zealand or overseas for work.</p>
Guidelines	<p>When using the Travel Policy, the Travel Policy Guidelines (below) are to be used to understand roles and responsibilities for staff requiring travel. The P-Card Policy and the Sensitive Expenditure Policy are also to be considered as part of the decision making process.</p>
Definitions	-

Travel Policy Guidelines

These guidelines support the policy to provide process and procedure to enable Greater Wellington and Wellington Region Emergency Management Office (WREMO) staff to travel for the purposes of business. For the purposes of this Policy and Guidelines, references to Greater Wellington also includes WREMO.

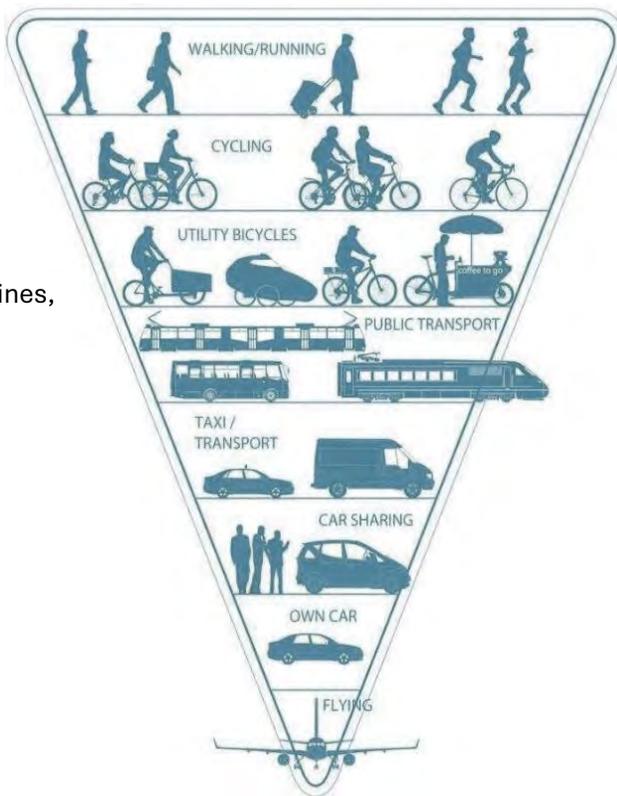
This Policy and its guidelines are to ensure that travel and accommodation expenditure is economical and efficient, having regard to purpose, distance, time, urgency, personal health, security, and safety considerations, while enabling Greater Wellington to better report on the impacts of travel.

Staff travel is a ‘sensitive expenditure’ and could be seen to be giving private benefit to staff that is additional to the business benefit, or not have a ‘justifiable business purpose’. These guidelines provide a consistent approach for all staff in order to reduce risks associated with expenditure related to travel, accommodation, and hospitality.

As well as managing sensitive expenditure, Greater Wellington also demonstrates clear leadership on reducing carbon emissions through its actions. Making informed decisions before booking travel is important to helping GW achieve its goals.

For all staff, the general principle of the ‘Mode of Transport Hierarchy’ should be applied when considering forms of transportation.

Figure 1 - Mode of Transport Hierarchy



To help staff utilise the Travel Policy Guidelines, it has been developed in to three parts:

- Part One: **CONSIDERING TRAVEL**
- Part Two: **BOOKING TRAVEL**
- Part Three: **WHILE TRAVELLING**
- Part Four: **LEGISLATION**

PART ONE: CONSIDERING TRAVEL**1. CONSIDERING TRAVEL AND ACCOMMODATION**

- 1.1. All work-related travel and accommodation is to be booked using GW's preferred 'All-of-Government' (AOG) approved Travel Management Company (TMC).
- 1.2. All work-related travel, accommodation and conferences must have prior written approval from the appropriate Manager or CE if they incur additional expenditure.
- 1.3. Staff must consider and understand carbon emissions impacts as part of their day-to-day activities, including any travel they may need to do. (Refer to the Carbon Reduction Policy)
- 1.4. Staff are required to support GW's target to be carbon neutral by 2030. One way to do this is to reduce travel. Before travelling, consider:
 - + Attend the meeting, conference or training via an online format
 - + Reduce the number of staff that are required to be there in person
 - + Different forms of transportation:
 - o Walking or cycling (incl. E-bikes)
 - o Public Transport (Train, Bus or Ferry)
 - o Carpool / Car share (Prioritise electric vehicles)
 - o Taxis
 - o Plane

Local Travel

- 1.5. Travelling on the Metlink train and/or bus network is highly recommended. Pre-loaded Snapper cards are available for approved business travel at all GW Reception offices.
- 1.6. Taxi services are available to staff for approved business travel. Reception staff at each GW Offices can assist staff with using these services.
 - 1.6.1. Staff may not use GW taxi cards for travel to and from their home and workplace unless:
 - there is a safety concern; and
 - prior approval for the travel has been given, where practicable.
- 1.7. Fleet vehicles are available for staff to use and are most suitable for travel within the Wellington Region. (Refer the Vehicle Policy and Guidelines)
- 1.8. Staff who opt to use ride-sharing applications (such as Uber, Ola or Zoomy) must ensure that this is for a justifiable business purpose, moderate and cost-effective relative to other forms of transport available.

Domestic Travel

- 1.9. Domestic travel and accommodation must be approved by the appropriate manager.
- 1.10. If travel clashes with high demand dates (this could be due to a high profile event on), considerations to change the travel time or location should be made to avoid paying excessive cost for tickets and accommodation.

- 1.11. Best fares and accommodation rates for the day are to be a key consideration irrespective of carrier.

International Travel

- 1.12. All international travel and accommodation must be pre-approved in writing by the CE.
- 1.13. Flights are to be booked using the most cost-effective fare (refer Part two for booking information)
- 1.14. Before tickets are booked, deciding what ticket to purchase, considerations should include:
- + Cost
 - + Purpose of travel
 - + Distance and time to travel
 - + Urgency (booking as early as possible is highly recommended)
 - + Security (incl. cyber security), and safety considerations
 - + If time allows, consider cheaper tickets to fly long distance in economy class, arriving earlier and allow rest time

Private travel linked with business travel

- 1.15. Staff may combine private travel and accommodation with approved business travel and accommodation on the following basis:

- The primary and dominant reason for the travel is a justifiable business purpose.
- Any additional cost associated with the private travel and accommodation is not incurred by GW (e.g. transfers, room upgrades, insurance etc).
- Arrangements for the private travel and accommodation are made by the staff member in their private capacity, i.e. GW resources may not be used.
- The relevant GM **AND** CE is advised of the staff member's intention to add private travel and accommodation to their official business.

'Private Travel' includes:

- travelling with a spouse/friend;
- taking annual leave;
- extending a stopover or
- extending a stay out of town for an additional period of time before,
- during or at the end of the official travel, including a weekend.

- 1.16. Any approved cost incurred by GW in relation to extending a stopover must have a clear business purpose, be moderate, conservative and pre-approved.
- 1.17. Staff who wish to have extended periods of private travel time while away on business, that change the dominant purpose of the travel being for business, should pay for one-way of the travel costs (the flight), additional accommodation will be at staff expense.

Accommodation

- 1.18. All accommodation (local, domestic, and international) must be approved by an appropriate manager.
- 1.19. The TMC booking portal is set up with a rate cap of \$200 NZD per night. If the most suitable accommodation does not fall within this limit, the traveller will be required to

provide a reason for why they didn't choose the most affordable option, such as the accommodation is not in a suitable location.

1.20. GW offices are spread across the region (Wellington (incl. WREMO), Upper Hutt, Masterton, with remote bases in the Regional Parks) and staff may be required to travel for 'events', such as meetings (online should be considered first), training, conferences, or ceremonies etc. If this travel is within the region, accommodation for staff is permitted if:

1.20.1. The event in which the staff member is required at runs after office hours. E.g. An awards ceremony that is hosted in the evening time.

1.20.2. The event in which the staff member is required at runs for multiple days.

1.21. Accommodation is not permitted for staff travelling within the region if:

1.21.1. The event in which the staff member is required at in a different Territorial Authority area to which they live, ends within a reasonable time for the staff member to still travel home safely.

1.21.2. The work taking place starts and finishes between 6am and 6pm.

1.21.3. The staff member has attended the event as an option rather than a requirement.

1.21.4. There is adequate opportunity for the staff member to attend the 'event' via an online option or different venue closer to home or are able to reschedule the times to allow for more appropriate travel time allowances.

1.22. Staff requiring accommodation, regardless of it being domestic or international, should:

- + Ensure that accommodation is cost-effective
- + Take account of the accommodation's location relative to where staff are working
- + Check the standard and type of accommodation and safety and security issues
- + Consider other policies, such as the Koha Policy, that might be paid, if any, for when staff stay at an alternative accommodation rather than in paid accommodation such as a hotel. Regardless of who provides the accommodation, a reasonable fee per night should not exceed \$200.

Rental Cars

1.23. Rental cars shall be of the most economical type and size available given the distance to be travelled, any equipment and luggage to be transported, and the number of people travelling.

1.24. Rental car shall only be used for the justifiable business purpose intended.

1.25. Private use is not permitted unless the staff member is away from home and undertaking work for Greater Wellington before and after the weekend. If these circumstances exist, reasonable weekend use of the rental car by the staff member may be permitted if they reimburse Greater Wellington for any relevant additional costs incurred.

1.26. Greater Wellington shall not be liable for any parking fines or traffic offences incurred by the staff member whilst responsible for the rental car.

Travel Insurance

- 1.27. All travel booked by GW (through TMC booking) automatically comes with travel insurance through “Aon Insurance” for any work related trips.
- 1.28. Travellers should know the policy number (AGAT391660) and international phone number for ACE Assistance (+649 359 1616).

2. TRAVEL REWARDS PROGRAMMES

- 2.1. Accruing air points (or air dollars) or other forms of rewards from business-related travel can have significant personal benefit and potentially incentivise wasteful travel. This is a direct conflict of GW’s Sensitive Expenditure Policy principles and therefore rewards that can be redeemed by an individual are not appropriate. To manage this, all flights must be booked through the TMC booking by the Business Support team. Also refer 2.3.
- 2.2. Personal rewards have the reasonably perceived potential to provide a benefit to an individual staff member that is additional to the business benefit to GW. Status points are not regarded to be redeemable to benefit and individual.
- 2.3. Bookings made directly with an airline will/may accrue rewards (e.g., air point dollars), benefiting an individual, therefore does not comply with GW Policies. The appropriate managers will be made aware of any booking made on P-Cards.
- 2.4. Reward points accrual is turned off through TMC for airlines on the AOG panel. The following frequent flyer schemes therefore can be permitted to use without personal benefit. Air New Zealand, Qantas/ Jetstar, Emirates, Etihad, LATAM, Lufthansa, Singapore Airlines, United Airlines, Virgin Australia. (Subject to change).
- 2.5. Staff using their rewards number when booking flights will automatically receive booking confirmations, notifications and updates to their travel via the airline app which they can have on their phone.
- 2.6. Having the airline app allows staff to travel in a more efficient manner, such as online check-in via the app.
- 2.7. The purchase of ‘lounge access’ (E.g., Koru Lounge with Air New Zealand), may be allowed for the CE and the Chair if sufficient rationale is provided. The purchase of ‘lounge access’ for all other staff will not be permitted.

Note: The rationale for purchasing lounge access must have a business purpose that outweighs the personal benefit.

- 2.8. Staff who personally have enough status to use the airport lounges are permitted to do so when travelling on GW business as long as no further expense is accrued to GW.

3. TRAVEL AND ACCOMMODATION IN EMERGENCY SITUATIONS

- 3.1. For staff who are required to assist in emergency situations outside of the Wellington Region, travel and accommodation processes and requirements will be different from this Policy. Please refer to the “Out of Region Deployment Expenditure Policy”.

PART TWO: BOOKING TRAVEL

1. TRAVEL BOOKING PROCESSES AND APPROVALS

To book travel

- 1.1. Staff are not permitted to book travel on their P-Card (refer P-Card Policy) except as per 1.5 below. All bookings are to be requested and processed via the Business Support teams or for GMs through their Executive Assistants.
- 1.2. All staff, following the initial approval from their manager, are to contact their local Business Support team located at Cuba St, Masterton or Upper Hutt offices to request a travel booking to be made.
- 1.3. Only the Business Support team (as well as Executive Assistants) have the access abilities to the Lightning Booking system that is used to book GW staff travel.
Note: The booking system is a vital tool for helping GW report on climate change targets and providing transparency in line with the Sensitive Expenditure Policy.
- 1.4. To improve booking requirements that are in line with GW policies and guidance, once a request for travel has been made, a member of the Business Support team will liaise with the GW staff member to book the most appropriate travel and/or accommodation.
- 1.5. In exceptional cases where accommodation cannot be facilitated by the Business Support team, a P-Card may be used to book the travel and/or accommodation with their manager's approval.
- 1.6. The traveller has responsibility for uploading the booking information, as well as the approval email from the appropriate person, into the He Kete travel folder as this will be required for auditing purposes. The transactions team and the business support team will be able to check if travelling staff have followed correct process or not. Managers of staff using P-Cards to book travel and accommodation on their P-Card will be notified.

Approvals

- 1.7. All staff are required to have an initial approval from their manager before starting any booking requests. No manager shall approve a travel expense that they will personally benefit from.
- 1.8. All approvals must be granted by the appropriate manager. The 'one-up principle' as outlined in the Sensitive Expenditure Policy, is the principle that expenditure must be approved by a person at a higher level with delegated financial authority.
- 1.9. In order to avoid reciprocal approval processes:
 - The Chief Executive's expenditure shall be approved by the Council Chair on the recommendation of the GM, Finance and Risk.
 - The Council's Chair shall be approved by the Chair of the Finance, Risk and Assurance Committee (FRAC) on the recommendation of the GM, Finance and Risk.

PART THREE: WHILE TRAVELLING**1. MEALS AND MISCELLANEOUS EXPENSES INCURRED WHILST TRAVELLING**

1.1. For the avoidance of doubt, GW will not reimburse or approve the purchase of alcohol.

1.2. Staff travelling on business may choose to take a set 'per diem' (Refer 1.6 below) or have costs reimbursed following the travel. Staff may be reimbursed for actual and reasonable expenditure (refer 1.3), supported by itemised receipts.

1.3. Reasonable expenditure recommendations are:

Breakfast	Lunch	Dinner
Up to \$25 (incl. GST)	Up to \$25 (incl. GST)	Up to \$80 (incl. GST)

1.4. Morning and afternoon tea, and snacks are not able to be claimed.

1.5. No alcoholic drinks will be reimbursed. If alcohol is consumed, it must be paid for by the staff on a separate receipt. (GW cannot accept receipt with an alcohol item on it, even if that item was paid separately.)

1.6. Staff travelling out of the Wellington Region (domestic or international) can either:

- a) be reimbursed for actual and reasonable expenditure, supported by itemised receipts (note 1.3. above) and meet the conditions of 1.8 (below).
- b) receive a meal allowance (per-diem) of NZD\$120 (incl. GST) per full business day for all the meals not provided for.
 - No itemised receipt or reimbursement is required for option B.
 - Written pre-approval for option B and the total amount required must be provided to accounts before departure.
 - To calculate the total meal allowance, take the full day allowance and subtract the values (in 3,1.3 above) for the meals that will be provided during the business trip.

E.g. Bob flies to Tokyo on Monday at 3pm and returns to Wellington on Thursday at 11am. Bob will attend a conference on Tuesday and Wednesday where lunch and snacks are provided. Bobs four-day trip meal allowance will be, \$480 minus (Mon Breakfast and lunch (\$50), Tue and Wed Lunch (\$50) and Thur lunch and dinner (\$105)) = \$275 (incl. GST).

1.7. Staff may not claim an allowance or reimbursement for meals:

- a) That are included with flights, accommodation, conferences or seminar packages.
- b) On days or weekends that you are not on official business
- c) When you are being entertained by hosts (in this case you may need to consider the Koha Policy)

1.8. GW will reimburse staff members' meals and refreshments whilst travelling on the following basis:

- None of the refreshments are sourced from a hotel's mini-bar.
- The meal is not in addition to, or as an alternative to, a meal that was provided as part of another package paid for by GW or provided by third parties, such as conference organisers.

- Meals/refreshments are not bought for others.
 - The Expenses, together with original tax invoices and itemised receipts are correctly uploaded in Ngātahi.
- 1.9. Tipping: GW will not reimburse tipping in New Zealand. GW will reimburse tipping overseas during the course of the justifiable business purpose, if:
- the tip is not extravagant
 - the tip is in accordance with local practice
 - where possible, a receipt or tax invoice recording the tip is provided; and
- 1.10. GW will reimburse a staff member's use of communications technology and/or valet parking related to a justifiable business purpose, provided all relevant original documentation detailing the expenditure is retained.
- 1.11. The following optional hotel services expenses will not be reimbursed:
- Mini-bar
 - In-room pay movies or other entertainment services
 - Dry cleaning and laundry costs (unless the staff member is away from home for three days or more and the costs are moderate and appropriate)
 - Spa treatments

PART FOUR: A CHANGE TO LEGISLATION

On 31 March 2023, the Taxation Act 2023 came into effect.

The Act exempts Public Transport (which includes on-demand services); Total Mobility; bikes, e-bikes and scooters, and micro-mobility share services from Fringe Benefit Tax (FBT) when being used for commuting to and from work.

The FBT exemptions allows employers the ability to offer employees climate-friendly employment benefits without unnecessary financial administration and high levels of taxation which many other incentives will attract.

Overall, we believe public transport and active modes will become an increasingly integral part of employers incentivisation and remuneration for their employees.

[Taxation Act 2023](#)

Due to the timing of this Act and the review of this Policy, the inclusion of free transportation for employees has not been included, and as of at the time of writing not yet an option to GW staff.

Kaupapahere Whakahaere Tūraru Rawa – Treasury Risk Management Policy (Incl. Liability Management and Investment Policies)

Purpose	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 the prudent management of treasury risks within Council.
Vision	All external borrowing, investments and incidental financial arrangements will fully comply with legislative requirements, while returning benefits to the organisation and its ratepayers.
Rationale	<p>The Council recognises that, as a responsible public authority, any investments that it holds have risk and returns.</p> <p>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. This policy mitigates risks associated with this form of fund management.</p> <p>Greater Wellington is accountable for the use of public money; therefore, the highest standards of probity and financial prudence are expected that will enable the Council to withstand public scrutiny.</p>
Policy Owner	Owned by Group Manager Finance and Risk
Responsibilities	<ul style="list-style-type: none"> - Group Manager Finance and Risk - Head of Finance - Manager Treasury
Application	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.
Related Policy and Legislation	<p>Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.</p> <p>Local Government Act 2002, in particular Part 6 including sections 101, 102, 104, 105, 112 and 116.</p> <p>Trust Act 2019 Part II Investments.</p> <p>Greater Wellington Financial Policy Handbook</p>
Effective Date	11 April 2024 (Approved by Council, Report 24.128)
Review Date	<p>Before 30 June 2027</p> <p>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</p>

	<p>(section 9) will be conducted to test the existing policy against the following criteria:</p> <ul style="list-style-type: none"> • 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.
<p>Purpose and Principles</p>	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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.
<p>Policy Statement</p>	<p>To enable treasury risks within the Council to be prudently managed.</p>
<p>Guidelines</p>	<p>This document identifies the policy and procedures of the Council in respect of treasury management activities.</p>

Attachment 1 to Report 24.554

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.

Treasury Risk Management Policy Guidelines

SECTION ONE - Policy Objectives

1. Statutory objectives

1.1. All external 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. GWRC is governed by the following relevant legislation:

- 1.1.1. Local Government Act 2002, in particular Part 6, including sections 101, 102, 104, 105, 112 and 116.
- 1.1.2. Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
- 1.1.3. Trust Act 2019. When acting as a trustee or investing money on behalf of others, the Trust 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 Trust Act 2019 Part II Investments.
- 1.1.4. All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long-Term Plan (LTP) process, or resolution of Council before the borrowing is affected.
- 1.1.5. All legal documentation in respect to external borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
- 1.1.6. Council will not enter into any borrowings denominated in a foreign currency.
- 1.1.7. Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- 1.1.8. A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
 - o The period of indebtedness is less than 91 days (including rollovers); or
 - o 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.

2. General objectives

2.1. 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:

- 2.1.1. Proactively manage the Council's costs and risks in the management of its borrowings and its return on investments.

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- 2.1.2. Proactively manage the Council's exposure to adverse interest rate movements.
- 2.1.3. Monitor, evaluate and report on treasury performance.
- 2.1.4. 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.
- 2.1.5. 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.
- 2.1.6. Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- 2.1.7. Comply with financial ratios and limits stated within this policy.
- 2.1.8. Maintain a long-term S&P Global credit rating at AA- or better.
- 2.1.9. Monitor the Council's return on investments in CCTOs, property and other shareholdings.
- 2.1.10. 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.
- 2.1.11. Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.
- 2.1.12. Proactively manage counterparty credit risk.
- 2.1.13. Adhere to all statutory requirements of a financial nature.
- 2.1.14. Provide adequate internal controls to protect the Council's financial assets and to prevent unauthorised transactions.
- 2.1.15. Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.
- 2.1.16. Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 5(14) of this policy.
- 2.1.17. Keep Council abreast of macro-economic trends.

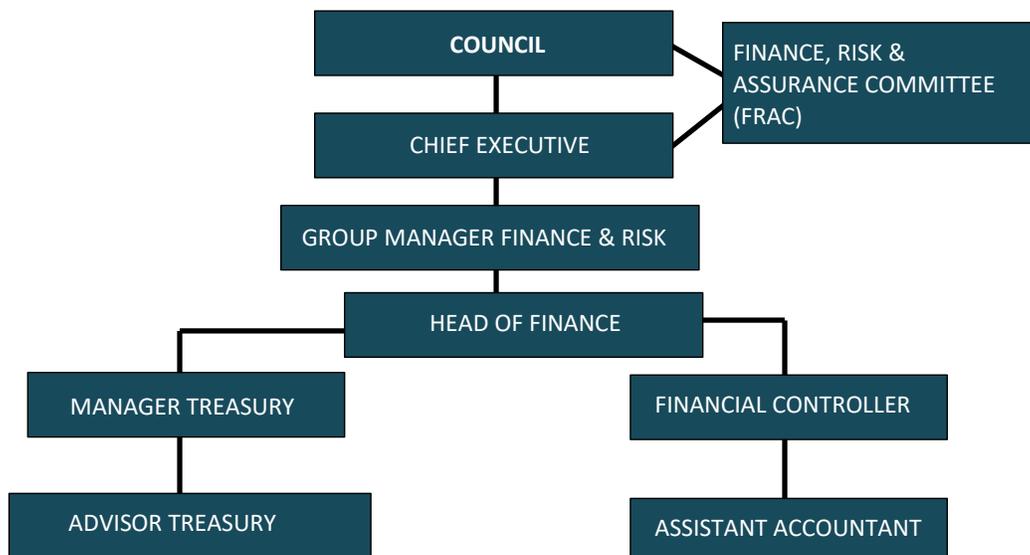
3. Policy Exclusion

- 3.1. This policy includes WRC Holdings Limited (WRC) and its subsidiaries, but excludes CentrePort Ltd.

SECTION TWO - Management Responsibilities

1. Overview of management structure

1.1 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 this section.



2. Council

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

2.2 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.

2.3 In this respect, the Council has responsibility for:

- a) Approving the long-term financial position of the Council through the 10-year Long-Term Plan (LTP) and the Annual Plan.
- b) Approving new debt/funding via resolution of the Annual Plan.
- c) 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, Group Manager Finance and Risk, Head of Finance, and Manager Treasury.

- counterparties and credit limits
 - risk management methodologies and benchmarks
 - guidelines for the use of financial instruments.
- d) Approving budgets and high-level performance reporting.
- e) Delegating authority to the Chief Executive, Group Manager Finance and Risk, Head of Finance, and Manager Treasury.
- f) Reviewing and approving the Treasury Risk Management Policy every three years.

2.4 The Council will also ensure that:

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

3. Finance, Risk and Assurance Committee

3.1 The Finance, Risk and Assurance Committee has the following responsibilities:

- a) Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.
- b) Receiving recommendations from the Chief Executive and Group Manager Finance and Risk and making submissions to the Council on all treasury matters requiring Council approval.
- c) Recommending performance measurement criteria for all treasury activity.
- d) Monitoring six-monthly performance against benchmarks.

3.2 The Finance, Risk and Assurance Committee will:

- a) Oversee the implementation of the Council's treasury management strategies and monitor and review the effective management of the treasury function.
- b) 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.
- c) Discuss treasury matters on a six-monthly basis (and informally as required).

4. Chief Executive

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4.1 While the Council has final responsibility for the policy governing the management of the Council's treasury risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive, including:

- a) Ensuring the Council's policies in respect of treasury activity comply with existing and new legislation.
- b) Approving the register of cheque and electronic banking signatories.
- c) Approving new counterparties and counterparty limits as defined within section 5(11) of this policy and recommended by the Group Manager Finance and Risk.
- d) Approving the opening and closing of bank accounts.
- e) Signing 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.

5. Group Manager Finance and Risk

5.1 The Council delegates the following responsibilities to the Group Manager Finance and Risk:

- a) Management responsibility for borrowing and investment activities.
- b) Recommending policy changes to the Finance, Risk and Assurance Committee for evaluation.
- c) Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- d) Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- e) Approving re-financing of existing debt.
- f) Approving treasury transactions in accordance with policy parameters outside of the Manager Treasury's delegated authority.
- g) Authorising the use of approved financial market risk management instruments within discretionary authority.
- h) Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- i) Recommending changes to credit counterparties.
- j) Proposing new funding requirements falling outside the Annual Plan and Long-Term Plan (LTP) to the Finance, Risk and Assurance Committee for consideration and submission to the Council.
- k) Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to the Finance, Risk and Assurance Committee,

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- including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- l) Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
 - m) Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the Financial Controller.
 - n) Managing the long-term financial position of the Council in accordance with the Council's requirements.
 - o) Ensuring that all borrowing and financing covenants to lenders are adhered to.
 - p) Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
 - q) Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
 - r) Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of proactively managing and stabilising funding costs and investment returns year-to-year.
 - s) Managing the organisations exposure and statutory requirements in relation to the holding, acquiring or disposing of Carbon Credits.

6. Manager Treasury

6.1 The Manager Treasury runs the day-to-day activities of the Council's Treasury Management Department. The Council delegates the following responsibilities to the Manager Treasury:

- a) Overseeing and managing relationships with financial institutions including the Local Government Funding Agency (LGFA).
- b) Approving treasury transactions in accordance with policy parameters within delegated authority.
- c) Negotiating borrowing facilities.
- d) 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.
- e) Making decisions and authorisations to raise and lower fixed rate percentage of net debt or investment position within interest rate policy risk control limits.
- f) 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.

- g) Monitoring credit ratings of approved counterparties.
- h) Co-ordinating annual reviews with S&P Global credit rating agency.
- i) Investigating financing alternatives to proactively manage borrowing costs, margins and interest rates, making recommendations to Finance, Risk and Assurance Committee as appropriate.
- j) Negotiating bank funding facilities and managing bank and other financial institution relationships.
- k) Executing treasury transactions in accordance with set limits.
- l) Entering into FX transactions to cover foreign currency liabilities.
- m) Entering into FX hedging transactions in accordance with the section in this policy on Foreign Exchange risk.
- n) Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- o) Providing written evidence of executed deals on an agreed form immediately to the Head of Finance.
- p) Co-ordinating the compilation of cash flow forecasts and cash management.
- q) Managing the operation of all bank accounts including arranging group offsets, automatic sweeps, and other account features.
- r) Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- s) Preparing treasury reports.
- t) Monitoring all treasury exposures monthly.
- u) Forecasting future cash requirements.
- v) Providing regular short-term and long-term cash flow and debt projections to the Group Manager Finance and Risk.
- w) Completing deal tickets for treasury transactions.
- x) Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- y) Updating credit standing of approved counterparty credit list on a quarterly basis.

7. Head of Finance

7.1 The Council delegates the following responsibilities to the Head of Finance:

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

8. Delegation of Authority and Authority Limits

8.1 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:

- I. All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.
- II. 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.
- III. 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.
- IV. Treasury management responsibilities are retained by Council or delegated, as set out in the following table:

Activity	Delegated Authority	Limit
Approving and changing policy	Council	Unlimited
Borrowing new debt (excludes prefunding of existing debt, which is re-financing)	Council Chief Executive (delegated by Council, to implement the Annual Plan) Group Manager Finance and Risk (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 Plan is adopted.
Signing Stock/Debenture Issuance Certificate or any amendments to the DTD as provided for in the Debenture Trust Deed (DTD).	Chief Executive	As per the Annual Council Plan to meet lenders requirements
Acquiring and disposing of investments other than financial investments	Council	Unlimited
Approving charging assets as security over borrowing	Council	Subject to terms of the Debenture Trust Deed
Approving new lending activity with CCO/CCTOs	The Council, or as specifically delegated to the Group Manager Finance and Risk	Unlimited
Approving of Council guarantees or uncalled capital relating to CentrePort or CCO/CCTO indebtedness.	Council	Unlimited (subject to legislative and other regulatory limitations)
Approve LGFA membership for CCO/CCTOs	Council	Unlimited
Re-financing existing debt	Chief Executive (delegated by Council) Group Manager Finance and Risk (delegated by Council) Manager Treasury (delegated by Council)	Subject to policy
Approving transactions outside policy	Council	Unlimited

Activity	Delegated Authority	Limit
Acquiring and disposing of Carbon Credits	Group Manager Finance and Risk	\$5m per transaction
Adjusting net debt or net investment interest rate risk profile	Manager Treasury	Per risk control limits
Managing investments and funding maturities in accordance with Council approved facilities	Manager Treasury	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	Council Chief Executive (delegated by Council) Group Manager Finance and Risk (delegated by Council) Manager Treasury (delegated by Council)	Unlimited \$150 million \$100 million \$75 million
Authorising lists of bank signatories	Chief Executive	Unlimited
Opening/closing bank accounts	Chief Executive / Group Manager Finance and Risk	Unlimited
Reviewing the Treasury Management Policy every three years	Finance, Risk and Assurance Committee	N/A
Ensuring compliance with Policy	Group Manager Finance and Risk	N/A
Negotiation and ongoing management of lending arrangements to CCO /CCTOs	Group Manager Finance and Risk / Manager Treasury	Per approval / per risk control limits
Signing of LGFA new Debt confirmations	Group Manager Finance and Risk / Head of Finance	N/A
Signing of derivative confirmations	Group Manager Finance and Risk / Head of Finance	N/A

SECTION THREE - Liability Management Policy

1. Liability management

1.1 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.

1.2 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.

2. New Zealand Local Government Funding Agency (LGFA)

2.1 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.

3. Debt Ratios and Limits - new page

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

Ratios (as 1 July 2024) *	
Net interest / Total revenue *	< 20%
Net debt / Total Revenue *	1 July 2024 < 285%
	From 1 July 2025 < 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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* Or as amended by the LGFA from time to time.

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

3.3 Revenue excludes non-government capital contributions (e.g., vested assets)

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

3.5 Liquid financial investments are financial assets defined as being:

- a) Overnight bank cash deposits
- b) Wholesale/retail bank term deposits no greater than 92 days
- c) Bank issued RCD's less than 181 days
- d) Allowable fixed income bonds as per approved investment instruments (applying 85% of face value)

3.6 External debt funding and associated investment activity relating to LGFA prefunding (e.g., maturing LGFA bonds) is excluded from the liquidity ratio calculation. For internal covenant purposes Disaster recovery/Contingency funds shall not be used as liquid investments in the Liquidity calculation as they are not intended to be used for everyday liquidity purposes.

3.7 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.

3.8 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 Manager Treasury to provide the best outcome for Council. If group methodology is used, it will be reported through to the Finance, Risk and Assurance Committee.

3.9 Disaster recovery requirements will be met through Liquid Financial Deposits, Money Market Investments, undrawn credit lines and contingency reserves.

4. Security and Charges

4.1 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.

4.2 Trustee Executors has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stockholders.

4.3 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:

- a) 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).
- b) the Council considers a security interest or security in the physical assets to be appropriate.

4.4 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.

5. Borrowing Mechanisms

5.1 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 from wholesale private placement investors
- Short and long-term capital markets directly
- Internal reserves and special funds.

5.2 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:

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

SECTION FOUR - Investment Policy and Limits

1. General Policy

1.1 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:

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

1.2 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. The investments tabled in section five are considered low risk.

1.3 Any investments considered by officers considered to be greater than a 'low' risk must be discussed and approved by Council, specifically acknowledging the level of risk.

1.4 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.

2. Investment Mix

2.1 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.

3. Equity Investments

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

- WRC Holdings Limited owns the following companies:
 - 76.9% (10/13) of CentrePort Ltd (CentrePort)
 - Greater Wellington Rail Ltd (GWRL)

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

4. Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

4.1 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.

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

- a) Seek commercial, strategic and other community objectives.
- b) Separate the Council's investments and commercial assets from its public good assets.
- c) Impose a commercial discipline.
- d) Appropriate separation of management and governance.

4.3 The Council manages risk associated with CCOs and CCTOs by:

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

5. New Zealand Local Government Funding Agency Limited Investment

5.1 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.

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

- 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.

5.3 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.

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

6. Other Investments

6.1 The Council's other investments are:

- CentrePort
- Forestry Investments
- Wellington Regional Stadium Trust advances
- Liquid financial investments
- Contingency funds
- Carbon credits

7. CentrePort

7.1 The Council, through WRC Holdings Ltd owns 76.9% (10/13) of CentrePort. CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

7.2 WRC Holdings Limited, along with the other shareholder in CentrePort, is responsible for appointing the CentrePort 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. WRC Holdings Limited, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

7.3 The Council manages risk associated with CentrePort by:

- a) Appointing suitably qualified external directors.
- b) Appointing of the Council's Group Manager Finance and Risk as reporting officer for the Council in respect of CentrePort.
- c) The Council receiving formal briefings and reports twice a year.
- d) The Group Manager Finance and Risk receiving quarterly briefings and monthly reports.
- e) Providing input into CentrePort's Statement of Corporate Intent.

8. Forestry Investments

8.1 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).

Note: The Council sold its cutting rights to its forestry investments for a period of up to 60 years, concluding in 2073/74.

9. Wellington Regional Stadium Trust Advances

9.1 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.

- 9.2 The Council has provided a \$4.2 million shared credit facility with Wellington City Council. The facility is fully drawn, interest bearing at 3% and due for repayment on 07 December 2030.

Council received an allocation of 255,660 NZUs (Carbon Credits, units used in the NZ Emissions Trading Scheme) for its pre-1990 holdings of exotic forestry from the government. Council will leverage these credits by borrowing internal funds to finance projects that will reduce greenhouse gas ('carbon') emissions, this mechanism is known as the Low Carbon Acceleration Fund (LCAF).

10. Liquid Financial Investments

- 10.1 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 5 (11) of this policy. Credit ratings are monitored on a regular basis by the Manager Treasury.

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

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

- 10.3 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.

- 10.4 The Council's external investment interest rate profile will be managed within the parameters outlined in section 5 (6) of this policy.

11. Contingency Funds

- 11.1 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.

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

12. Special Funds and Reserve Funds

- 12.1 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 wherever possible.

- 12.2 If interest is accrued from these funds, they will be credited to the particular fund.

13. Carbon Credits and Low Carbon Acceleration Fund

- 13.1 Approved projects will be funded by internal loans. Both principal and interest charges will be repaid by selling Carbon Credits (LCAF NZUs).
- 13.2 Internal loans must be repaid within 10 years from the date the internal loan becomes a permanent internal loan.
- 13.3 All interest costs and repayments of a permanent internal loan must to be extinguished via the sale of Carbon Credits (LCAF NZUs) in the year the internal loan incurs interest.
- 13.4 The total value of the unsold Carbon Credits (LCAF NZUs) is required to be at least 90% of the total remaining internal loans and their projected interest it is designed to repay.

Note: The Council has received additional NZUs for carbon sequestration by its post-1989 for its native forests and will continue to do so for their further growth and future new plantings. These NZUs units are not part of the LCAF.

14. Investments in fossil fuels

- 14.1 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.

15. General Rates Operating Surplus¹¹

- 15.1 The actual general rates operating surplus is to be allocated to the general rates reserve account for the purpose of reducing future rates. This could be achieved by:
 - a) Repaying debt, or reducing need to raise debt
 - b) Funding expenditure that would be funded from general rates revenue
- 15.2 A surplus general rate revenue is calculated by: General Rates + Other Income (unless for a capital project) – Expenditure (that is not loan funded) – Finance costs – Overheads -/+ Investment or Reserve movements.

16. Surplus from targeted rates

- 16.1 Targeted rates may incur a surplus for the same reasons a general rate would, however the use of this surplus is restricted to being utilised for the activity in which that targeted rate was collecting for.
- 16.2 This surplus revenue may be used for:
 - a) Reducing the impact to those targeted ratepayers for the same activity in the following financial year
 - b) Increasing the reserves required for the activity to be spent in later years of the Long-Term Plan

¹¹ Council may generate operating surpluses due to factors such as sale of Council assets or increased rateable units throughout a financial year etc. The surplus varies from year to year and is not easily forecasted, however, council uses the revenue to consistently to reduce future impacts to ratepayers.

SECTION FIVE - 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.

1. Interest Rate Risk Recognition

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

1.2 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.

2. Approved Financial Instruments

2.1 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	<ul style="list-style-type: none"> ▪ Bank overdraft ▪ Committed cash advance and debt funding 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	<ul style="list-style-type: none"> ▪ Short-term bank deposits ▪ Bank bills ▪ Bank registered certificates of deposit (RCD's) ▪ 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 ▪ Carbon credits
Interest Rate Risk Management	<ul style="list-style-type: none"> ▪ Forward rate agreements (FRAs) on: <ul style="list-style-type: none"> ○ Bank bills ▪ Interest rate swaps including: <ul style="list-style-type: none"> ○ Forward start swaps

	<ul style="list-style-type: none"> ○ Amortising swaps (whereby notional principal amount reduces) ○ Swap extensions, deferrals and shortenings ▪ Interest rate options on: <ul style="list-style-type: none"> ○ Bank bills (purchased caps and one-for-one collars) ○ Interest rate swaptions (purchased and one-for-one collars only)
Foreign Exchange Risk Management	<ul style="list-style-type: none"> ▪ Foreign currency deposits ▪ Purchased currency options ▪ Collars (one-for-one) ▪ Forward foreign exchange contracts

2.2 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.

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

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

3. Interest rate exposure

3.1 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.

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%**

*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.

- 3.2A 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 outside of the above limits beyond 90-days requires specific approval by Council.
- 3.3 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 Group Manager Finance and Risk or Head of Finance), 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.
- 3.4 The Group Manager Finance and Risk can consider alternative debt forecast scenarios that make assumptions around such matters as, the delivery and timing of the capital expenditure programme when designing and approving the interest rate strategy.
- **“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.

3.5 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).

4. Use of Approved Interest Rate Management Instruments

- 4.1 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”.
- 4.2 Purchased borrower swaptions must mature within 12 months.
- 4.3 Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- 4.4 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.

5. WRC Holdings Limited

5.1 WRC Holdings has wholesale interest rate risk arising from its borrowing activity from GWRC. This borrowing typically has a term of up to three years and is either on a floating rate or fixed rate basis. WRC Holdings can determine its own mix of fixed and floating rate debt, managing its interest rate risk through either fixed rate debt or using interest rate swaps. Any fixing or hedging of interest rate risk can be no more than 100% of the current, outstanding borrowed amount and for a term of no greater than three years. Any interest rate strategy is approved by the Group Manager Finance and Risk of the Council.

6. Liquid Financial Investment Portfolio

6.1 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%

- 6.2 To ensure maximum liquidity, any interest rate position up to five years will be made with acceptable financial instruments such as investor swaps.
- 6.3 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.

7. Special Funds/Reserve Funds

- 7.1 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.
- 7.2 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.

8. Liquidity Risk / Funding Risk

- 8.1 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.
- 8.2 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:
- 8.3 Local Government risk is priced to a higher fee and margin level.
- 8.4 The Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- 8.5 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.
- 8.6 New Zealand's investment community experiences a substantial 'over supply' of the Council's investment assets.
- 8.7 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.

9. Liquidity/Funding Risk Control Limits

- 9.1 These control limits will be determined by the following:

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- a) Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.
- b) External debt and available committed loan facilities together with liquid investments, will be maintained at an amount that is greater than 110% of total external debt.
- c) 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%

- d) 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.
- e) 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 to 0%.*

- 9.2 The Group Manager Finance and Risk will have the discretionary authority to re-finance existing debt.
- 9.3 The Council may pre-fund its forecasted debt requirements up to 18 months in advance including the re-financing of existing debt maturities. Once debt has been refinanced with a contracted term deposit (pre-funded), the term deposit amount, will net off the maturing debt amount, from the funding maturity profile percentage calculation.

10. Commercial Paper

- 10.1 Commercial Paper¹² (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.
- 10.2 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.
- 10.3 The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, known or contracted cashflows are used to repay the CP on maturity.

11. Counterparty Credit Risk

- 11.1 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.
- 11.2 Credit risk will be regularly reviewed by the Council. Treasury related transactions will only be entered into with organisations specifically approved by the Council.
- 11.3 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.
- 11.4 Limits will be spread amongst a number of counterparties to avoid concentrations of credit exposure.
- 11.5 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.

¹² 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.

11.6 The following matrix guide will determine limits:

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 annual rates revenue includes water levy.

11.7 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.

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

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

11.10 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 Group Manager Finance and Risk. Credit ratings will be reviewed by the Manager Treasury on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the Group Manager Finance and Risk and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

12. Borrowing Mechanisms for Council Controlled Organisations and Council Controlled Trading Organisations

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

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

12.3 Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval, the Group Manager Finance and Risk considers the following:

- a) Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- b) 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.
- c) The form and quality of security arrangements provided.
- d) The lending rate given factors such as: CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- e) 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.
- f) Accounting and taxation impact of on-lending arrangement.

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

13. To CentrePort Debt and Guaranteeing Debt

13.1 The Council, through its wholly owned CCO WRC Holdings Limited, is a 76.9% (10/13) owner of the Port Company CentrePort Limited. 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.

13.2 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.

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

13.4 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.

14. Foreign Exchange Risk Recognition

14.1 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.

14.2 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.

14.3 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.

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

15. Foreign Exchange Risk Control Limits

15.1 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 probability)		Maximum 100%
3. Contract / Order confirmed – (Undoubted Risk)	Minimum 100%	

16. Use of Foreign Exchange Instruments and Forecasting

- 16.1 Financial instruments, other than those stipulated in section 5 (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.
- 16.2 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.
- 16.3 Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Manager Treasury and Head of Finance. 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.

17. Managing Operational Risk

- 17.1 This Policy is designed to reduce the operational risk, which is the risk of loss as a result of human errors including:
- fraud,
 - system failures, or
 - inadequate procedures and controls.
- 17.2 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

18. Dealing Authorities and Limits

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

19. Segregation of Duties

- 19.1 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.
- 19.2 The risk will be minimised by the following:

- a) The Head of Finance will report directly to the Group Manager Finance and Risk to control the transactional activities of the Manager Treasury.
- b) There will be a documented approval process for borrowing and investment activity.

20. Procedures and controls

20.1 The Group Manager Finance and Risk will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.

20.2 All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.

20.3 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.

20.4 Procedures and controls will include:

- a. Regular management reporting
- b. Regular risk assessment, including review of procedures and controls
- c. 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 Chief Executive. Dual signatures will be required for all cheques and electronic transfers.
- d. 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.
- e. All deals will be recorded on properly formatted deal tickets by the Manager Treasury and approved, where required, by the Group Manager Finance and Risk. Market quotes for deals (other than cash management transactions) will be perused by the Manager Treasury before the transaction is executed. Deal

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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.

- f. GWRC generated deal tickets may be approved by electronic /email means where the approver is not in the office or its more efficient to do so.
- g. All inward letter confirmations, including registry confirmations, will be received and checked by the Head of Finance against completed deal tickets and summary spreadsheets records to ensure accuracy.
- h. Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- i. Any discrepancies arising during deal confirmation checks which require amendment to the Council records will be signed off by the Group Manager Finance and Risk.
- j. The majority of borrowing and investment payments will be settled by direct debit authority.
- k. For electronic payments, batches will be set up electronically. These batches will be checked by the Head of Finance to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.
- l. Bank reconciliations will be performed monthly by the Head of Finance. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's records will be signed off by the Group Manager Finance and Risk. A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Manager Treasury and reconciliation reviewed by the Head of Finance.

21. Managing legal risk

21.1 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.

21.2 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:

- a) 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.
- b) The matching of third-party confirmations and the immediate follow-up of anomalies.

- c) The use of expert advice for any non-standardised transactions.

22. Agreements

22.1 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.

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

22.3 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

23. Financial Covenants and Other Obligations

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

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

24. Diesel hedging

24.1 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 Group Manager Finance and Risk the power to enter into any price hedges or options with the following conditions:

- a) The Group Manager, Finance & Risk will report any hedges to the Council on a quarterly basis
- b) Maximum term of a hedge or option contract once it becomes operational is one year
- c) Contracts shall only be with a counterparty with a S&P rating of at least A.

25. Electricity Hedging

25.1 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 Chief Executive the power to enter into price hedges with the following conditions:

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- a) An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- b) The price exposure can be hedged via an over-the-counter electricity swaps contract, a contract for difference or a futures contract.
- c) The notional value of the hedge contract will be in New Zealand dollars.
- d) 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.
- e) The expiry of any hedge contract will be no more than four years.
- f) For any given reporting year, the hedge volume will be between 85% and 115% of the expected actual consumption. The hedge ratio will be monitored and reported annually.
- g) The credit rating of the hedge counterparty 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 counterparty does not have an external credit rating with S&P Global the Group Manager Finance and Risk may review the financial position of the proposed counter-party and provide a recommendation for approval by the Chief Executive.

SECTION SIX - Cash**1. Cash Management**

1.1. The Manager Treasury has the responsibility to carry out the day-to-day cash and short-term debt management activities. The Manager Treasury 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

1.2. 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.

SECTION SEVEN - Measuring Treasury Performance

1. Measuring Treasury Performance

1.1. 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 the Finance, Risk and Assurance Committee on a quarterly basis.

2. Operational performance

2.1. 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.

3. Management of debt, investments and interest rate risk

3.1. 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.

SECTION EIGHT - Reporting

1. Reporting – Performance Measurement

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

2. Treasury Reporting

2.2 The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Treasury Exceptions Report	Upon occurrence	Manager Treasury	Group Manager Finance and Risk and Head of Finance
Risk Exposure position	Monthly		

Policy Compliance		Head of Finance / Manager Treasury	
Interest rate exposure		Manager Treasury and Advisor Treasury	
Funding risk report			
Cash flow forecast			
Treasury investments			
Cost of funds	Quarterly		
Borrowing limits	Quarterly		
Summary Treasury Report	Monthly Quarterly		Group Manager Finance and Risk / Finance, Risk and Assurance Committee / Council
Limits Report	Daily on exceptions Quarterly on exceptions	Head of Finance	Manager Treasury / Finance, Risk and Assurance
Revaluation of financial instruments	Quarterly	Manager Treasury	Group Manager Finance and Risk / Finance, Risk and Assurance
LGFA covenant reporting	At least annually	Manager Treasury	LGFA and Group Manager Finance and Risk
Counterparty credit compliance report	Monthly	Manager Treasury	Group Manager Finance and Risk and Head of Finance

3. Accounting treatment of financial instruments

1.1 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.

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

1.3 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.

1.4 The Head of Finance is responsible for advising the Group Manager Finance and Risk of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.

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

SECTION NINE - Policy Review

1. Review of the Treasury Risk Management Policy

1.1 This Treasury Risk Management Policy will be formally reviewed every three years. The Group Manager Finance and Risk has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to the Finance, Risk and Assurance Committee. 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 the Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- f) Total net debt servicing costs.

1.2 The policy review will be completed and presented to the Finance, Risk and Assurance Committee. The Finance, Risk and Assurance Committee will approve any resulting policy changes.

ABBREVIATIONS REFERENCE:

CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CHIEF EXECUTIVE	Chief Executive
CP	Commercial Paper 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.
DTD	Debenture Trust Deed
FRA's	Forward Rate Agreements
FRN's	Floating Rate Notes
GWRL	Greater Wellington Rail Ltd
LGFA	Local Government Funding Agency
LTP	Long-Term Plan
NZU	New Zealand Units used in the NZ Emission Trading Scheme
RCD's	Registered certificates of deposit
RPS	Redeemable Preference Shares
S&P Global	Standard & Poors (Credit Rating Agency)
SOE	State-owned Enterprise
WRC	WRC Holdings Limited

Useful policy information from other Policies

This section contains parts of useful information from other Greater Wellington management policies that have financial implications.

For more information, refer to the [effective management policy found on He Kete](#).

Kaupapahere Waka - Vehicle Policy

Parking

1. GW staff may be required to pay for parking to attend business functions (e.g. a meeting), using a Fleet vehicle or a personal vehicle. Payment for parking is an acceptable business expense and can be paid on a P-Card with proof of purchase.
2. Drivers are responsible for parking a legal vehicle in a legal location with parking time limits that comfortably allow enough time for staff to attend their business function.
3. Drivers are responsible for paying any fines/tickets received. GW will NOT pay these. (Refer 'traffic Infringements' below)
4. Considerations of where staff park is important to reflect the guiding principles of the Sensitive Expenditure Policy.

Traffic infringements

5. The driver of a GW vehicle is responsible for complying with the law at all times. In cases where a traffic infringement notice has been issued in respect of a GW vehicle, the driver of the vehicle at the time of the infringement shall be responsible for the payment of any fine imposed.

Note: The same policy applies to drivers of other vehicles such as rental cars being used on GW business.

6. The Fleet Coordinator will forward all traffic infringement notices to the nominated driver for the offending vehicle who is responsible for ensuring the penalty is paid, or to their manager.
7. Where a driver believes an exemption from a parking or traffic infringement should be granted it is their responsibility to write to the appropriate authority (such as Waka Kotahi) and seek such an exemption in consultation with their manager. Any result of this communication must be shared with the Fleet Coordinator.

Remuneration vehicles

8. Staff with remuneration vehicles have limited private use of the vehicle as noted in their employment agreements. The use of the vehicle during periods of annual leave or for private use outside the region will be at the sole discretion of their GM. Running costs during such periods of use will be at the staff member's expense.
9. Remuneration vehicles need to be recorded as a 'Fringe Benefit Tax' (FBT) due to their ability to be used for personal use. The vehicles and use must be notified to finance.

Chair and CE remuneration vehicles

10. The Remuneration Authority issues an annual determination that defines the parameters for the Chairperson's vehicle. The Remuneration Authority issues an annual determination that defines the parameters for the Chairperson's vehicle. The Council also has determined that the same parameters shall apply to the vehicle issued to the CE. Refer to the current annual determination issued by the Remuneration Authority for up to date guidance.

Operational vehicles

11. Vehicles which are not remuneration vehicles are called "operational vehicles". Operational vehicles are only available for business use (including when on call) and may only be driven by staff.
12. If an operational vehicle is taken home, staff are not permitted to use the vehicle for personal use except to commute to and from work. Staff who regularly use an operational vehicle to commute to and from work will have a component of their remuneration package identified as a "vehicle component" to recognise this use.
13. Operational vehicles are required to be left at the workplace when the staff member is on leave.
14. As Fringe Benefit Tax (FBT) is payable on the vehicle when not being used for work purposes, it is important for the organisation to monitor the use of the vehicle by undertaking regular odometer checks and putting in place a logbook system. Staff will also be required to specify in each quarterly FBT report the portion of private use.

Fleetcards

15. Fleetcards are credit cards provided that stay with each vehicle for drivers to use when required (for example, refuelling). There are several cards, including Waitomo, Z, Caltex, etc. to be used at the corresponding fuel station. The cards may vary from vehicle to vehicle.
16. A Fleetcard is designated to each vehicle as noted by the registration number on the card. It is to remain in the vehicle at all times and may only be used for purchasing fuel or maintenance services specific to that vehicle, including:
 - Fuel
 - oil top ups
 - car washes
 - minor items and repairs such as windscreen wipers, lamps, etc
 - all scheduled servicing (including WoF's), maintenance and repairs
17. If a purchase is to exceed \$500, it must be approved by the Manager Fleet before the expenditure occurs and a Purchase Order raised.
18. Fleetcards shall not be used for any personal items. Any use of the card for personal items may constitute serious misconduct for which disciplinary action may be taken.
19. Fuel purchased on the Fleetcard outside the Wellington Region, which is not for Council business, must be identified on the Fleetcard statement and appropriately reimbursed by the staff member.

20. GW will not meet or contribute to the costs of installing a home charging facility or electricity consumed at home when charging a GW vehicle.

Purchasing of vehicles

21. The Procurement Policy provides direction and guidance for staff conducting all procurement activities within GW
22. "Vehicle Purchasing Parameters" have been developed and are reviewed annually to help guide purchases of new vehicles.

Vehicle disposal

23. GW has the responsibility and ethical duty to dispose of vehicles that are no longer needed or useful for the organisation in a transparent and fair manner. The disposal processes must meet the guidance provided in the Sensitive Expenditure Policy and the Auditor General's Controlling sensitive expenditure: Guide for public organisations (2020).
24. The sensitive expenditure principles of preserving impartiality and integrity are particularly relevant when disposing of vehicles. GW expects that the staff disposing of the assets will not benefit from the disposal.
25. GW is required to maximise the return to the organisation if disposing assets, (including to staff) and be able to justify that amount (for example, market value).
26. Ensure that all assets identified for disposal to staff are valued and subject to a tender or another process approved by the GM People & Customer, that is appropriate to the value of the asset.
27. GW vehicles must be disposed of by trade-in, public auction or tender, carried out under the Procurement Policy. Vehicles can be considered for 'donation' if the rationale is fair and transparent and is approved by the GM People & Customer.
28. Once vehicles are disposed of, the GW officer handling the disposal must ensure that the vehicle is removed from the Insurance Schedule of Vehicles.

Kaupapahere Whai Rawa - Procurement Policy

This Procurement Policy is meant to be read in conjunction with GWRC's Procurement Manual, the Procurement Practices and the approved list of financial delegations. Together these documents will assist GWRC and its Procurement Requestors in the following ways:

[Procurement Manual](#) - provides direction to follow and tools and templates to use when undertaking procurement.

Procurement Practices - provides direction on how Procurement Requestors will deal with specific requirements for contracts, e.g. climate change, All of Government contracts, in the procurement of goods and services

[Delegations Manual](#) - list of those in GWRC with authority to make financial procurement decisions or approve expenditure

Procurement Thresholds

Subject to a specific Procurement Practice, the following thresholds will apply for GWRC procurement unless approved in writing as a deviation to these thresholds as detailed in this Procurement Manual:

\$ (Excl. GST)	Pricing Information	Procurement Memo	Deviation Authority
1 – 20,000	Quotation	Not required	Delegated Financial Authority
20,001 – 60,000	Market testing not usually required	Required	Delegated Financial Authority AND Procurement Team
60,001 – 200,000	Preference for market testing	Required	Delegated Financial Authority AND Procurement Team
>200,000	Mandatory market testing	Required	Delegated Financial Authority AND Procurement Team

Using a Purchase Order for less than \$20,000

If the purchase is \$20,000 WOL or below and is considered to be of low risk (routine purchase, no property issues or unusual warranties) it is acceptable to receive a written quotation from a supplier either on headed paper or via email against a stated requirement from GWRC. Where there are multiple possible suppliers, the Procurement Requester should solicit three separate written quotations for the requirement and award the work to the lowest priced and technically conforming supplier. The procurement can then be carried out by the issuing of a purchase order through the financial system incorporating GWRC's standard terms and conditions for purchase orders. The purchase order will be required to be authorised by the person with the relevant delegated financial authority.

For greater than \$20,000 use a Procurement Memo

Attachment 1 to Report 24.554

The early stages of planning for a procurement activity are critical to success. It is important that GWRC takes a strategic approach with proposed procurement aligning with the organisation's priorities and business' objectives. For a procurement to be successful, GWRC needs to clarify roles, responsibilities, and processes for decision- making, ownership, and oversight, at the start of the procurement activity. A procurement memo is required to be completed by the Procurement Requester and authorised.

Authorising competitive action over \$200,000 WOL

For all procurement activities over \$200,000 WOL GWRC requires competitive action to be carried out. As long as competitive action is being proposed, the GM of the appropriate business unit can sign the Procurement Memo. It does need to be submitted to the Chief Executive if the procurement itself raises other issues that the Chief Executive should be aware of before any decision is made.

Definitions

Amortisation - The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Approvers – managers (or team leaders) with appropriate delegated financial authority (DFA) (refer delegations manual)

Asset (1) - Resource controlled by the Council as a result of past events and from which future economic benefits or service potential are expected to flow to the Council.

Asset (2) refers to all information, data, hardware, software, communications and other devices which are owned or used by Greater Wellington.

Asset class – Grouping of a similar nature and the lowest level of information on non-current assets included within the Council's Financial Statements.

Asset recognition – Process to include a non-current asset in the asset register.

Asset renewal – Capital works that reinstate some or all of the original service potential of an asset.

Capital expenditure – Costs incurred over the life of an asset that either renew, extend or upgrade the asset's underlying service potential.

Carrying amount of an asset – The amount at which an asset is recognised in the Statement of financial position, after deducting any accumulated depreciation and accumulated impairment losses

Computing device or device includes, but is not limited to all computers (servers, storage, desktops, laptops, tablets etc), computer programmes, mobile phones or anything that has the capability to connect to the Greater Wellington network.

Control - a measure that modifies a risk and may include any process, policy, practice or action. Generally, controls are designed to reduce risk, but may also change how the consequences are felt.

Consequences - these are the impacts or events which may be quantitative (e.g. monetary impact) or qualitatively (i.e. impact on perception) or quality of output.

Cost – Amount of cash or cash equivalent paid or the fair value of any other consideration given to acquire an asset at the time of its acquisition or construction.

Credit Card – a card with all the normal functions BUT can also withdraw cash. (Only the Chief Executive has this authority)

Depreciable amount – The cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation – The systematic allocation of the depreciable amount of an asset over its useful life.

Economic life - Either:

The period over which an asset is expected to yield economic benefits or service potential to one or more users or;

The number of production or similar units expected to be obtained from the asset by one or more users.

Entity-specific value – The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or the value it expects to incur when settling a liability.

Fair value – Equates to market value, if a readily available market exists, or depreciated current replacement cost where no market exists.

Financial year – 1 July to 30 June

Fixed Asset Register – Repository of financially recognised non-current assets and related information used for both operational and financial accounting purposes.

Full revaluation – The process whereby the fair value of all assets within an asset class are updated to reflect current market value or current replacement cost as well as reassessing remaining useful life and residual value.

Future economic benefits – In respect to not-for-profit entities such as the Council, future economic benefits refer to the ability of an asset to provide goods or services in accordance with the Council's objectives.

Gross carrying amount (or Gross Value) – The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register, excluding any deduction for accumulated depreciation or accumulated impairment losses

Highest and best use – The use of an asset by market participants that would maximise its market value.

Intangible asset – An identifiable non-monetary asset without physical substance.

Interim revaluation – Desktop review of unit rates whereby all asset values within an asset class are adjusted by an indexation factor.

Impairment – Decrease in service potential of an asset as a consequence of an irregular event or catastrophe, resulting in its recoverable amount being less than its carrying amount.

Infrastructure assets – Typically large, interconnected networks or programs of composite assets. The components of these assets may be separately maintained, renewed, replaced or disposed of, so that the required level and standard of service from the network of assets is continuously sustained. Generally, the components and the assets have long lives, they are fixed in place and rarely have any market value.

Likelihood - the chance of the risk eventuating. This may be expressed as the possibility of an event giving rise to the consequences.

Maintenance expenditure – Recurrent planned and unplanned expenditure, which is periodically or regularly required as part of Council’s maintenance plan to ensure that the asset is kept in an operational state, achieves its useful life and provides the required level of service.

Market value – The price that would be received to sell an asset in an orderly transaction between market participants, excluding transaction costs but inclusive of any transport costs.

Mobile Device includes laptops, tablets, cell phones, or any other device which is capable of accessing Greater Wellington systems and information and is easily carried outside the office by the user.

Net Book Value – The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset’s carrying amount or written down value.

Nominal cost – Nil or minimal cost for which an asset has been acquired.

Non-current asset – An asset held by Council for use rather than exchange and which provides an economic benefit for a period greater than one year.

Operating expenditure – Encompasses all costs associated with operating an asset (i.e. electricity, fuel, personnel costs, plant and equipment on costs and internal recharges).

Operational vehicles - Vehicles which are not remuneration vehicles are called "operational vehicles". Operational vehicles are only available for business use (including when on call) and may only be driven by GW staff. Staff must have permission from their Department Manager or GM to take an operational vehicle home. Where an operational vehicle is taken home, staff are not permitted to use the vehicle for personal use except to commute to and from work.

Probable – More likely than not to occur.

Purchase Card (P-Card) – a card with the usual credit functions and abilities to use online and on EFTPOS machines, however they have NO ability to withdrawal cash.

Recognition threshold – The acquisition value an asset should exceed before it is recognised in the fixed asset register and the Council accounts.

Recoverable amount – The higher of an asset’s fair value less cost to sell and its value in use.

Remaining useful life – The remaining operational life of an asset in service, irrespective of the period an asset has been in use or its design life or initial useful life when first recognised.

Renewal works (or asset renewal) – Capital works that reinstates some or all of the original service potential of an asset

Replacement cost – The current cost to replace or reproduce an asset based on similar operating conditions.

Residual value (salvage value or scrap value) - The estimated amount that would be obtained today from the disposal of an asset, after deducting the estimated costs of disposal (where applicable), if the asset were already of the age and in the condition expected at the end of its useful life.

Resource refers to all Assets, Work Tools, Devices, networking, Wi-Fi, communications service, software, computing facility or anything that is maintained by third parties but is available for use by agreement or is leased or under license to GW.

Risk - is the effect of uncertainty on Council's ability to achieve its objectives.

Risk appetite - is the amount and type of risk that the Council is prepared to accept in the pursuit of its objectives.

Risk management process - is the systematic application of management policies, processes and practices to activities of communicating, consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risks.

Risk assessment - the overall process of risk identification, risk analysis and risk evaluation.

Risk register – is the record of information about identified risks and how they are being managed. The Council has adopted Quantate as its risk register which is a data base used to record, evaluate and report the Council's risks.

Risk treatment or risk treatment option - options designed to modify a risk source by removing the risk source or, changing the likelihood, or altering the consequences or simply sharing or avoiding the risk.

Service potential – The capacity to provide goods and services in accordance with Council's objectives.

Staff refers to anyone employed by GW in a permanent, fixed term, contract, casual or temporary position

Sunk costs – Costs that are incurred on the initial construction of an asset that are unlikely to be incurred again when the asset is renewed or replaced.

Useful life – The period of time an asset is intended to be used, which is estimated when the asset is initially put into service.

Valuation unit rates – Asset unit rates are based on replacement cost principles that exclude specific asset management costs to fully comply with accounting standards and to avoid the potential for double counting of costs.

Value in use – Normally refers to assets that generate some form of cash inflow. Where assets have no cash inflow, value in use is deemed to be depreciated current replacement cost.

Vested asset – An asset that is acquired by Council at nominal or no cost, usually by way of an agreement with property developers, through government arrangements or a bequeath.

Workplace – this includes 'Working from home' and 'Out of office' locations.

Written down value – The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or net book value.

Work Tool is any tool provided by Greater Wellington for use by Staff and includes, but is not limited to, P-Cards, mobile devices, audio devices, software systems, access cards, etc.

Attachment 1 to Report 24.554

Finance Risk and Assurance Committee
21 November 2024
Report 24.594



For Decision

QUARTERLY FINANCE UPDATE – QUARTER ONE

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington Regional Council's (Greater Wellington) summary financial reports for the period ended 30 September 2024.

He tūtohu

Recommendation

That Committee:

- 1 **Accepts** the financial report for the first quarter ended 30 September 2024, including Attachment 1.

Te tāhū kōrero

Background

1. The Committee is responsible for overseeing, reviewing and reporting on Greater Wellington's financial management, including tracking how the financial result is performing against the first year of 2024-34 Long Term Plan.
2. Regular review of financial results is needed for effective management enabling informed decision making, performance evaluation and for compliance and accountability while highlighting potential risks to assets and services.
3. A full year forecast has been incorporated in this report based on the first quarterly updated information.

Te tātaritanga

Analysis

4. The result to September 2024 is a \$1 million operating surplus. Greater Wellington had budgeted for an operating surplus of \$12 million. The main drivers for the variance have been outlined below.

Total Operating Revenue is \$28 million lower than budgeted, materially driven by the following items:

5. Grants and subsidies revenue is lower than budgeted by \$26 million, mainly due to delays in Lower North Island Rail Integrated Mobility (LNIRIM) procurement, as well as the New Zealand Transport Agency – Waka Kotahi (NZTA) decision not to fund National Land Transport Plan (NLTP) projects. Full year forecasts have been updated, resulting in a variance of \$36 million - \$21 million relating to the National Land Transport Plan (NLTP) and \$14 million relating to LNIRIM spending delays.
6. Other revenue is lower by \$2 million materially driven by farebox revenue being lower than anticipated (\$3 million), offset by higher interest revenue (\$2 million). Farebox revenue has been forecasted to be \$9.5 million lower than budget by year end following the current trend.

Total Operating Expenditure is \$17 million lower than budgeted, materially driven by the following items:

7. Grants and subsidies expenditure is under by \$10 million largely due to changes in the accounting treatment for delays in bus shelter projects as well as the National Ticketing Solution (NTS) project moving from an expense to a prepaid asset. The change in NTS accounting treatment is expected to result in \$27 million variance by the end of June 2024 with the expenditure still expected to be incurred but recorded on the balance sheet.
8. Consultants, Contractors and Suppliers are lower than budget by \$9 million, primarily due to underspends across Environment and ICT strategies activities and delays in getting approval for Metlink funding. As such, a full year forecast of \$13 million underspend is expected across the groups.
9. Finance costs are \$3 million higher than budgeted, primarily due to pre-funding. This is offset by additional interest revenue.

Capital Delivery

10. Capital expenditure is currently tracking below budget. Metlink initiatives had been pending Council's decision on the future spending strategy. Additionally, the Riverlink property acquisitions are facing delays. This is offset by early expenditure on the Silverstream Pipe Bridge due to on-site delivery of remaining project materials.
11. The full year forecast is indicating \$42 million underspend made up of unapproved funding from NZTA on NLTP projects of \$21 million. A review of Water's capital programme resulted in a \$13 million rephasing of budgets into 2025/26, while Riverlink and Wairarapa flood implementation is expecting to be \$8 million underspent.

WRC Holdings Loan Renewal

12. In October 2018, Greater Wellington provided a loan of \$44 million to WRC Holdings Limited, associated with the investment in CentrePort Limited. In 2021, the original loan facility was extended for an additional three-year term, maturing in October 2024. The loan has now been renewed for a further three-year term, extending the maturity date to October 2027.

Ngā hua ahumoni
Financial implications

13. This report presents the financial health and performance of Greater Wellington for the Committee’s consideration. There are no immediate financial implications to the report.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

14. There are no known implications for Māori.

Ngā tikanga whakatau
Decision-making process

15. The matters requiring decision in this report were considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

Te hiranga
Significance

16. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters for decision, taking into account Council’s *Significance and Engagement Policy* and Greater Wellington’s *Decision-making Guidelines*. Officers consider that the matters outlined in the report are of low significance because of their administrative nature.

Te whakatūtakitaki
Engagement

17. Because of the low significance no external engagement is necessary.

Ngā tūāoma e whai ake nei
Next steps

18. The second quarterly financial report will be presented at the Committee’s meeting on 11 February 2025.

Ngā āpitihanga
Attachment

Number	Title
1	Financial Report – Q1

Ngā kaiwaitohu
Signatories

Writer	Darryl Joyce – Kaiwhakahaere Matua Manager Accounting Services
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Approvers	Ashwin Pai – Kaiwhakahaere Matua Head of Finance Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager Finance and Risk
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<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>The Committee’s specific responsibilities include to review the effectiveness of Greater Wellington’s financial management and performance.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The report reviews performance against the budget set in the first year of 2024-34 Long Term Plan.</p>
<p><i>Internal consultation</i></p> <p>This report has been drafted following contributions from Finance Business Partners of Metlink, Environment and Corporate Services.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>There are no risks arising from this report.</p>

FRAC Report (Q1)

This report provides the financials for the period ending 30 September 2024. Comparisons are made to the budget set in the first year of the 2024/2034 Long Term Plan, including any re-budgets approved by the Council.

The projected variance for the full year compares the approved full-year budgets to the current forecast updated in October 2024.

Summarised Profit and Loss as at September 2024

	Year to date			Full Year				
	Actual \$000s	Revised Budget \$000s	Variance \$000s	Forecast \$000s	Revised Budget \$000s	Variance \$000s		
Operating Revenue								
Rates and Levies	80,672	80,434	238	0%	321,821	321,531	290	0%
Grants and Subsidies	38,887	64,915	(26,028)	-40%	223,889	259,515	(35,626)	-14%
Other Revenue	33,891	36,125	(2,234)	-6%	145,996	147,866	(1,870)	-1%
Total Operating Revenue	153,450	181,475	(28,025)	-15%	691,705	728,912	(37,207)	-5%
Operating Expenditure								
Personnel	24,666	25,290	(624)	-2%	100,858	101,168	(310)	0%
Grants and Subsidies	69,593	79,800	(10,207)	-13%	288,826	319,708	(30,882)	-10%
Consultants, Contractors and Suppliers	33,680	42,428	(8,749)	-21%	149,933	162,739	(12,805)	-8%
Finance Costs	15,552	13,049	2,503	19%	62,081	56,154	5,927	11%
Depreciation	8,563	8,452	111	1%	34,257	34,149	108	0%
Total Operating Expenditure	152,054	169,019	(16,965)	-10%	635,956	673,918	(37,962)	-6%
Operating Surplus/(Deficit) before other items	1,396	12,456	(11,060)	-89%	55,749	54,994	756	1%
Fair Value Movements	(174)	-	(174)	0%	(174)	-	(174)	0%
Operating Surplus/(Deficit)	1,222	12,456	(11,234)	-90%	55,576	54,994	582	1%
Capital Expenditure	41,418	53,113	(11,695)	-22%	173,887	216,370	(42,483)	-20%
Investment in Greater Wellington Rail	3,660	19,579	(15,919)	-81%	62,339	78,315	(15,976)	-20%

The result to September 2024 is a \$1 million operating surplus. Greater Wellington had budgeted for an operating surplus of \$12 million, resulting in \$11 million unfavourable variance mainly derived from:

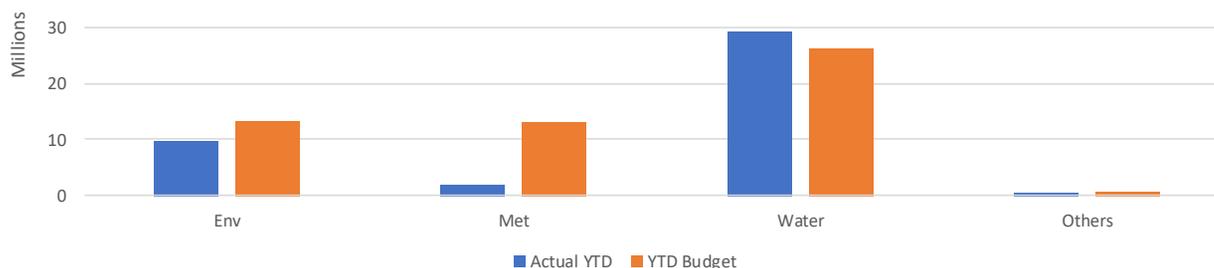
- Lower **Grants and Subsidies** revenue of \$26 million primarily due to Lower North Island Rail Integrated Mobility (LNIRIM) procurement delays and the National Land Transport Plan (NLTP) funding decision on Metlink projects. Full year forecasts have been updated to reflect this, resulting in a variance of \$36 million.
- **Other Revenue** is lower by \$2 million materially driven by farebox revenue being lower than anticipated (\$3 million), partially offset by higher interest revenue. Farebox revenue has been forecast to be \$9.5 million lower by year end following the current trend, partially offset by higher interest revenue from pre-funding.
- **Grants and Subsidies** expenditure is under by \$10 million primarily due to reclassification of National Ticketing Solution (NTS) project expenses as a Prepaid Asset and delays in bus shelter projects. NTS accounting treatment change is expected to result in \$27 million variance by the end of the financial year.
- **Consultants, Contractors and Suppliers** spend is lower by \$9 million due to underspend across Environment and ICT activities, as well as delays in getting approval for Metlink funding. A total of \$13 million full year underspend is expected across the groups.
- **Finance Costs** are \$3 million higher than budgeted largely due to pre-funding. This is offset by additional interest revenue.
- **Capital Expenditure** is currently tracking below budget. Metlink initiatives were awaiting Council decision on the future spending strategy.
- The full year capital forecast is indicating \$42 million underspend driven by the unapproved funding from Waka Kotahi on NLTP projects of \$21 million. Water capital projects are also being reviewed by Wellington Water and expecting \$13 million underspend, while Riverlink and Wairarapa flood implementation is forecasted to be \$8 million underspent

Other Items of Interest:

- Council is fully compliant with the Treasury Risk Management Policy as of 30 September 2024.
- Council currently holds investments (excluding subsidiaries) of \$420m up from a starting balance of \$315m on 1 July 2024. This includes water contingency investments of \$50m, and pre-funding of \$191 million.
- Existing loan to WRC Holdings has been approved for renewal on 14 October 2024.

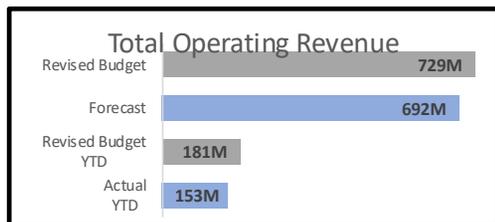
** Revised budget is budget set in the 2023-24 Annual Plan plus re-budgets approved by Council

Capital Expenditure by Group



Key Variance Commentary

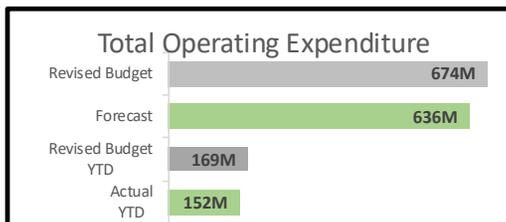
Attachment 1 to the Report 24.594



Metlink PT – Current grants and subsidies are below budget mainly due to delays in LNIRIM procurement and the NLTP funding decision on Metlink projects, **\$27 million**. Full year forecasts have been updated to reflect this resulting in a variance of **\$36 million** - \$21 million relating to the NLTP and \$14 million relating to LNIRIM spending delays.

The current farebox revenue is under budget partly due to School and Public holidays in July. Changing travel patterns for longer distance customers have also lowered the average ticket prices and patronage for rail revenues compared to the forecasted assumptions, **\$3 million**. Full you farebox revenue is forecast to be **\$9.5 million** lower following the current trend.

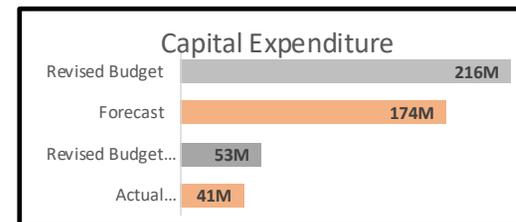
Investment management – YTD Additional financing and interest revenue, **\$2 million**. This is offset by additional financing costs. A net favourable variance of **\$3 million** for the full year is estimated due to the prefunding of maturing LGFA debt and re-investing the funds in favourable rates.



Metlink PT – Year-to date grants and subsidies are lower than budgeted primarily due to a change in accounting treatment for the NTS project moving from an expense to a Prepaid Asset and delays in bus shelter projects, **\$10 million**. The change in NTS accounting treatment is expected to result in **\$27 million** variance by the end of June. However, the expenditure is expected to be incurred but required to be recorded on the balance sheet.

Environment – Underspend across Knowledge & Insights, Policy Natural Resources Plan, Catchment Management, Sustainable land use fund, Resource Consents, Cracked Willows, and Predator Free Wellington, **\$4 million**. By year end, we are forecasting **\$7 million** underspend for Pinehaven, FMP planning, Policy and Sustainable Land Use projects.

Investment – External interest cost is higher than budgeted, primarily due to prefunding, **\$3 million**. This trend flows into the full year forecast number with **\$6 million** variance higher than budgeted.



Metlink PT – Delays in significant projects (Asset Control Strategy and Low Cost Low Risk), **\$11 million** year to date. Full year NLTP forecasts have had the NZTA funding portion of **\$21 million** removed.

Environment – RiverLink implementation and property purchases are behind budget due to timing of negotiations, **\$4 million**. **\$8 million** underspend is forecasted for the full year due to RiverLink and Wairarapa flood protection implementation. The forecast is dependent on Climate Resilience (before the deluge) program progress.

Water Supply – Overspend in Silverstream Pipe Bridge due to on-site delivery of remaining project materials, **\$3 million**. Water capital projects are currently being reviewed by Wellington Water and expecting **\$13 million** underspend in the full year.

Environment September 2024

Attachment 1 to the Report 24.594

Favourable  Caution  Unfavourable 

Environment Group

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	26,758	26,818	(60)	0%	107,058	107,067	(08)	0%
Grants & Subs	1,767	717	1,050	146%	3,453	2,699	754	28%
Fees Charges & Other	6,179	6,669	(490)	-7%	23,297	23,787	(490)	-2%
Total Operating Revenue	34,705	34,204	500	1%	133,808	133,552	256	0%
Operational Expenditure								
Personnel	10,163	10,435	(272)	-3%	42,391	42,662	(272)	-1%
Materials, Supplies & Services	3,274	2,652	622	23%	10,270	9,649	622	6%
Contractor & Consultants	6,313	10,077	(3,764)	-37%	32,279	39,043	(6,764)	-17%
Grants & Subsidies Expenditure	13	27	(15)	-54%	199	214	(15)	-7%
Other	1,955	1,587	368	23%	4,975	4,654	320	7%
Interest	3,080	3,058	22	1%	13,535	13,496	39	0%
Total Operating Expenditure	24,798	27,837	(3,039)	-11%	103,648	109,718	(6,070)	-6%
Overheads	6,758	6,741	17	0%	27,041	27,024	17	0%
Operational Surplus/(Deficit)	3,149	(374)	3,523	-943%	3,119	(3,190)	6,308	-198%
Net Capital Expenditure	9,805	13,458	(3,654)	-27%	49,651	57,367	(7,716)	-13%

Top Projects by Direct Expenditure for Environment Group

September 2024

Project Name	Year to Date				Full Year			Project Type
	Actual	Budget	Variance	Variance %	Forecast	Budget	Variance	
RiverLink Implementation	8,111,900	8,894,076	782,176	-8.79%	27,232,824	28,015,000	782,176	Capital - New
RiverLink Property Purchase	79,272	2,830,833	2,751,561	-97.20%	14,233,439	16,985,000	2,751,561	Capital - New
Flood Operations Delivery	2,164,820	2,643,471	(478,651)	-18.11%	8,649,555	9,128,206	478,651	Operational
Total Knowledge - Flood	623,952	1,390,945	(766,992)	-55.14%	4,784,535	5,551,528	766,992	Operational
Pinehaven FMP Implementation	392,677	-	392,677	100.00%	1,392,677	4,000,000	2,607,323	Operational

Operating Revenue is **\$0.5m favourable** due to:

- **Grants and subsidies** is \$1.1m above budget due to Wairarapa Moana, Fish Passage and Riparian major river projects being ahead of schedule, offset by additional expenditure. Ruamahanga Aerial Electromagnetic Survey project (loan funded) has received \$0.4m of unbudgeted revenue from MBIE.
- **Fees and charges** is \$0.5m below budget - sustainable land use (\$0.3m), hill country erosion (\$0.2m) and Cracked Willows (\$0.4m) offset by reduced expenditure. Riverlink & Flood Operations \$0.4m favourable – unbudgeted rental income – offset by unbudgeted property expenses.



Operating Expenditure is **favourable \$3m** due to:

- **Personnel** is \$0.3m behind budget due to vacancies across several activities.
- **Materials** \$0.6m over budget – Parks restoration \$0.7m ahead due to winter planting progress. Forecast to be \$0.3m to \$0.5m over budget relating to work carried forward from 2023/24.
- **Contractor & Consultants** is \$3.8m behind budget due to underspends in Knowledge & Insights (\$1m mainly Floodplain Management Planning), Policy Natural Resources Plan (\$0.6m), Catchment Management (\$0.35m), Sustainable land use fund (\$0.45m), Consents Management (\$0.5m), Cracked Willows (0.4m) and flood operations \$0.5m. The forecast incorporates underspends for Pinehaven (\$3m) (under review), FMP planning, Policy and Sustainable Land Use projects.



Capital Expenditure is **under budget by \$3.7m** due to:

- RiverLink property purchases are \$2.8m behind budget due to delays with negotiation of Riverlink property purchases.
- RiverLink Implementation is \$0.8m behind budget
- The full year forecast of \$7.7m favourable - RiverLink and Wairarapa flood implementation, forecast is dependent on Before the Deluge program progress.



Metlink September 2024

Attachment 1 to the Report 24.594

 Favourable  Caution  Unfavourable 

Metlink

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	34,357	34,484	(127)	0%	137,810	137,937	(127)	0%
Grants & Subs	36,458	63,465	(27,007)	-43%	217,589	253,898	(36,309)	-14%
Fees Charges & Other	22,091	26,092	(4,001)	-15%	93,848	104,369	(10,521)	-10%
Total Operating Revenue	92,907	124,041	(31,135)	-25%	449,247	496,204	(46,957)	-9%
Operational Expenditure								
Personnel	3,824	3,725	100	3%	14,707	14,607	100	1%
Materials, Supplies & Services	1,766	2,194	(428)	-20%	8,103	8,777	(674)	-8%
Contractor & Consultants	4,356	8,200	(3,844)	-47%	28,361	32,811	(4,450)	-14%
Grants & Subsidies Expenditure	68,433	78,605	(10,172)	-13%	283,977	314,824	(30,847)	-10%
Other	68	18	50	277%	123	73	50	68%
Interest	4,271	4,483	(212)	-5%	18,726	18,937	(212)	-1%
Total Operating Expenditure	82,718	97,224	(14,506)	-15%	353,997	390,030	(36,033)	-9%
Overheads	5,064	5,085	(21)	0%	20,235	20,256	(21)	0%
Operational Surplus/(Deficit)	5,125	21,732	(16,607)	-76%	75,015	85,918	(10,903)	-13%
Net Capital Expenditure	1,921	12,924	(11,003)	-85%	30,152	51,695	(21,543)	-42%
Investment in Greater Wellington Rail	3,660	19,579	(15,919)	-81%	62,339	78,315	(15,976)	-20%

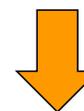
Top Capex Projects by Direct Expenditure for Metlink & Rail

September 2024

Project Name	Year to Date			Full Year			Project Type
	Actual	Budget	Variance %	Forecast	Budget	Variance	
AI - Fixed Asset Maintenance CAPEX	1,234	1,147	7.62%	4,348	4,586	(238)	Capital - New
Lower North Island Rail Integrated Mobility (LNIRIM) Program	1,979	16,785	-88.21%	52,333	67,139	(14,806)	Capital - New
AI - Rolling Stock Capex	642	1,160	-44.65%	4,066	4,642	(575)	Capital - New
GWRC - Ticketing/Transition	2,135	7,783	-72.57%	25,168	34,704	(9,536)	Opex & Capex

Operating Revenue unfavourable \$31.1m due to:

- Grants and Subsidies - Year-to-date variance is due to delays with LNIRIM spending \$14m, NLTP decision surrounding Significant and Low Cost Low Risk Project approvals \$9.5m, and less operational spend and farebox revenue \$3.5m. Forecasts have been updated to reflect this resulting in a variance of \$39m compared to the full year budget - \$21m relating to the NLTP, \$2.5m due to lower operational spend and \$14m relating to LNIRIM spending delays.
- Fees and Charges are under budget mainly due to Farebox Revenue being lower than anticipated by \$3m. This is partly due there being School and Public holidays during July and the budget being phased evenly during the year as well as the average ticket and patronage for Rail being below forecast driven by changing travel patterns for longer distance customers and mix of passengers. The forecast for farebox revenue will be updated in the next financial report.



Operating Expenditure is favourable \$14.5m due to:

- Contractors & Consultants budget is phased straight line. Due to the government decision on funding, this could become a permanent difference and will be adjusted within the forecast once a council decision has been made.
- Grants & subsidies expenditure are under due to changes in the accounting treatment for the NTS project moving from an expense to a Prepaid Asset as a result of advice from PwC. This will be released when the NTS system goes live (~\$5m). Remaining \$5m variance is due to delays in bus shelter projects.



Capital Expenditure Bus and Investment in Rail is underspent \$26.9m due to:

- LNIRIM has been delayed against budget, and the project is expected to begin in the second quarter of the year.
- Significant projects including the Asset Control Strategy and all of Low Cost Low Risk has not been approved for funding support from Waka Kotahi. As such significant underspend is expected until council decide on a spending strategy going forward.



Water Supply September 2024

Attachment 1 to the Report 24.594

 Favourable  Caution  Unfavourable 

Water Supply

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	16,933	16,933	00	0%	67,731	67,731	00	0%
Fees Charges & Other	975	800	175	22%	3,332	3,092	241	8%
Total Operating Revenue	17,908	17,733	175	1%	71,064	70,823	241	0%
Operational Expenditure								
Materials, Supplies & Services	2,995	3,086	(90)	-3%	11,322	11,216	106	1%
Contractor & Consultants	6,576	6,935	(359)	-5%	27,787	27,740	46	0%
Other	-	01	(01)	-100%	01	02	(01)	-42%
Interest	4,174	4,082	91	2%	18,445	18,353	91	0%
Total Operating Expenditure	13,745	14,104	(359)	-3%	57,554	57,311	243	0%
Overheads	797	799	(02)	0%	3,186	3,189	(02)	0%
Operational Surplus/(Deficit)	3,366	2,830	536	19%	10,323	10,323	(00)	0%
Net Capital Expenditure	29,154	26,100	3,053	12%	90,907	104,402	(13,495)	-13%

 Operating Revenue is **favourable by \$0.2m** due to:

- Fees charges & other – due to an insurance claim for George Creek bridge.


 Operating Expenditure is **favourable by \$0.4m** due to:

- Materials, Supplies & Services (\$0.1m) favourable – underspend on rent, power & insurance, partially offset by property rates increase.
- Contractor & Consultants (\$0.4m) favourable – scheduling of WWL invoicing and timing of asset revaluation.
- Internal debt interest cost (\$0.1m) unfavourable – higher interest costs due to higher opening debt balance compared to budget.
- Forecast will be updated once further information is obtained from WWL.



Top Capex Projects by Direct Expenditure for Water Supply

September 2024

Project Name	Year to Date			Full Year			Project Type
	Actual	Budget	Variance %	Forecast	Budget	Variance	
TM WTP Capacity Optimisation	10,957,000	11,309,825	-3.12%	28,869,000	45,239,300	(16,370,300.00)	Capital - New
Relocate Kaitoke Main on SS Bridge	13,921,000	5,959,538	133.59%	34,172,000	23,838,150	10,333,850.00	Capital - New
GI and WL Wells Replace Stage 2	224,000	385,000	-41.82%	2,167,000	5,373,000	(3,206,000.00)	Capital - New
Kaitoke Flume Bridge	1,265,000	1,318,000	-4.02%	2,497,000	4,789,000	(2,292,000.00)	Capital - New
Rocky Pt & Ngaurang Pipe Connectio	12,000	26,000	-53.85%	938,000	2,866,000	(1,928,000.00)	Capital - New
Treatment Plants Reactive Renewals	100,000	251,000	-60.16%	2,328,000	2,047,000	281,000.00	Capital - New
Te Marua Treatment Plant Equipment	381,000	182,000	109.34%	2,172,000	1,485,000	687,000.00	Capital - New

 Capital Expenditure is **overspent by \$3.1m** due to:

- Silverstream Pipe Bridge – due to on-site delivery of remaining project materials.
- The total capital programme indicative forecast of \$13.5m under budget (primarily for Te Marua Capacity Optimisation) is currently being reviewed by Wellington Water.



Investment September 2024

Attachment 1 to the Report 24.594

Favourable:  Caution:  Unfavourable: 

Investment Management

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	(3,640)	(3,640)	-	0%	(14,560)	(14,560)	-	0%
Fees Charges & Other	4,861	2,616	2,244	86%	23,874	15,113	8,761	58%
Total Operating Revenue	1,221	(1,024)	2,244	-219%	9,314	553	8,761	1584%
Operational Expenditure								
Personnel	2	1	1	241%	3	2	1	60%
Materials, Supplies & Services	09	18	(10)	-52%	(64)	(54)	(10)	18%
Contractor & Consultants	29	43	(14)	-32%	180	194	(14)	-7%
Other	173	173	-	0%	693	693	-	0%
Interest	3,594	953	2,641	277%	9,414	3,368	6,046	179%
Total Operating Expenditure	3,807	1,189	2,619	220%	10,227	4,204	6,024	143%
Overheads	13	13	-	0%	52	52	-	0%
Operational Surplus/(Deficit)	(2,599)	(2,225)	(374)	17%	(965)	(3,703)	2,737	-74%

Operating Revenue is favourable \$2.2m due to:

- Fees Charges & Other - this is a favourable variance due to \$2.2m additional financing and interest revenue that are:
 - investing funds raised in advance of the contractual repayment date of LGFA maturities
 - prefunding of future CAPEX payments by issuing Commercial paper
 - investing excess liquidity
 - the prefunding of maturing LGFA debt and investing the funds in term deposits is the main reason of the forecasted \$8.8 million variance to budget.



Operating Expenditure is unfavourable by \$2.6m due to:

- External interest cost is \$2.6m above budget, primarily because of prefunding which is offset by increased revenue.
- External interest cost are forecasted to be \$6 million above budget, mainly due to the cost of prefunding debt maturities, offset by lower than budgeted interest rates on unhedged floating debt.



People & Customer September 2024

Attachment 1 to the Report 24.594

Favourable:  Caution:  Unfavourable: 

People & Customer

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Fees Charges & Other	45	48	(02)	-5%	188	191	(02)	-1%
Total Operating Revenue	45	48	(02)	-5%	188	191	(02)	-1%
Operational Expenditure								
Personnel	3,073	3,039	34	1%	11,986	11,986	-	0%
Materials, Supplies & Services	327	412	(85)	-21%	1,593	1,648	(55)	-3%
Contractor & Consultants	68	150	(82)	-54%	599	599	00	0%
Other	324	252	73	29%	1,079	1,006	73	7%
Interest	01	37	(36)	-98%	142	179	(36)	-20%
Total Operating Expenditure	3,793	3,889	(96)	-2%	15,399	15,417	(18)	0%
Overheads	(3,901)	(3,935)	33	-1%	(15,571)	(15,605)	33	0%
Operational Surplus/(Deficit)	153	93	60	64%	360	378	(18)	-5%
Net Capital Expenditure	302	349	(46)	-13%	1,780	1,780	00	0%

Capex Projects for People & Customer September 2024

Project Name	Year to Date			Full Year			Project Type
	Actual	Budget	Variance %	Forecast	Budget	Variance	
Website Development	-	20	-100.00%	78	78	-	Capital - New
Vehicle Purchases	302	329	-8.09%	1,702	1,702	-	Capital - New

Operating Revenue is **on budget**

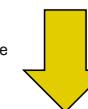
Operating Expenditure is **favourable by \$0.1 m** due to:

- Personnel costs \$34k unfavourable with costs from the Cultures & Values projects flowing into this financial year. This is due to timing issue and we are expecting this variance to reduce throughout the year.
- Materials, Supplies & Services \$85k favourable driven by an underspend in Customer Engagement. At this stage, we forecast \$55k of savings in Advertising and Campaigns.
- Contractors & Consultants \$82k favourable driven by variances across the group. We are expecting this to be fully spent in this financial year.



Capital Expenditure is **underspent by \$46k** due to:

- Vehicle purchases are currently lower than budget. While the budget is phased evenly throughout the year, we expect monthly purchases to vary. We forecast purchases to be on budget at the end of the financial year.



Strategy September 2024

Attachment 1 to the Report 24.594

Favourable ● Caution ● Unfavourable ●

Strategy

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	3,071	3,073	(3)	0%	12,291	12,294	(3)	0%
Grants & Subs	384	633	(249)	-39%	2,518	2,518	-	0%
Fees Charges & Other	311	539	(228)	-42%	2,065	2,065	-	0%
Total Operating Revenue	3,767	4,246	(479)	-11%	16,873	16,876	(3)	0%
Operational Expenditure								
Personnel	1,879	1,994	(116)	-6%	7,736	7,738	(2)	0%
Materials, Supplies & Services	454	411	43	11%	1,783	1,777	6	0%
Contractor & Consultants	246	405	(159)	-39%	1,841	1,879	(39)	-2%
Grants & Subsidies Expenditure	1,148	1,168	(20)	-2%	4,651	4,671	(20)	0%
Other	32	39	(7)	-17%	148	155	(7)	-4%
Interest	56	34	22	65%	158	136	22	16%
Total Operating Expenditure	3,815	4,050	(235)	-6%	16,315	16,355	(40)	0%
Overheads	65	108	(43)	-39%	219	262	(43)	-16%
Operational Surplus/(Deficit)	(114)	87	(201)	-231%	339	259	79	31%
Net Capital Expenditure	06	16	(10)	-63%	54	64	(10)	-16%

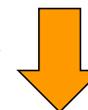
Capex Project by Direct Expenditure for Strategy

September 2024

Project Name	Year to Date			Full Year			Project Type
	Actual	Budget	Variance %	Forecast	Budget	Variance	
Transport Model	6	16	-62.56%	54	64	(10)	Capital - New

Operating Revenue is **unfavourable \$0.5m** due to:

- Due to revenue from our WRLC and WTAU partners, yet to be invoiced.



Operating Expenditure is **favourable \$0.2m** due to:

- Personnel \$116k favourable due to vacancies in the group.
- Contractors and Consultants \$159k underspend mainly in the regional transport planning.



We expect the OPEX underspend to reduce throughout the year with costs associated with the RLTP as well as the energy transformation initiative.

Capital Expenditure is **\$10k underspend**

Corporate Services September 2024

Attachment 1 to the Report 24.594

Favourable ● Caution ● Unfavourable ●

Corporate Services

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	804	437	367	84%	2,116	1,749	367	21%
Grants & Subs	277	100	177	177%	578	400	177	44%
Fees Charges & Other	285	257	28	11%	932	904	28	3%
Total Operating Revenue	1,367	794	572	72%	3,626	3,053	572	19%
Operational Expenditure								
Personnel	3,841	3,878	(37)	-1%	15,215	15,254	(38)	0%
Materials, Supplies & Services	2,813	3,135	(322)	-10%	12,216	12,538	(322)	-3%
Contractor & Consultants	1,390	2,577	(1,187)	-46%	8,925	10,359	(1,434)	-14%
Other	311	176	136	77%	623	488	136	28%
Interest	359	382	(23)	-6%	1,594	1,617	(23)	-1%
Total Operating Expenditure	8,714	10,147	(1,433)	-14%	38,575	40,256	(1,682)	-4%
Overheads	(8,809)	(8,829)	20	0%	(35,217)	(35,237)	20	0%
Warm Wellington	(205)	(144)	(61)	43%	(717)	(582)	(135)	23%
Operational Surplus/(Deficit)	1,667	(380)	2,046	-539%	985	(1,384)	2,369	-171%
Net Capital Expenditure	230	266	(36)	-14%	1,062	1,062	-	0%

Operating Revenue is **\$0.6m favourable** due to:

- Rates \$367k favourable, due to rates penalties
- Grants & Subs \$177k favourable with additional revenue from DIA for Better-Off funded projects, this is fully offset in OPEX below



Operating Expenditure is **\$1.4m favourable** due to:

- Materials, Supplies & Services \$322k favourable, driven by delayed Software Licences in the first quarter of the year.
- Contractors & Consultants \$1.2m favourable mainly driven by ICT, with the ICT Strategy tracking under budget. We expect some delay in this programme of work which will seek to rebudget into future years.



Capex Projects by Direct Expenditure for Corporate Services September 2024

Project Name	Year to Date			Full Year			Project Type
	Actual	Budget	Variance %	Forecast	Budget	Variance	
EUS Hardware	186	215	-13.74%	862	862	-	Capital - New
Office Upgrades (CAPEX)	44	50	-12.54%	200	200	-	Capital - New

Capital Expenditure is **\$36k underspent** which we expect will be spent in the coming months

Te Hunga Whiriwhiri September 2024

Attachment 1 to the Report 24.594

Favourable ● Caution ● Unfavourable ●

Te Hunga Whiriwhiri

September 2024

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	1,555	1,545	10	1%	6,190	6,180	10	0%
Total Operating Revenue	1,555	1,545	10	1%	6,190	6,180	10	0%
Operational Expenditure								
Personnel	757	687	70	10%	3,167	2,929	238	8%
Materials, Supplies & Services	21	03	18	527%	39	13	26	194%
Contractor & Consultants	1,760	1,450	310	21%	1,920	2,200	(280)	-13%
Other	5	3	2	77%	28	10	17	167%
Total Operating Expenditure	2,543	2,143	400	19%	5,155	5,153	2	0%
Overheads	257	261	(4)	-2%	1,023	1,027	(4)	0%
Operational Surplus/(Deficit)	(1,244)	(859)	(386)	45%	12	(00)	12	0%

Operating Revenue is **on budget**

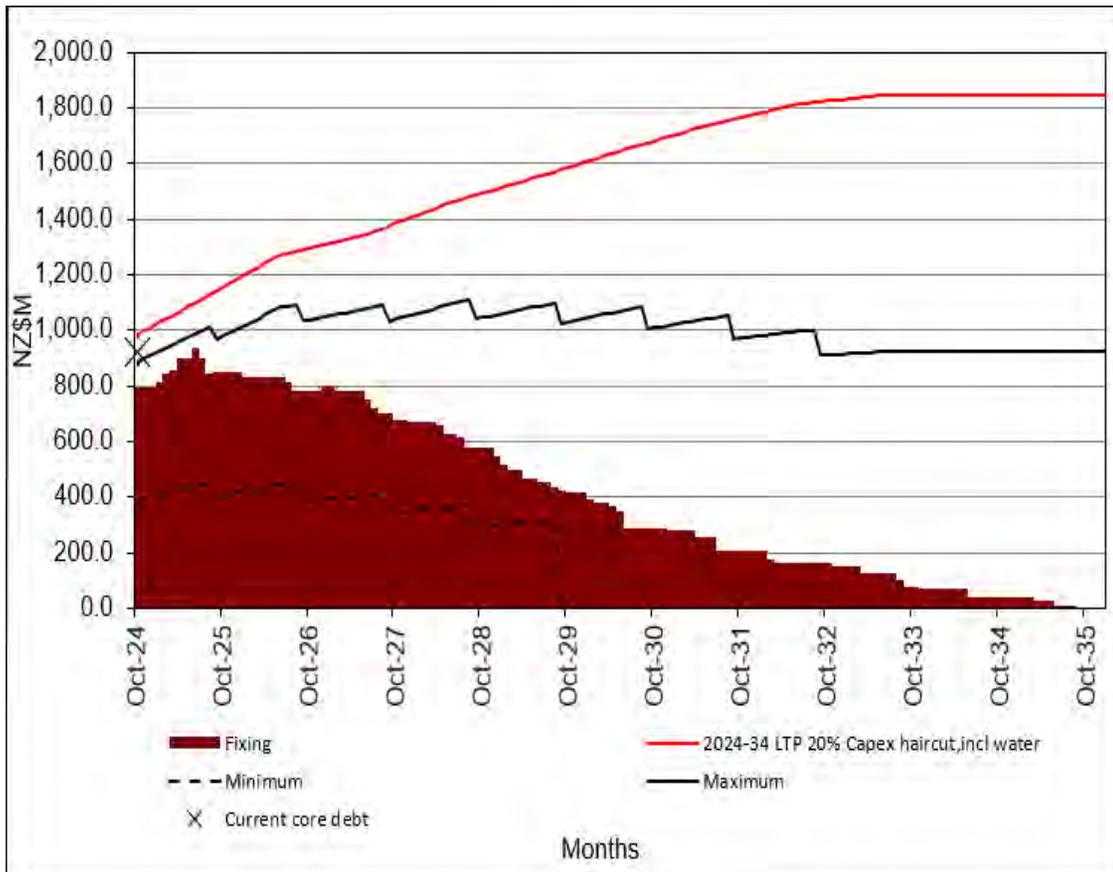
Operating Expenditure is **\$0.4m unfavourable with:**

- Personnel costs \$70k unfavourable with organisation-wide training costs classified under Personnel costs, but with budget sitting under the Contractor & Consultants line. This is fully offset in Contractors & Consultants.
- Contractors & Consultants is \$310k unfavourable due to payments to our mana whenua partners for Kaupapa funding. These payments are yet to be distributed out to their respective projects within the Environment Group, where their budgets sit. This will come back in line with budget next month.



Compliance with Treasury Risk Management Policy September 2024

Attachment 1 to the Report 24.594



	Compliant	actual %
	Yes	No
Counterparty 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 \$192 million limit	✓	
The repricing of liquid financial investments are to occur within the following timebands		
0 - 1 year	70% - 100%	✓ 100%
1 - 5 years	0% - 30%	✓ 0%
Core Council External Borrowing Limits - Ratios		
Net Debt / Total Revenue < 285%	✓	114.5%
Net interest / Total Revenue < 20%	✓	6.4%
Net interest / Annual rates and levies < 30%	✓	12.3%
Liquidity > 110%	✓	116.2%

Total Council Limit Compliance Analysis As at 30 September 2024			Compliant	actual %
			Yes	No
Debt Interest Rate Policy Parameters - based on 2024-34 LTP less 30% haircut				
Current	40% - 90%	✓		72%
year 1	40% - 90%	✓		75%
year 2	35% - 85%	✓		61%
year 3	30% - 80%	✓		51%
year 4	25% - 75%	✓		39%
year 5	20% - 70%	✓		27%
year 6	0% - 65%	✓		17%
year 7	0% - 60%	✓		12%
year 8	0% - 55%	✓		9%
year 9	0% - 50%	✓		4%
year 10	0% - 50%	✓		2%
year 11	0% - 50%	✓		0%
year 12	0% - 50%	✓		0%
year 13	0% - 50%	✓		0%
year 14	0% - 50%	✓		0%
year 15	0% - 50%	✓		0%
The maturity of total external debt to fall within the following timebands				
0 - 3 years	15% - 60%	✓		30%
3 - 7 years	25% - 85%	✓		55%
> 7 years	10% - 60%	✓		15%

**Finance, Risk and Assurance Committee
21 November 2024
Report 24.579**



For Information

HARBOUR MANAGEMENT – RISK AND COMPLIANCE UPDATE

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 Greater Wellington Regional Council's (Greater Wellington) Harbours function.

Te tātaritanga

Analysis

Channel Risk Assessment

2. In 2020, CentrePort and Greater Wellington commissioned South Maritime Solutions to review navigation safety in the Wellington Harbour entrance channel and approaches. The review considered the infrastructure, current practice, best practices, and possible future changes. The final report was received in October 2020.
3. The Pilot boarding grounds have been adjusted southward and we are looking at altering the point in which the ferries join the leading line to reduce possible conflict in this area.
4. We are progressing the recommendation to move the Falcon shoal pile further west, this creates more separation between the main tracks and will remove the outward track that is occasionally used west of Falcon shoal. This provides certainty for recreational vessels in the area on where the ships will go.
5. The risk review around the pinch point in the channel (near Steeple rock) has produced some useful recommendations and we (Greater Wellington and CentrePort) are working through the preferred option before sharing with stakeholders.

Sunken/Derelict Vessels

6. The steel yacht under Harbourmaster's Direction since last year has been slipped, cleaned and inspected in line with the Direction. Once relaunched it will be heading south where more remedial work can be done.
7. The 99-year-old ex-Harbour board pilot launch *Arahina* seems likely to be abandoned for Greater Wellington to dispose of in some manner.

8. We are assisting Seaview marina with a vessel in need of significant maintenance in their marina.
9. A small commercial work barge sank in Seaview marina due to unnoticed damage while working. There were no fuel leaks and the barge was refloated the same day by the owner for haul out and repair.

Navigation Aids

10. All have been functioning well, supplier delays have meant our new lights are due to arrive in November 2024.
11. A large lighting storm over Wellington in late September saw several strikes near to Wellington Harbour Radio. Some were near enough that lighting circuit breakers tripped. Staff and equipment were safe due to the lighting protection system in place at the station.
12. The Harbourmaster, Deputy Harbourmaster and Communications officers from Harbour Radio attended a Human Factors training day arranged by CentrePort. The training had very good content and also enabled our team to connect with the CentrePort marine team that they often communicate with but rarely meet.

Navigation issues

Emergency Ocean Response Capability

13. Maritime NZ are working on a business case for the Government around this issue. Recent incidents including the barge *Manahau* at Westport and the loss of power in Cook Strait by the ferry *Connemara* continue to highlight New Zealand's lack of preparedness.
14. On 30 October 2024 Maritime NZ held a meeting looking at a wide range of issues that could affect shipping and supply chains in and around Cook Strait including Wellington and Picton. There were wide ranging discussions, including around towage.

Bunker barge - Kokako

15. As reported to Environment Committee on 17 October 2024, the spill response plan for transfers of persistent fuel to and from the Seaview tanker terminal was approved by Maritime NZ. These plans are usually approved under delegated authority by the Regional On Scene Commander for oil spills, (in this case the Manager, Harbours), however concerns over the adequacy of the proposed response plan saw Maritime NZ work directly with the operator to get a level of response Maritime NZ were agreeable too. Their work saw significant improvement in the plan and due to their involvement the plan was signed off by Maritime NZ directly.
16. Subsequent to that the operator conducted a dry run (ashore) with some of their equipment. This was a good first step with improvements identified that will be made before a 'wet' run.
17. The first consignment of the low sulphur fuel oil should have been discharged to tanks ashore by the time of this meeting.

18. The above points are a precursor to this fuel being loaded onto *Kokako*. Currently they are only supplying diesel.
19. The first Master from *Kokako* will be sitting their Pilot Exemption Exam early December once they have completed the practical tasks and assessment. This is different compared to the usual exam as the PEC Master and vessel do not travel in and out of the harbour but do go to and from both Seaview and Burnham wharves.

Port and Harbour Marine Safety Code

20. Risk reviews continue, when possible, terminology around risk controls has been updated.
21. Our next external review is scheduled for August 2025.
22. There is positive engagement from Maritime NZ with both Marlborough and Wellington in terms of Pilot Exemption and other work around the Cook Strait ferries.
23. The harbour anchorages have been changed, some removed and replaced by repositioned, numbered anchorages. This is to ensure they are better positioned in terms of other traffic and also to aid vessel in point-to-point planning. At this stage these changes as well as the changes to the Pilot Boarding Grounds (point 4) are only on the electronic charts, the paper charts will be updated in due course, this is managed by Land Information New Zealand (LINZ).

Open water swimming in Oriental Bay

24. On 5 October 2024 we met with open water swimmers to discuss various safety issues. Two specific items were the provision of public safety equipment, namely a rescue float and additional markers for swimmers.
25. We will raise the safety equipment with Wellington City Council as they provide life rings elsewhere on the waterfront.
26. The suggested buoys were to form a line from Freyberg beach to the 1km turning buoy we installed several years ago. The idea was to space these at 250m to provide a clear sightline and useful markers for the swimmers.
27. We have made a quick assessment from on the water. One of the existing 5 knot buoys is roughly on the suggested line and about 250 from the beach. This would mean installing two new buoys at about 500m and 750m from the beach.
28. The new buoys will sit well within our 5 knot/200m existing buoys meaning that swimmers are further inshore from where powerboats are meant to slow down. Should swimmers follow the new buoys this improves the safety margin.
29. We will be talking to the rowing club to assess any potential issues; however, the skiffs should be further out and not in this area. The buoys will be beyond the fountain and clear of the recreational beach swimmers.
30. There would be minimal cost to adding these two buoys and the lights on the existing 5 knots buoys would get moved to these buoys for the early morning swimmers.

31. From Finance, Risk and Assurance Committee Report 23.137 there was a request to look at options for separation between vessels and swimmers in Oriental Bay, primarily around options for anchoring or other prohibited areas for powered vessels, this current request from swimmers does not address that issue however by providing a marked swim course that many of the swimmers are likely to use it gives more certainty for all users. It is unlikely to improve congestion in the main part of the bay but the greater separation between vessels legally travelling at speed and swimmers would be positive in the eastern part of the bay.

Safety Incidents

32. On the evening of 19 October 2024, the ferry *Connemara* lost propulsion soon after leaving Wellington harbour, the shipping was carrying Dangerous Goods so mostly only crew on board. Conditions were quite good with a light to moderate northerly. The combination of current and wind was taking the ship roughly southeast, slightly away from the land and back towards the harbour entrance.
33. While the Rescue Co-ordination centre and Maritime were informed a distress call was not made due to the conditions on the night. The company requested CentrePort tugs to assist and both tugs went out of the harbour to the ship.
34. The ship's crew were not able to restore propulsion power, and the tugs towed the ship back into the harbour and berthed it at Aotea Quay.
35. Subsequent to the *Kaitaki* incident, CentrePort fitted second, 'stretchy' towlines to their tugs. These were used to good effect in this tow. One tug was ahead of the ship, pulling and the other attached to the stern helping to control the direction of the vessel. It is worth noting that due to their design for inner harbour works the tugs were towing backwards. This task was a long job for the CentrePort tugs and very good work by them.
36. The layout of the leads for tow lines (the holes that the ropes come out of the ship) means the ferries don't always tow nicely. There will be a debrief of this tow to look at options and where there could be improvements. This is likely to provide information for the other ferries as well.
37. The company undertook fault finding and proposed a return to service plan that was approved by their Classification society and Maritime NZ before they could start sailing again. This took eight days.
38. Subsequent to this event the ship had a delay when returning to her berth in Wellington. There was an issue with one engine that was quickly resolved while the ship was at anchor, where the ship anchored briefly before berthing. This second incident was not related to the power failure in Cook Strait.
39. On 22 October 2024 a lunch time swimmer going from Queens wharf to Point Jerningham caused the departing Bluebridge ferry enough concern to slow the ship and sound their horn. The swimmer was well visible to the ferry crew and was towing a float however this was a high-risk situation. The Maritime Police spoke to the swimmer, who was very competent but new to Wellington and unaware of the ferry traffic in the area.

- 40. On 2 November 2024 one of our Rangers was following a paddle craft event and noticed a competitor that was having difficulty at the back of the fleet. He made contact with the event safety co-ordinator who immediately directed two rescue boats to the person, and they were quickly recovered. The organisers, through their own system had also just discovered that they were one person short in their head count.
- 41. We have spoken to the event organisers, they completed a good debrief with recommendations that we will discuss with them. The organisers had submitted an event plan prior to the event, and this highlighted areas for improvement for next time.

Ngā hua ahumoni
Financial implications

- 42. The disposal of derelict or uninsured vessels will present unplanned expenditure from the operating budget.
- 43. Where we are assisting another organisation, like a marina or a city/district council, to dispose of vessels, the costs are generally met by that body. Our contribution is usually our time plus regulatory power. In some cases, we may engage an independent expert (e.g. a boatbuilder or surveyor) to provide advice.
- 44. Recommendations arising from the channel risk assessment may have a variety of financial implications for both CentrePort and Greater Wellington.

Te whakatūtakitaki
Engagement

- 45. The work around the approaches in channel is done as shared work with CentrePort and includes engagement with the operators of Pilot Exempt vessels (predominately the ferry companies) and Maritime NZ.

Ngā kaiwaitohu
Signatory/Signatories

Writer	Grant Nalder – Manager, Harbours, Harbourmaster
Approvers	Jack Mace – Delivery Director Alison Trustrum-Rainey – Group Manager, Finance and Risk Lian Butcher – Group Manager, Environment Group

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>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.”</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>This report highlights key safety and risk incidents and measures which are managed by the Wellington Regional Navigation Safety Bylaws 2021 and the Port and Harbour Marine Safety Code.</p>
<p><i>Internal consultation</i></p> <p>There was no internal consultation</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Specific risks and related mitigations are discussed in the Analysis section of this report.</p>

**Finance Risk and Assurance Committee
21 November 2024
Report 24.641**



For Information

HEALTH, SAFETY AND WELLBEING UPDATE NOVEMBER 2024

Te take mō te pūrongo

Purpose

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

Te horopaki

Context

2. The HSW performance scorecard is outlined in [Attachment 1](#)

Te tātaritanga

Analysis

HSW improvement project update

3. We are tracking well against Phase 1 (Fatal and Severe Risk overhaul) of the HSW improvement project deliverables. Since the last update we have:
 - a identified critical controls for all fatal and severe risks
 - b developed and consulted on a draft verification of competency framework
 - c developed and circulated 23 draft standard operating procedures requiring verification of competency assessments, for comment and feedback from operational field staff
 - d reviewed and updated our HSW roles and responsibilities guidelines and are rolling these out through face-to-face sessions and various communication channels across all Greater Wellington staff
 - e developed and are testing a digital solution through Ngātahi, for completing and recording prestart briefings and risk control requirements in the field

HSW Risk Update

4. Programmes of work have been successfully completed for Temporary Traffic Management and location certificates for hazardous substances – both flagged as key areas of risk within the Environment Group.
5. The position statement paper on Greater Wellington's use of Robinson helicopters is with the Group Manager (GM) Environment for decision. This presents a risk-based view, based on the pros and cons of the options below.

- a. Status quo – we continue to use Robinsons for specified activities, limiting Greater Wellington staff as passengers to no more than 6 man hours / year (as set out in the insurance policy)
 - b. We continued to use Robinsons for specified activities but ban Greater Wellington staff as passengers
 - c. We impose a blanket ban on the use of Robinsons for any Greater Wellington activities
6. It is also important to note the reservations on the use of Robinsons amongst some Environment Group leaders based on previous experience, albeit in different circumstances.
 7. WorkSafe was notified of a serious event in August after a flood protection worker was hospitalised for 24 hours after being hit in the head by a willow pole during planting operations.
 8. Investigation identified task rotation, onsite supervision, training in the use of communication headsets, clear communication protocols and documented prestart briefings as opportunities for improvement.
 9. The worker suffered concussion and was fully unfit for three weeks with a further week on restricted duties. They are now fully back at work.
 10. No other serious work injuries or significant lost time were recorded in this reporting period, with those reported mainly due to slips and falls.
 11. Privacy concerns raised around general access to information in PIKO, Greater Wellington’s incident reporting function, have been addressed. Although no privacy breach was found, general access has been closed down to give staff greater confidence in reporting incidents.
 12. The HSW team is now fully staffed with recruitment of a new senior HSW advisor role for the HSW Environment Team and a replacement HSW advisor to support corporate portfolios.
 13. A deep dive into the Committee’s HSW governance duties and obligations, and the support available to discharge these will be presented at the next Finance, Risk and Assurance Committee workshop in February 2025.

Wellbeing Update

14. Two new EAP providers have been shortlisted through the procurement processes. Both better meet the diverse and changing needs of Greater Wellington and offer comprehensive and holistic wellbeing platforms in addition to core EAP services.
15. Mental Health First Responder supported conversations remained high in this reporting period, with workload pressure, work stress, mental health and general wellbeing reported as the key themes.
16. Many of these conversations occurred in the Environment Group due to ongoing restructuring in some teams. Work is underway to address this.

17. Defibrillator training and information sessions on bowel cancer screening delivered at Cuba Street, Upper Hutt Depot and Masterton were well received by staff.

Ngā hua ahumoni

Financial implications

18. There are no financial implications.

**Ngā Take e hāngai ana te iwi Māori
Implications for Māori**

19. There are no known implications for Māori.

Ngā āpitihanga

Attachment/s

Number	Title
1	HSW performance scorecard July - October 2024

Ngā kaiwaitohu

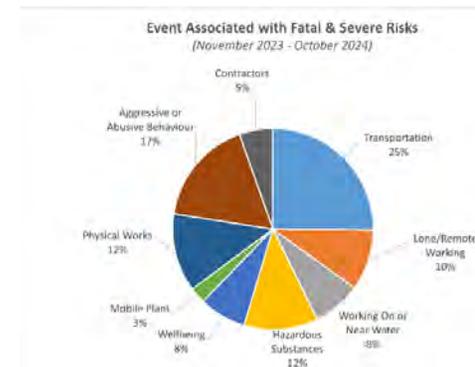
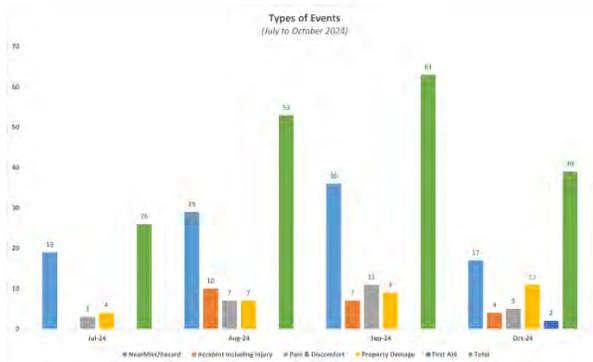
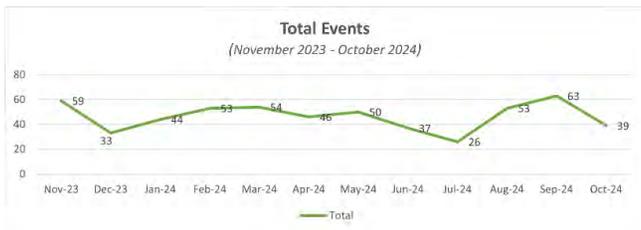
Signatory/Signatories

Writer	Julie Barber – Head of Health Safety and Wellbeing
Approver	Donna Hickey – Group Manager People and Customer

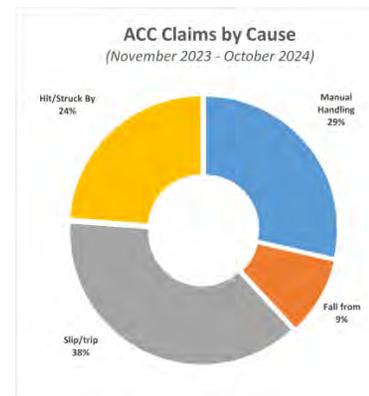
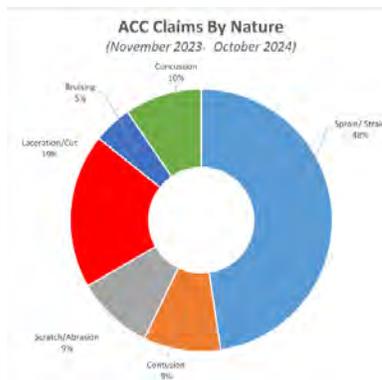
He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> This report assures the Committee that Greater Wellington's legal obligations under the Health and Safety at Work Act 2015 are maintained and met.
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> The HSW Policy and Wellbeing Strategy are included in Greater Wellington's Annual Plan 2024/25.
<i>Internal consultation</i> No internal consultation was required
<i>Risks and impacts - legal / health and safety etc.</i> The HSW risks and treatment are outlined in paragraphs 3-17 inclusive.

Health, Safety and Wellbeing Performance Scorecard July - October 2024

Event Reporting

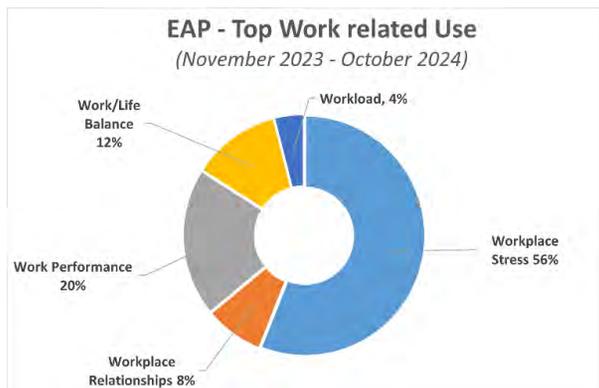


ACC work injury claims



Health, Safety and Wellbeing Performance Scorecard July - October 2024

Wellbeing



Wellbeing insights July - October 2024



202 Mental health first responder conversations.



52 Oku Raukura Atawhai (EAP, Manawa Ora) new cases

2 Pax formal clinical support



56 Pax rehabilitation support (work / non work injury & medical)

HSW training activity



New/ Emerging trends July – October 2024	
↑	Uptake in Get Home Safe use
↓	ACC claims and lost time through work injury
↑	Proactive mental health first responder conversations (lead indicator)
↑	Escalating incidents of physical violence

Finance, Risk and Assurance Committee
21 November 2024
Report 24.608



For Information

UPDATE ON CLIMATE CHANGE AND ASSOCIATED RISKS

Te take mō te pūrongo

Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) of the risks associated with climate change and the actions taken by Greater Wellington to adapt to climate change and reduce greenhouse gas emissions, both regionally and organisationally.

Te tāhū kōrero

Background

2. At a Committee Workshop on 28 November 2023, officers presented on how climate change is shaping a future different from the past and how Greater Wellington can face it.
3. The presentation was updated for this report and is available in the [Attachment 1: 'A different future'](#).

Te tātaritanga

Analysis

Updates for the past 12 months:

4. **Global Temperatures:** The latest data confirms that 2023 was the hottest year ever recorded, with 2024 continuing this trend. Five of the hottest months ever recorded occurred in 2024.
5. **Climate Change Uncertainty one-pager:** The snapshot of the one-pager on climate change risks has been updated. Reputational risk has increased from a yellow to an amber level, which will be elaborated on in the following section.
6. **Sea Level Rise Data:** Updated data now provides more relevant information regarding sea level rise (including vertical land movement). This data includes contributions from polar ice sheets.
7. **Actions by Greater Wellington:** Officers have updated the initiatives undertaken by Greater Wellington, including the Organisational Climate-related Risk Assessment, which will be further detailed in this report.
8. Since the 2023 Committee Workshop presentation, the climate change programme of work has largely progressed as planned, and as can be evidenced in

Greater Wellington's 2024-34 Long Term Plan, it remains a strong focus for Greater Wellington. The following two components have been brought forward to the Committee due to their implications regarding climate risk:

- a The reputational risk of Greater Wellington could face by changing its organisational greenhouse gas emission targets.
- b The Organisational Climate-related Risk Assessment (OCRA).

Reputational risk

9. In 2019, Greater Wellington declared a climate emergency and set targets to reduce its organisational emissions. During the Climate Committee on 12 September 2024 (Report 24.476), it was agreed that officers will develop a proposal to:
 - a replace Council's existing net targets for 2025, 2030 ('carbon neutral') and 2035¹ ('climate positive') with new net emissions target(s) no less stringent than 'net zero by 2050' for all Greater Wellington's organisational emissions, and
 - b set a new gross emissions target for all categories of its emissions.
10. Changing Greater Wellington's 'headline' targets poses internal and external reputational risks:
 - a Internal reputation: Greater Wellington employees value the effort the organisation is making to mitigate climate change.
 - b External reputation: Changing any commitments to emissions can lead to negative public perception (negative press coverage, social media attention, etc).
11. The work to explore options and develop a proposal to modify the organisation's set of targets is underway and this will be workshopped with councillors in early 2025.

Organisational Climate-related Risk Assessment (OCRA)

12. 'Stage 02' of the OCRA aims to understand the climate-related risk Greater Wellington is exposed to and will be facing. It will provide Greater Wellington with:
 - a A comprehensive set of scenarios for the organisation to work with
 - b A detailed assessment of the risks as well as cascading impacts and opportunities
 - c Rating the risks identified (e.g. low, moderate, high, extreme)
 - d Prioritisation of the risks identified for adaptation planning and response
 - e A geographic information system (GIS) deliverable.

¹ Throughout this paper, when a single year is referred to in the context of a target, it means the financial year period ending in the year stated – e.g. '2025' means '2024/25'.

13. The project will be completed by the end of 2024. An organisational adaptation plan will then be developed based on the findings of the OCRA. This will then be used to inform the development of the next (2027-37) Long Term Plan.
14. Preliminary findings: Ninety-Six (96) risks have been identified for Greater Wellington. Forty (40) relate to the built environment, twenty-seven (27) to the natural environment, eleven (11) to the human domain and eighteen (18) are transition risks².
15. These risks have been prioritised to inform and define the organisational adaptation plan. Following best practice, the compounding risks (the combination of multiple risks on a single element) and cascading risks (effects that flow on from a primary hazard and affect other systems in a dynamic sequence) are studied and used in the prioritisation framework. Below are the top twenty percent highest risks for each domain at the present time.

Built Environment:

16. Risk to public transport (train services and infrastructures - direct and indirect impacts) due to erosion and landslides.
17. Risk to public transport (train services and infrastructures - direct and indirect impacts) due to increased temperatures and heatwaves.
18. Risk to water supply infrastructure due to acute and chronic coastal risks (sea level rise, coastal flooding, coastal erosion, etc).
19. Risk to water supply infrastructure due to flood and river erosion.
20. Risk to regional parks due to erosion and landslides.
21. Risk to regional parks infrastructure due to flood and river erosion.
22. Risk to the nurseries (including plant production) due to extreme weather events.

Natural Environment:

23. Risk to the catchment areas and ability to provide bulk water due to:
 - a droughts and dry spells
 - b wildfires
 - c extreme weather events
 - d erosion and landslides
24. Risk to natural environment due to erosion and landslide.

Human Domain

25. Risk to people's health, safety and wellbeing due to extreme weather events.

² Transition risks are the risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.

Transition Risks

26. Risk that climate change impacts will be exacerbated because current institutional arrangements are not fit for climate change adaptation.
27. Risk of a breach of Treaty obligations from a failure to engage adequately with and protect current and future generations of Māori from the impacts of climate change.
28. Climate change creates increased competition between the Council's priorities due to lack of resources.
29. Impact from climate change to the Council's budget and revenue (cost of recovery, reduced revenue, etc).

Opportunities

30. 23 opportunities have been identified:
 - a Two opportunities arise from higher temperatures (increased health and wellbeing, increased use of regional parks).
 - b Three opportunities arise from a change in climate seasonality (better growing conditions, etc).
 - c Six opportunities arise from higher efficiency (regulation, technology, etc).
 - d Three opportunities arise from energy sources (renewable energy generation, carbon markets, etc).
 - e Three opportunities arise from products and services (increased need for public transport, nature-based solutions).
 - f Four opportunities arise from markets (suppliers with better sustainability capabilities, carbon price, etc).
 - g Two opportunities arise from increased resilience.

Ngā hua ahumoni

Financial implications

31. There are no financial implications arising from the update of the risks associated with climate change and the actions taken by Greater Wellington to adapt to climate change and reduce greenhouse gas emissions, both regionally and organisationally.
32. Financial implications associated with the targets setting were presented in the report for the 12 September 2024 Climate Committee meeting (report 24.476).
33. There are no direct financial implications from the OCRA. Impacts are likely to arise from the application of its findings in the Organisational Adaptation Plan, when it is produced.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

34. There are no direct impacts for Māori arising from the matters discussed in this report. However, mana whenua and Māori are impacted by the choice of emissions reduction pathways that Greater Wellington takes to meet its climate goals, and by the need to partner with mana whenua on climate change projects (including climate change adaptation). Regional climate planning must work in partnership to address the implications of climate change impacts, adaptation, and mitigation for Māori / mana whenua.

Te huritao ki te huringa o te āhuarangi
Consideration of climate change

35. There are no direct impacts on climate change from this report. However, the projects mentioned help mitigate and adapt to climate change.

Ngā tūāoma e whai ake nei
Next steps

36. Officers will report annually to the Committee on Greater Wellington’s climate change actions, or sooner should there be a significant change to the risk.

Ngā āpitihanga
Attachment

Number	Title
1	‘A different future’ - Updated version of presentation given at the 28 November 2023 FRAC workshop

Ngā kaiwaitohu
Signatories

Writers	Mélanie Barthe – Kaitohutohu Senior Advisor - Climate Change Jake Roos – Kaiwhakahaere Matua Manager Climate Change
Approvers	Zofia Miliszewska – Kaiwhakahaere Matua Head of Strategy and Performance Luke Troy – Kaiwhakahaere Matua Rautaki Group Manager Strategy

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>The Terms of Reference for the Finance, Risk and Assurance Committee include a specific responsibility to:</p> <p>2.4 Review the effectiveness of Greater Wellington’s risk management process, including overseeing changes to the risk policy and approach, with a particular focus on:</p> <ul style="list-style-type: none"> a Providing guidance to Council on the appetite for work b Whether Greater Wellington is taking effective action to mitigate significant risks, including cyber security and climate change.
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>Council has adopted its 2024-34 Long Term Plan. One of the four focus areas is ‘Leading action for climate resilience and emissions reduction’, and of the three community outcomes, one is to strive for ‘Safe and healthy communities, a strong and thriving regional economy, adapting to the effects of climate change and natural hazards, community preparedness and modern robust infrastructure’.</p>
<p><i>Internal consultation</i></p> <p>Actions undertaken to mitigate and adapt to climate change are carried out with extensive consultation throughout the organisation (e.g., Environment Group, Metlink, etc).</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>There are no identified risks or impacts arising from this report. However the subject of this report concerns risks and potential impacts on Greater Wellington arising from climate change.</p>

A DIFFERENT FUTURE

How climate change is shaping a different future and how
we can face it

Finance, Risk and Assurance Committee 21 November 2024
Jake Roos – Manager Climate Change

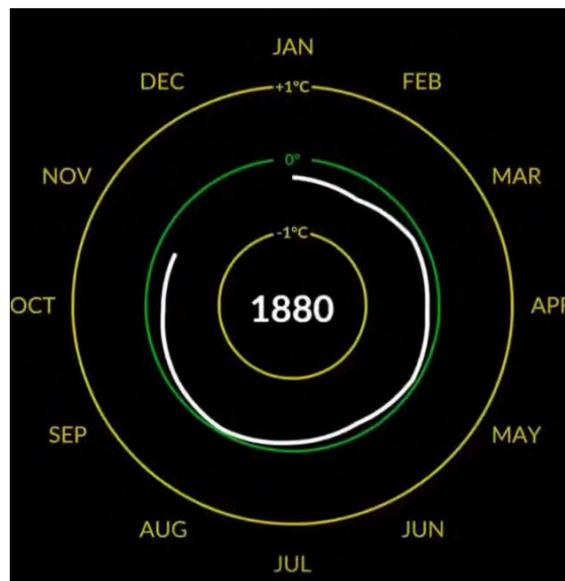
Climate science and climate actions are not moving at the same speed

- Climate science and climate actions are not moving at the same speed:
 - Climate science:
 - **1856:** First description of the greenhouse gas effects of CO₂ and its potential effect on the earth's temperature
 - **1990:** Temperatures have risen by 0.3-0.6°C over the last century (IPCC, First Assessment Report)
 - **2007:** It is more than 90% likely that humanity's emissions of greenhouse gases are responsible for modern-day climate change (IPCC, Assessment Report 4)
 - **2021:** It is "*unequivocal that human influence has warmed the atmosphere, ocean and land*" and that "*widespread and rapid changes [...] have occurred*" (IPCC, Assessment Report 6)
 - Climate actions:
 - **1992:** Earth Summit in Rio de Janeiro: governments agreed the objective of "*stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system*"
 - **1997:** Kyoto protocol and pledge to reduce emissions "*by at least 5 per cent below 1990 levels in the commitment period 2008 to 2012*"
 - **2015:** Paris agreement set an overarching goal to keep warming "*well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels...*"
 - **2019:** NZ domestic targets set up under the Climate Change Response (Zero Carbon) Amendment Act 2019
 - **2019:** Greater Wellington declared a climate emergency
 - **2022:** Global GHG emissions 44% higher than 1990 (<https://ourworldindata.org/greenhouse-gas-emissions>)

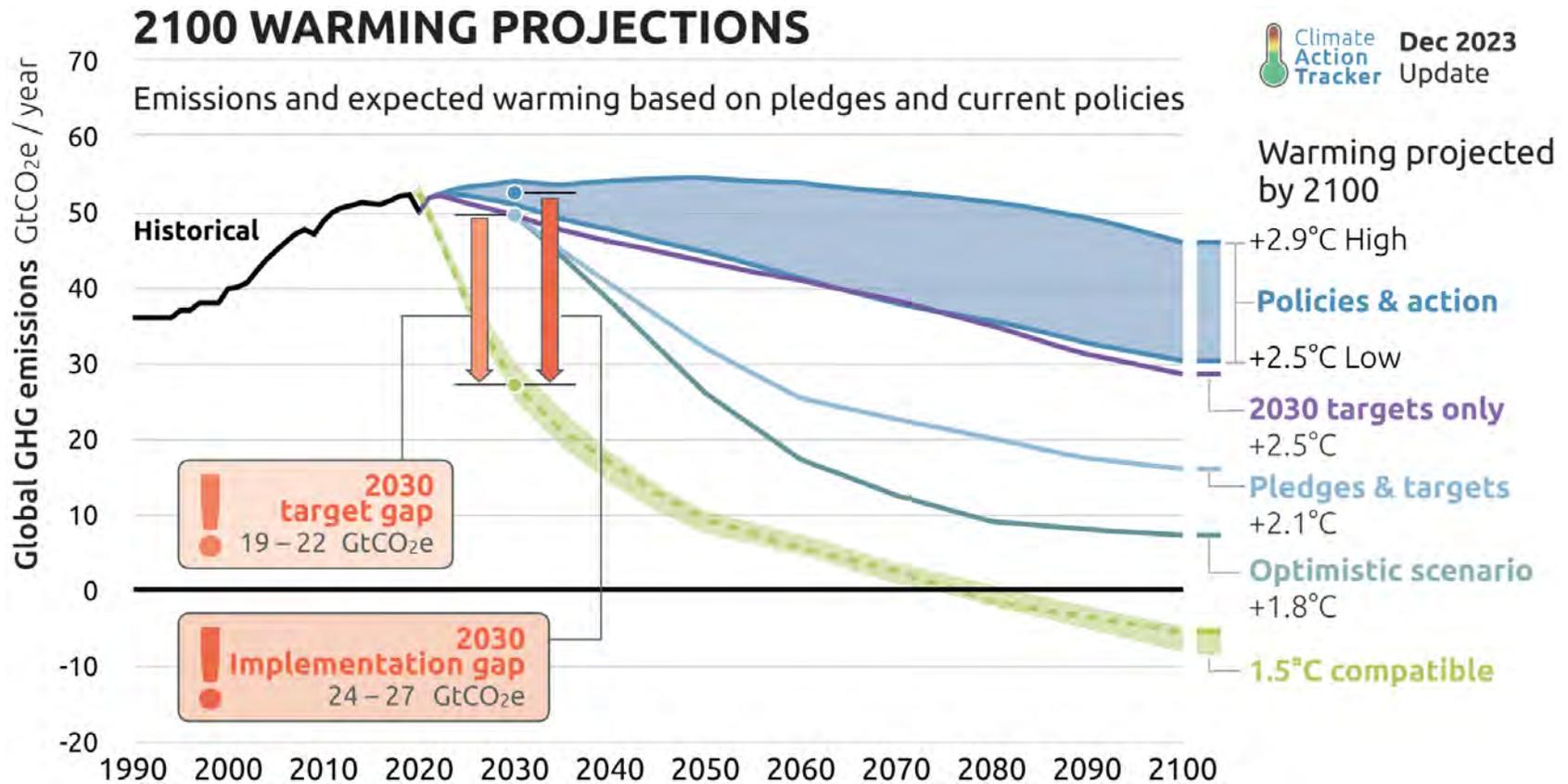


Global temperatures

- Tracking to be a 2.7°C increase by 2100
- 2023 was the hottest year ever recorded. 2024 could be hotter than 2023.
- 10 of the hottest months recorded happened in the last 4 years (1 in 2020, 4 in 2023, 5 in 2024)



Global temperatures



UNCERTAINTY Impact of Climate Change

Attachment 1 to Report 24.608

Last updated: October 2024

Workshop One Pager

Sub Uncertainties

Physical

Acute
The impact of extreme weather events, flooding and landslides have on the region.

Chronic risks
Impacts on the region from changes and extreme variability in weather patterns, sea level rise, erosion, saltwater intrusion and increased pests

Transition

Policy and legal
The extent to which climate-based policy and legal reforms changes how GW does business

Technological
The extent to which technological change can enable GW to deliver its services in a climate positive manner

Market
The extent to which the market influences the products and services we buy

Reputation
The extent to which Mana Whenua, the public and our stakeholders and partners influence how we do business

Actions & Controls

How are we managing this?

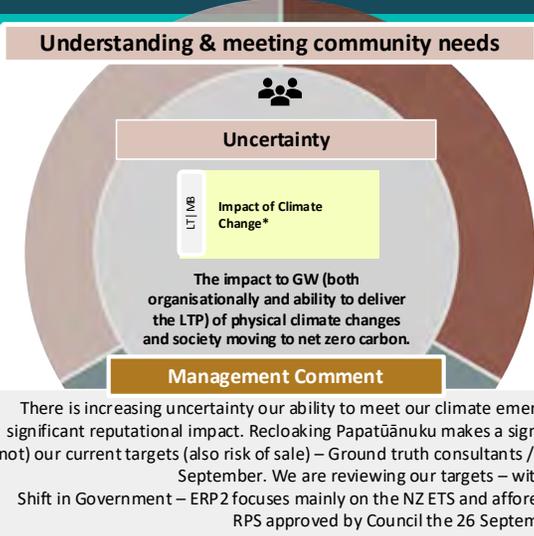
- Climate change strategy (2015)
- Climate Emergency (2019) and response to climate emergency:
 - 10-point plans – climate change
 - Climate emergency programme response board
 - Corporate carbon neutral steering group
 - Climate committee
- Climate science
- LTP (Strategic Planning)– Focus area climate change
- Proposed RPS change 1 – Climate change chapter
- Public consultation – Public perception surveys
- Regional and national sector groups and forums (climate crew, ACAN, Climate network, etc)
- Activity management planning

Assurance

How do we know that this is managed effectively?

- Carbon footprint is being audited by Toitu

**What are we aiming for?*
Transition and physical risks are well understood
Mitigation measures are in place and used to manage the risks. However, GW needs to aim for being a pro-active organisation, regarding climate-related risks, rather than a reactive organization.



Consequence

Opportunities

- Resource and energy efficiency
- Energy source
- Products and services
- Markets
- Resilience

Threats

- Decreased level of service (impact on assets and infrastructure, disruption of services, etc), including on water supply
- Increased workload across GW
- Increased pressure on WREMO and ECC
- Impacts on HSW for staff
- Increased uncertainties
- Impact on budget (higher organisation costs, etc.)
- Maladaptation and unmanaged retreat
- Loss of ecosystem services and impact on natural assets

Alignment with Risk Appetite Statement

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balanced	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	
Human Resources	Balanced	

Measure

Measure	Trend
GW carbon footprint 2019: 43,833 tCO2e 2023: 33,727 tCO2e	↓
Regional carbon footprint 2019: 4,233,981 tCO2e 2022: 3,852,625 tCO2e	↓
Emissions from buses 2019: 15,493 tCO2e 2023: 12,848 tCO2e	↓
Emissions from GW's fleet 2019: 601 tCO2e 2023: 629 tCO2e	↑
Emissions from purchased office energy 2019: 132 tCO2e 2023: 61 tCO2e	↓
Emissions from enteric fermentation 2019: 6,576 tCO2e 2023: 2,046 tCO2e	↓
Corporate Climate-related risk assessment	-

Response

Action	Date
Strategic planning – Activity Management Plans & LTP (incl. ensuring appropriate resources to respond to climate emergency)	Ongoing
Working with partners and stakeholders (incl. knowledge sharing – climate science)	Ongoing
Internal collaboration and capability (incl. climate training)	Ongoing
Exploring options for self-insurance	
Social procurement (incl. carbon positive suppliers)	
Exploring funding options for the low carbon acceleration fund	
Corporate climate-related risks assessment and adaption plan	2024/25
Regional leadership committee projects	
- Regional emissions reduction plan	Approved
- Regional food systems strategy	Sept 2024
- Future development strategy	Approved
- Regional Adaptation Project	Ongoing

Climate-related risks – physical risks

- Acute risks: extreme weather events (heavy rainfall, extreme wind), storm surge, landslide, drought,...
- Chronic risks: [sea level rise](#), saltwater intrusion, erosion, increased temperatures and [heatwaves](#), pests,...

**High level of greenhouse gas emissions => overshoot the 1.5°C target (Paris Agreement)
=> significant increase in climate risks**



Porirua train station, 2015



Owhiro Bay, 2020



Wairarapa, 2013



Cape Palliser road, 2017



Sea level rise (SLR)

- Historical SLR:
 - +0.26m of sea level rise since early 20th century (Lambton Harbour tide gauge)
- Projected SLR:



Includes:

- Vertical Land Movement
- Antarctic ice sheet melting data available at time of release

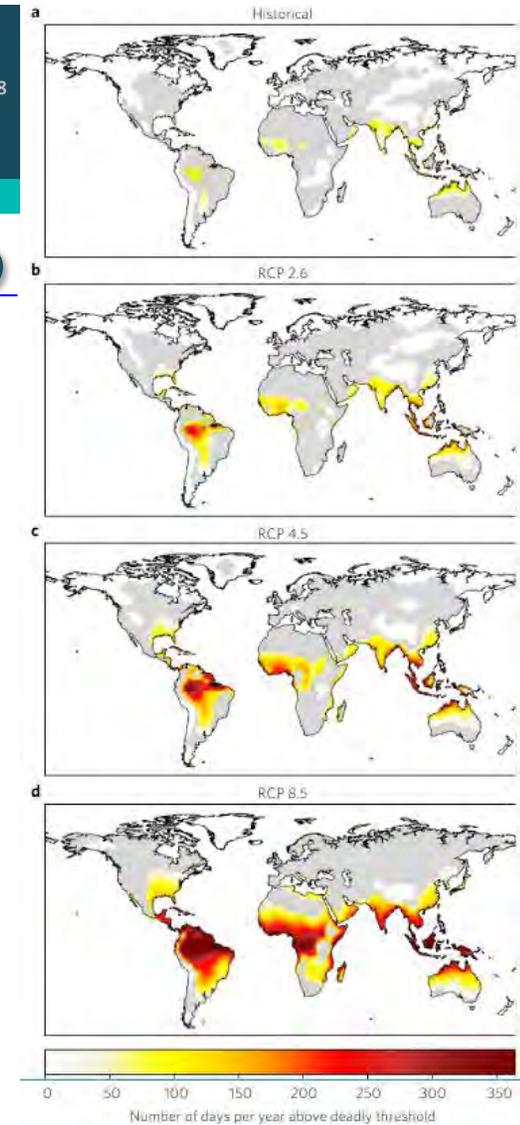
	2050	2100	2150
Tora	0.64 - 0.85 m	1.74 - 2.50m	3.37 - 5.98 m
Lake Ferry	0.47 - 0.67m	1.38 - 2.13m	2.82 - 5.42m
Wellington Harbour	0.40 - 0.60m	1.25 - 1.99m	2.61 - 5.22m
Porirua Harbour	0.36 - 0.56m	1.15 - 1.91m	2.47 - 5.08m
QEP	0.33 - 0.54m	1.09 - 1.86m	2.38 - 5.00m

Heatwaves

Attachment 1 to Report 24.608

- Historical heatwaves:
 - 2017: Around 30% of the world’s population is exposed to deadly climatic conditions (temperature and humidity) for at least 20 days a year
 - 2022 European heatwave: 62,000 deaths
 - 2023 European heatwave: 48,000 deaths

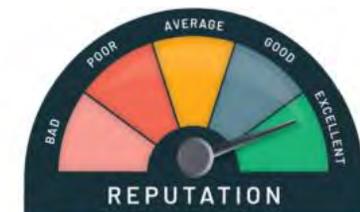
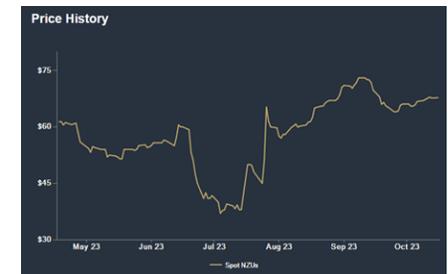
- Projected heatwaves:
 - 2100:
 - Drastic reductions of greenhouse gas emissions scenario: ~48% of the world’s population exposed deadly heatwaves
 - Growing greenhouse gas emissions scenario: ~74% of the world’s population exposed deadly heatwaves



Climate-related risks – transition risks

- Transition risks:
 - Risks related to the transition to a low carbon society

Faster transition towards a low carbon society => increased transition risks



Global current and expected/future changes

- Cascading risks at global scale (IPCC, AR6):
 - Food and water insecurity
 - Reduced health (physical and mental) and wellbeing
 - Mass migration:
 - 267 million people lived on low laying land (<2m) in 2020
 - Approximately a billion people projected to be at risk from coastal-specific climate hazards in the mid-term under all scenarios
 - Humanitarian crises
 - Armed conflict
 - Adverse effects on gender and social equity
 - Loss of cultures/ways of life
 - Impacts on the economy



Projected impacts and issues for the Wellington Region

Buildings & Infrastructure:

- River and stormwater flooding driven by increasingly intense rainfall is one of the most significant risks to buildings across the Wellington Region with over 60,000 buildings and facilities currently impacted and is projected to increase by approximately 100,000 by 2100.
- The impacts of coastal erosion on buildings and facilities are significant across the region, with areas of Wellington City, Porirua City and Kāpiti Coast District particularly vulnerable to erosion of cliffs and beaches, exacerbated by rising sea levels and increasing severity of storms.
- Rainfall-induced landslides already have and will continue to have, a notable impact on road and rail transport as well as buildings around the region.

Natural Environment

- The Wellington Region has a relatively small tidal range and therefore even small changes in sea level may have impacts on the size, scale and distribution of coastal ecosystems. As rising sea level shifts the high-water mark inland in low lying areas, coastal ecosystems may be lost or irreversibly altered if they are prevented from migrating inland due to natural or man-made barriers.
- A range of forest types are supported by the Wellington Region's diverse geography. Risks and associated impacts will be higher for sensitive forest ecosystems, such as regionally endangered forests.



Projected impacts and issues for the Wellington Region

Communities:

- An increased incidence of flood events, coastal inundation and coastal erosion will affect homes, property, businesses and facilities and over time will erode the desire and ability of people to remain in affected locations.
- Displacement impacts are particularly acute for Māori because of the reciprocal relationship and kinship connections between people and places at the centre of Te Ao Māori. A reduced ability to maintain a relationship with land will likely affect almost all aspects of Māori wellbeing.
- Groups within society that are already marginalised and/or at an economic disadvantage (such as those living with disabilities) may be at risk of being made more vulnerable due to being increasingly exposed to climate hazards.

Economy:

- Flooding will impact the low-lying industrial areas of Lower Hutt, Porirua, and Miramar. There are approximately 1,170 industrial buildings in the region that are at risk from flooding and coastal inundation by end century.
- More and longer dry spells and drought weather pose a risk to the productivity of pastoral farming, horticulture, viticulture and forestry and drive the risk of increasing fire-weather conditions.
- There will also be high risk to insurance coverage in the future due to more frequent and damaging extreme weather events.



Projected impacts and issues for the Wellington Region

Governance:

- As climate hazards intensify in place and across space, the complexity levels will challenge existing, planned and evolved governance arrangements and the speed with which they can adapt to the ongoing and changing conditions.
- The uncertain scale and scope of projected climate impacts overwhelm the capacity of institutions, organisations and systems to provide the necessary policies, services, resources and coordination to address socioeconomic impacts and build resilience across communities in the region.
- Funding inadequacies, and funding models used by different agencies and availability of new funding mechanisms being constrained, leads to uncoordinated action leading to inadequate adaptation responses that cannot build proactivity and preparedness.
- Legislative mandates and policy are misaligned across land use planning, infrastructure planning, flood risk management and biodiversity and biosecurity management.



What do those impacts mean for Greater Wellington?

- Greater Wellington is already feeling the impacts of climate change:
 - Adverse weather events puts pressure on Greater Wellington's workload
 - There are societal and legal expectations/requirements for a higher level of service to mitigate and adapt to climate change (e.g., more public transport, more flood protection)
 - Prioritisation of work programmes using a climate change lens is needed
- Those impacts will increase over time
- Additional impacts are expected (e.g., reputation, budget, etc)
- As emissions are remaining high, we can expect that consequences will be increasingly severe



What are we doing?

- **Two 10-point plans:**

- Organisational Climate Emergency Action Plan
- Regional Climate Emergency Action plan



- **Climate adaptation:**

- Coastal erosion plan – Queen Elizabeth Park (managed retreat)
- Te Wai Takamori o Te Awa Kairangi (RiverLink)
- Organisational Climate-related Risk Assessment



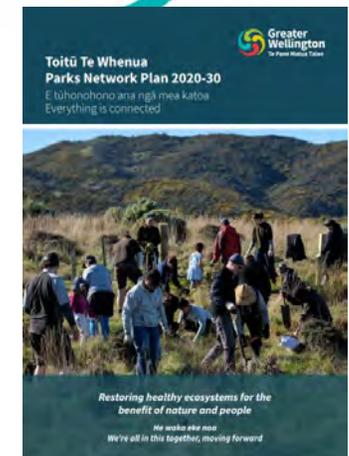
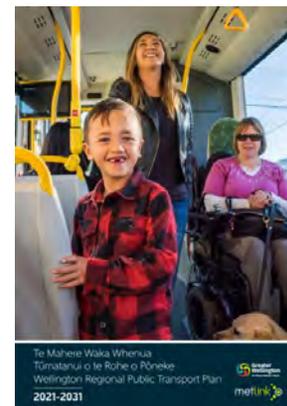
- **Climate mitigation:**

- Low Carbon Acceleration Fund (LCAF)
- Bus electrification
- Recloaking Papatūānuku
- Energy Transformation Initiative



What are we doing?

- Strategic planning
 - Long Term Plan
 - Infrastructure Strategy and Asset Management Plans
 - Financial strategy
 - Annual plans
 - Regional Policy Statement
 - RLTP, RPTP, Wellington Rail Programme Business Case
 - Regional Transport Emissions Reduction Pathway
 - Regional Adaptation Project
 - Regional Emissions Reduction Plan
 - Toitū te Whenua Parks Network Plan



A different future

- While Greater Wellington is already striving in climate change mitigation and adaptation, more actions are needed to meet the challenge:
 - **Adaptation:** more impacts are inevitable, and we must get ready
 - **Mitigation:** reducing our emissions is extremely important. Indeed, every tenth of degree of warming significantly increases climate change impacts

Strong governance can enable a safer and more resilient future, where people are well prepared for the changes and live in a zero-carbon society and a thriving environment.

Finance, Risk and Assurance Committee
21 November 2024
Report 24.635



For Information

RISK AND ASSURANCE UPDATE NOVEMBER 2024

Te take mō te pūrongo

Purpose

1. To provide the Finance, Risk and Assurance Committee (the Committee) with an update on the developments with respect to risk management and the three-year assurance plan.

Te horopaki

Context

Risk Management

2. Please refer to [Attachment 1](#) for the updated ELT Risk Dashboard with management comments.

Business Assurance action points

3. Updates against the current assurance plan have been included in [Attachment 2](#).

Te tātaritanga

Analysis

Updated risk appetite statement

4. The Committee reviewed the financial risk appetite statement in August 2024 and provided feedback on its form and content.
5. We have attached the 'Loss, failure, or damage to assets' and 'Our people' risk appetite statements.
6. We will look to workshop several risk appetite statements at our February and May Committee workshops.
7. Please refer to [Attachment 3](#) for the risk appetite statements.

Risk deep dives

8. At August's Committee meeting, it was requested that Officers consider risk deep dive opportunities. Please refer to [Attachment 4](#) for a list of risk deep dives we currently have scheduled.

Business Assurance arrangements

9. The indirect taxes audit has now been completed which was the final audit outstanding for the 2021-24 assurance programme.
10. The first internal audit for the 2024-27 assurance programme has been completed. The Bulk water internal audit has been included on the agenda as a separate item.
11. We have also closed nine recommendations since the last Committee meeting. Further details on open recommendations can be found in [Attachment 2](#).

Revenue collection controls review

12. PwC have undertaken an internal audit of our revenue collection through Snapper (bus & rail) and cash collected by Transdev (rail). Please refer to [Attachment 5](#) for a copy of the revenue collection controls assessment internal audit report.
13. This review is undertaken annually to provide confidence to management that revenue controls are effective, and for Audit New Zealand to support their external audit procedures.
14. For the 2023/24 financial year, Audit New Zealand placed significant additional requirements on the audit, including requiring that we undertake an IT general controls assessment, and for them to reperform some of PwC's work (for their review processes).
15. For efficiency, we split the audit into interim and final components which enabled it to be delivered two months earlier than in previous years, despite the additional requirements from Audit New Zealand.
16. The results were very positive with a significant uplift in the control environment across Snapper and Transdev. Compared to prior year, there were 20 fewer recommendations raised, and those recommendations raised were at a lower level of risk.
17. We also note that all recommendations from the 2022/23 internal audit are now closed, with a further six recommendations closed for the 2023/2024 internal audit, between the issue of the report and the Committee's November meeting.
18. This is a reflection of the mahi from Metlink, Snapper and Transdev teams in implementing prior year audit recommendations. We will continue to work with these teams to ensure the remaining recommendations are closed.

Indirect taxes internal audit

19. The final audit for the 2021-24 assurance programme has been completed. Please refer to [Attachment 6](#) for the completed GST Data Analytics Summary and [Attachment 7](#) for the completed payroll analytics report.
20. Overall, the reports tell a good news story across our GST and Payroll indirect taxes with only minor issues being identified.
21. For GST we have noted the following areas of improvement:
 - a Several suppliers were identified where GST was not processed correctly which will be investigated further.

- b Several transactions had different invoice and document dates. We are investigating limiting access to change invoice entry details to ensure changes are managed correctly.
 - c For Snapper, GST has not been claimed on refunds. We will investigate whether this treatment is correct and aligns to our treatment of concession revenue from other sources.
 - d There is a time lag for GST claimed on our revenue transactions. We are looking into how system automation and process improvements can help to reduce the time between the work being undertaken and the work being invoiced.
22. For payroll we have noted the following:
- a There is a known error which affected the ESCT rate in Ngātahi. We were already working with PwC to correct ESCT and employer contributions for the three pay runs in error.
 - b Several tests identified exceptions for review by the payroll team. The review of these exceptions will be completed by May 2025 and reported to the Committee.

ComplyWith



- 23. The ComplyWith system implementation was commenced in November 2022 and finalised in January 2023, with the first survey run in April 2023.
- 24. The ComplyWith system provides the following functionality:
 - a Identification of all major pieces of legislation applicable to Greater Wellington as a regional council
 - b An Obligations register accessible to all staff.
- 25. Please refer to [Attachment 8](#) for the ComplyWith report which details the results of the compliance survey we undertook in October 2024 for the period of 1 July 2023 until 30 June 2024.
- 26. 80% of surveys were completed showing a high level of engagement. The report identified that 1% or 25 of our compliance obligations are partial or non-complaint. These 25 obligations are being tracked through ComplyWith, with two having been resolved, 16 having action plans for resolution and seven with no action plan in place.

27. The legal team will review those obligations that remain partially or fully non-compliant to ensure staff have an action plan and they are working towards implementing the plan.
28. While there has been an increase in the number of staff not completing surveys (up from one person last year), it was expected as we undertook a significant remapping exercise which will take time to bed in and develop staff understanding of the system.
29. It is important to note that ComplyWith is a judgement-based survey, with those completing it providing their opinion on whether they complied with legislation and regulations.

Insurance renewal – liability policies

30. Our liability insurances (public liability, professional indemnity, directors & officers, crime, and employers & statutory liability) were not renewed on 1 May 2024 and instead were extended for 6 months until 1 November 2024.
31. Our insurers did not wish to renew these insurances for the following reasons:
 - a We are facing significant amounts of litigation for which our insurers are wanting to have these claims settled within the existing limits provided (renewing would provide an additional limit we could claim under if further litigation arose).
 - b Alignment with other local government liability insurance renewal timelines. This would enable our insurers to have a common view across the sector when negotiating these renewals.
32. We have now received terms for these policies and note that insurers are renewing these policies for 2024/25. Renewal for these policies will now occur annually in November which aligns with other Councils.
33. We note that the 2024/25 premiums for these insurances have increased by \$44K, which is in line with expectations due to recent professional indemnity claims and changes to Civil Defence Emergency Management (CDEM) insurance policies.
34. The new terms for CDEM insurance policies provide significantly improved cover for these roles.

Insurance	Limit - Current	Limit – FY2025
General Liability	\$1,000,000	\$5,000,000
Professional Indemnity (PI)	\$1,000,000	\$10,000,000
PI Defence costs	\$1,000,000	\$2,000,000
Statutory Liability (SL)	\$500,000	\$1,000,000
SL Defence costs	\$500,000	\$1,000,000

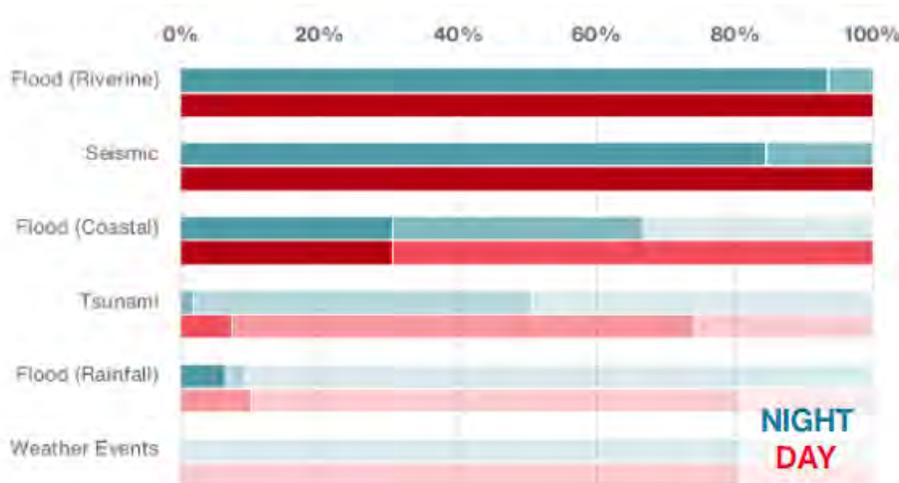
35. We note that this cover is not just for CDEM roles acting on behalf of Greater Wellington but also covers all Council representatives in the region.
36. We have obtained agreement from these councils to share the cost of these policies, which will be paid by Greater Wellington and subsequently invoiced to them.

Insurance modelling stage 1

- 37. Refer to [Attachment 9](#) for the EMU Depot & Rolling Stock Natural Catastrophe Loss Analysis report.
- 38. We have received the report from AON on stage 1 loss modelling for rolling stock and the EMU depot. Modelling is based on the new RiskScape platform, which was jointly developed by GNS Science and NIWA, to support in the analysis of damage and financial loss through a New Zealand-specific lens.
- 39. Modelling considered asset location at both day and night to ensure loss modelling could be accurately predicted. We also included Lower North Island Rail Integrated Mobility (LNIRIM) IPEMU units and depot to help inform their stabling once the units are received.

Location	Night			Day		
	Matangi	S Carriage	IPEMU	Matangi	S Carriage	IPEMU
Wellington West	21			36		
Wellington North	3			8		
Wellington South						
Wellington Station	27			16		
EMU Maintenance Depot	6			6		
Thorndon Carriage Depot		5			14	14, 6, 0
Upper Hutt	11					
Paekakariki	9					
Waikanae	6					
Masterton		19	14			2
Palmerston North			4			
Porirua						0, 8, 14
In Service (inner WGTN)				9	5	
In Service (wider WGTN)				8	5	2
Network Total	83	24	18	83	24	18

- 40. Modelling also included reviewing rolling stock and EMU depot asset locations against their exposure to various natural catastrophe events.



41. Our current loss limit for the material damage policy managed by Transdev is \$195 million. The limit set is significantly above previous modelling undertaken, which placed the losses between \$96 and \$140 million. We agreed with Transdev to review the loss limit once our modelling is complete.

Aggregated earthquake losses

Return Period (years)	Estimated MD Loss (\$m)	
	Day	Night
250	42.17	41.69
500	94.95	77.00
1,000	118.52	98.35
2,500	135.82	117.48

Tsunami loss estimates

Location	Night Value (\$m)	Day Value (\$m)	Inundation Depth (m)	Assumed DR (%)	Night Loss Exposure (\$m)	Day Loss Exposure (\$m)
Wellington West	155.6	303.7	0.6	15%	23.3	45.6
Wellington North	22.2	66.7	0.5	15%	3.3	10.0
Wellington Station	200	133.3	1	30%	60.0	40.0
EMU Maintenance Depot	93.4	100.8	0.5	15%	14.0	15.1
Thorndon Carriage Depot	12	48.3	0.5	15%	1.8	7.2
Masterton	47.2	0.0	0	0	0.0	0.0
In Service (inner Wellington)		79.7	1	30%	0.0	23.9
In Service (outer Wellington)		71.5	0	0	0.0	0.0
Upper Hutt	81.5	0.0	-	0	0.0	0.0
Paekakariki	66.7	0.0	-	0	0.0	0.0
Waikanae	44.4	0.0	-	0	0.0	0.0
Total					102.4	141.9

42. Modelling indicates that expected losses for a 1 in 1000 year event is \$119 million for an earthquake and \$142 million for a tsunami. Therefore, we are looking to reduce our loss limit from \$195 million to \$150 million to reflect our updated modelling. Reducing our loss limit would have estimated cost savings of \$200K per annum.
43. While a loss limit of \$150 million is sufficient to cover our existing rolling stock and EMU depot, it is not sufficient to cover the new LNIRM IPEMU units and depot, which when they come online, could increase estimated losses by up to \$50 million.

LNIRM stabling impact on estimated insurance losses and premium increases

	Porirua 14 Units	8 Units Porirua 6 Units Wellington	14 Units Wellington
Impact on estimated losses	-\$1m	+\$17m	+\$41m
% Change in estimated losses	-1%	+12%	+29%
% Change in total premium (high level estimate)	0%	+7%	+15%

44. Once LNRIM IPEMU units and depot are online, we will look to review loss modelling and the loss limit for our insurance policy.

**Ngā hua ahumoni
Financial implications**

45. There are no financial implications arising from this report.

**Ngā Take e hāngai ana te iwi Māori
Implications for Māori**

46. There are no implications for Māori arising from this report.

**Ngā āpitihanga
Attachments**

Number	Title
1	Risk update August
2	Assurance update August
3	Risk appetite statements
4	Risk deep dives
5	Revenue collection controls review
6	GST Data Analytics Summary
7	Payroll Data Analytics report
8	ComplyWith - GWRC Legal Compliance Survey
9	EMU Depot & Rolling Stock Natural Catastrophe Loss Analysis report

**Ngā kaiwaitohu
Signatory/Signatories**

Writer	Jacob Boyes – Head of Corporate Risk & Assurance
Approver	Ali Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager, Finance and Risk

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>The Committee has specific responsibilities to, review the effectiveness of Greater Wellington’s identification and management of risks faced by Council and the organisation; and to approve an internal audit plan.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>Greater Wellington makes decisions every day in order to deliver what it has committed to through the Long Term Plan.</p> <p>Risk management is enabling good decisions to be made that reflect a good understanding of uncertainty within the environment and tradeoffs between competing choices.</p> <p>Internal audit / assurance reviews the effectiveness of Greater Wellington’s internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long-Term Plan and Annual Plans.</p> <p>Internal audit also supports the risk management framework.</p>
<p><i>Internal consultation</i></p> <p>We undertook the following internal consultation process:</p> <ul style="list-style-type: none"> • Risk - discussions with risk leads and risk champions. • Assurance – PWC, risk leads and subject matter experts. • Insurance – AON as our insurance broker.
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Several areas of risk have emerged from this work. These are described in the body of this paper.</p> <p>Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.</p>

Attachment 1

Risk Update

Finance, Risk and Assurance Committee
21 November 2024

ELT Dashboard

Last updated: 23 October 2024

Our areas of focus

LB/IM	Impact on the environment	LT/AF	Population, demographic change & clarity of community n
MO/D/D	Reputation and public profile	MF/BC	Being effective partners in giving effect to Te Tiriti o Waitangi
MO/D/JG	Quality of stakeholder relationships & partnerships	LT/MB	Impact of climate change

- Active mana whenua partnerships and participation for improved outcomes for Māori
- Holistic approaches to deliver improved outcomes for te taiao
- Leading action for climate resilience and emissions reduction
- Improving access to services and equity of outcomes through participation with communities

Public trust and confidence in Greater Wellington and license to operate

- Connected communities
- Thriving environment
- Resilient future

Through delivering on our commitments and achieving the vision of an extraordinary region, environment, connected resilient future

Delivering core services

ATR/LB	Ability to deliver the capital programme	SG/MC	Reliance on actions of third parties
LT/KE	Continuity of service	JK/BK	Fitness for purpose of assets
DH/VR	Ability to implement change	NC/DH	Appropriateness of services & delivery design
LT/GR	Impact of reform		

- Providing a clean and safe water supply
- Leveraging regional partnerships to enable spatial planning and economic development
- Protecting and restoring our environment and flood protection
- Delivering an efficient, accessible and low carbon public transport network

Management Comment

Our risk leads have noted the following:

- Ability to deliver the capital programme** – Currently on track to meet planned year-end underspend to align with the proposed single digit rates increases. However, we do note:
 - Riverlink – uncertainty and dependency on NZTA for works scheduling and Alliance for decision making, as well as pre-requisite requirements i.e. physical construction; design etc.
 - Before the Deluge – projects on track to commence in March 2024 to enable access to agreed funding.
 - Pinehaven and Waiohine are forecast for under delivery, however, these delays are isolated with no flow on impacts.
- Ability to implement change** – Significant proportion of staff have attended change training in FY 2024. A review of change reporting is underway to provide forecasting to support ELT decision making. While uncertainty is improving building change management into core ways of working has been difficult and a higher degree of sponsorship from ELT and People Leaders is required.
- Appropriateness of services & delivery design** - Uncertainty has increased significantly off the back of Government indications of a focus on Core Services and what that means for GW. We may also experience difficulties in measuring the benefit of recent changes and how they are delivering services. We note that uncertainty in this space is being actively managed by ELT and management through work on wicked problems, single digit rates increase (annual plan) and alignment to legislation.
- Capability and capacity of suppliers** – We expect uncertainty around procurement process to continue to improve with the procurement core service design completed in draft with socialization underway. However, we are monitoring “Capacity (external)” as several suppliers are experiencing financial difficulties (MMS –perform maintenance on our stations went into liquidation) and we have noted reduced responses when we go to market (particularly for professional services - finance and engineering).
- Compliance with legislative and regulatory requirements** – We are finding it difficult to finalise our ComplyWith results as a significant number of surveys remain outstanding. This is a key control for understanding the extent of our regulatory and compliance risk and forms part of our controls that are reviewed by external audit.
- Health & Safety** – We expect uncertainty surrounding H&S process to continue to improve with the release of the new HSW R&Rs which will be rolled out to the business through workshops and comms.
- Reputation and public profile** – uncertainty around the political environment is increasing from the impact of government reforms and negative commentary towards Councils increasing (i.e. rates revolt groups). The customer and engagement team are looking to bring a paper to ELT surrounding a GW awareness arising campaign to discuss risk appetite of comms and messaging to the public.

Foundation to Success

Strong and positive culture	Successful people
Integrated and effective ways of working	Purposeful and trusted relationship and engagement

LT/ZM	Effectiveness of planning	JK/RL	Effectiveness of technology	ATR/AP	Integrity of people, fraud, bribery or corruption
ATR/MZ	Ability to fund delivery	DH/IB	Health, safety and wellbeing of people	JK/CD	Data and information governance
JK/DKH	Capability and capacity of external suppliers and partners	DH/VR	Capability and capacity of people	JK/DKH	Compliance with legislative & regulatory requirements

KEY

RO/RL

Uncertainty | What success looks like

SL Confidence rating

ELT Confidence rating

Risk Lead Confidence rating

Sentiment Alignment

High | H | M | L | M | Minimal

Change in the uncertainty confidence / concern rating

ELT Dashboard

Last updated: 24 September 2024

Our areas of focus

LB/IM	Impact on the environment	LT/AF	Demographic change & clarity of community needs
MO/D/D	Reputation and public profile	MF/BC	Being effective partners in giving effect to Te Tiriti o Waitangi
MO/D/JG	Quality of stakeholder relationships & partnerships	LT/MB	Impact of climate change

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Delivering an efficient, accessible and low carbon public transport network

ATR/LB	Ability to deliver the capital programme	SG/MC	Reliance on actions of third parties
LT/KE	Continuity of service	JK/BK	Fitness for purpose of assets
DH/VR	Ability to implement change	NC/DH	Appropriateness of services & delivery design
LT/GR	Impact of reform		

KEY

RO/RL: Uncertainty (What success looks like)

SL Confidence rating: G, Y, A, R

ELT Confidence rating: G, Y, A, R

Risk Lead Confidence rating: G, Y, A, R

Sentiment Alignment: High (H, M, L, M) Minimal

Change in the uncertainty confidence / concern rating: ↑ ↓ =

Foundation to Success

Strong and positive culture	Successful people	
Integrated and effective ways of working	Purposeful and trusted relationship and engagement	
LT/ZM: Effectiveness of planning	JK/RL: Effectiveness of technology	ATR/AP: Integrity of people, fraud, bribery or corruption
ATR/MZ: Ability to fund delivery	DH/IB: Health, safety and wellbeing of people	JK/CD: Adequacy, integrity and privacy of information
JK/DKH: Capability and capacity of external suppliers and partners	DH/VR: Capability and capacity of people	JK/DKH: Compliance with legislative & regulatory requirements

Management Comment

Our risk leads have noted the following:

- Capability and capacity of suppliers** – Uncertainty around external capability is reducing as we have seen an easing of the market alongside improvements to our procurement processes resulting in healthy participation in when we go to market. Uncertainty remains around whether this will continue with current economy and strain on our suppliers.
- Fitness for purpose of assets** – Lead indicators for this uncertainty are trending downwards which was discussed with the asset management group (e.g., asset defects), seems to be a result of moving to the new LTP. We will investigate further if these measures continue to trend downwards in October.
- Impact on the environment** – Research was undertaken to support our social licence to use river management tools which suggested a broader platform of support than we originally understood. This research will help inform how we further target communications within the region to help maximise their benefit to our audience.
- Ability to fund delivery** – Wellington based Councils are under increased scrutiny from rating agencies. For example, WCC has been downgraded to AA negative outlook. Our annual review meeting with S&P is scheduled for 30 October. Even if we are downgraded it is unlikely to impact our borrowing costs from the LGFA. As a result, we should be able to take advantage of lower OCR rates with the market indicating rates lower than LTP assumptions. We also note uncertainty surrounding the recent GPS and NLTP announcements, which includes funding being \$260M lower than requested. We are working through the impacts this has on the wider programme. We do note that funding of our continuous programme is sufficient to maintain existing levels of service.
- Integrity of people, fraud, bribery or corruption** – Revenue completeness report (Snapper/Transdev) showed significant improvement in the control environment. We are also working through finalising the indirect taxes audit in which the draft report provided a positive story around the processing of our GST and Payroll taxes.
- Reliance on actions of third parties** – New CE appointed with a proposed restructure of strategy and planning. Beginning to respond to Martin Jenkins report with new reporting for Councils. We continue to see improvements in the water network with fewer leakages across the network. Frequent rainfall resulted in optimal capacity in the aquifer, the new filtration is expected to come online for Summer to provide additional capacity.

ELT Dashboard

Our areas of focus

LB/IM	Impact on the environment	LT/AF	Demographic change & clarity of community needs
MO/D/D	Reputation and public profile	MF/BC	Being effective partners in giving effect to Te Tiriti o Waitangi
MO/D/JG	Quality of stakeholder relationships & partnerships	LT/MB	Impact of climate change

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Delivering an efficient, accessible and low carbon public transport network

ATR/LB	Ability to deliver the capital programme	SG/MC	Reliance on actions of third parties
LT/KE	Continuity of service	JK/BK	Fitness for purpose of assets
DH/VR	Ability to implement change	NC/DH	Appropriateness of services & delivery design
LT/GR	Impact of reform		

Management Comment

Our risk leads have noted the following:

- Ability to deliver the capital programme** – Achieved 80% of the capital programme for 2023/24. However, there was significant reliance on water with under delivery in the wider programme. We note that the majority of recommendations from the capital works audit remain outstanding with their implementation planned for 2024/25 through PMO BPI and F&R business plan.
- Being an effective partner in giving effect to Te Tiriti o Waitangi** – Uncertainty increasing as we have yet to develop the implementation plan for the Te Tiriti audit which is now behind schedule. The new Kaimahi in THW will help manage the plan.
- Capability and capacity of suppliers** – Uncertainty around “Capacity (external)” is improving as we have seen and easing of the market alongside improvements to our procurement processes resulting in healthy participation in when we go to market.
- Fitness for purpose of assets** – Uncertainty remains stable with a reduction in the proportion of capex deferrals noted.
- Impact of climate change** – Uncertainty has increased around our ability to meet our net emissions targets which could have significant reputational impact. In particular, the Redoaking Papatūānuku Parks restoration programme plays a significant difference in achieving (or not) of our current targets. Updates to assumptions used in the original modelling of this programme shows a lower rate of carbon sequestration. We are discussing climate emergency targets with Councilors on the 5th of September.
- Impact of reforms** – Uncertainty remains high, with updates from the following areas of reform, as shown in our reform’s [timeline](#):
 - Partnerships** – Māori Wards bill introduced and enacted, with Council making a decision on Māori wards on the 27th of August. The Te Tiriti o Waitangi Komiti recommended that we affirm our commitment to establishing a Māori constituency.
 - Local Government** – The Government has decided not to take up any recommendations from the future of Governments report.
 - Transport** – GPS approved. With the RLTP submitted and awaiting NLTP funding decisions.
 - Climate Change** – We have responded to the second ERP, lobbying to restore targets from original ERP. Climate change commission monitoring reports are being released.
 - Water** – draft water services plan and advice to Council in October. Post receipt of advice, there is a risk that Councils start peeling off moving forward. We are currently in a position where we are reacting to the decisions of other Councils.
 - Resource management** – Select committees to provide advice to the house in October on the fast-track bill. 2nd bill has been announced.

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Strong and positive culture

Successful people

Integrated and effective ways of working

Purposeful and trusted relationship and engagement

LT/ZM	Effectiveness of planning	JK/RL	Effectiveness of technology	ATR/AP	Integrity of people, fraud, bribery or corruption
ATR/MZ	Ability to fund delivery	DH/IB	Health, safety and wellbeing of people	JK/CD	Adequacy, integrity and privacy of information
JK/DKH	Capability and capacity of external suppliers and partners	DH/VR	Capability and capacity of people	JK/DKH	Compliance with legislative & regulatory requirements

KEY

RO/RL

Uncertainty

What success looks like

SL Confidence rating

ELT Confidence rating

Risk Lead Confidence rating

Sentiment Alignment

High

Change in the uncertainty confidence / concern rating

Attachment 2

Assurance Update

Finance, Risk and Assurance Committee
21 November 2024

Attachment 2 to Report 24.635

Progress on the 2021-24 and 2024-27 Assurance Plans

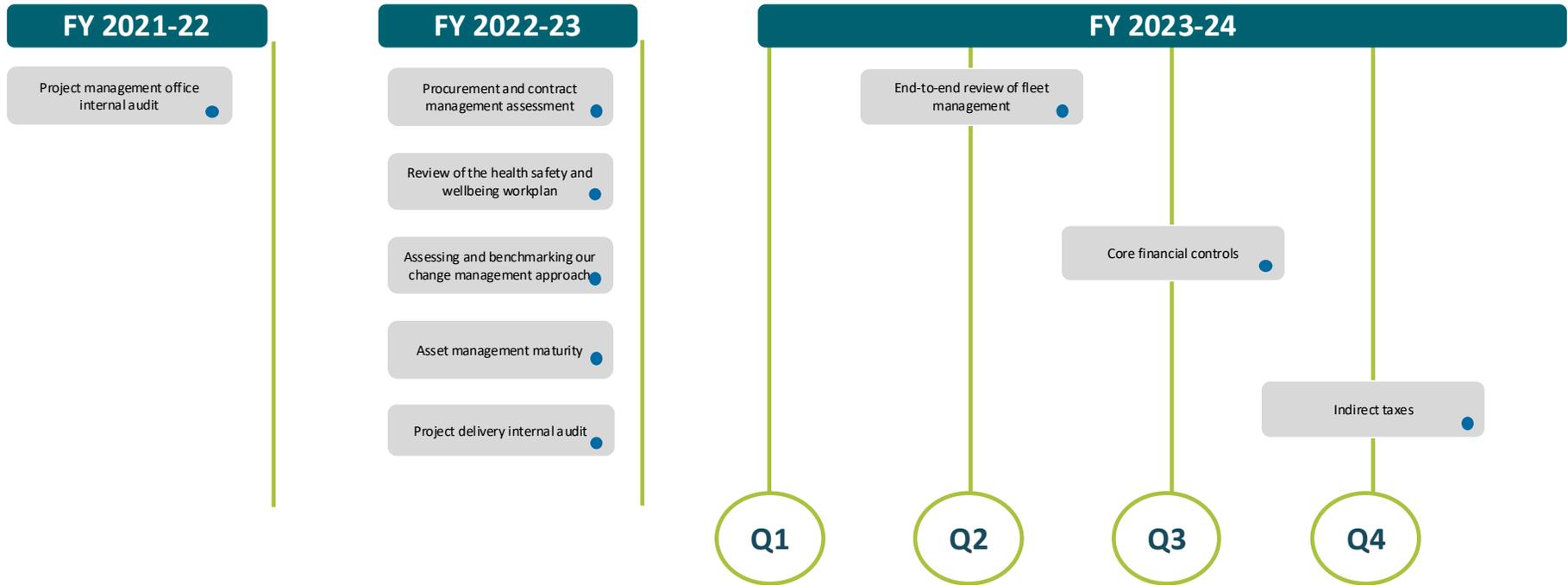
Completion of the 2021- 2024 Assurance Plan

In summary:

We have completed the indirect taxes internal audit which has now been tabled with FRAC. The indirect taxes audit was the final audit outstanding for the 2021-24 assurance programme. From February 2025 FRAC onwards we will only be reporting against the 2024-27 assurance plan.

PwC status:

- Completed
- In progress/ on track
- Delays or changes expected
- Not yet started



Progress on the 2024 - 2027 Assurance Plan

In summary:

We have completed the bulk water internal audit.

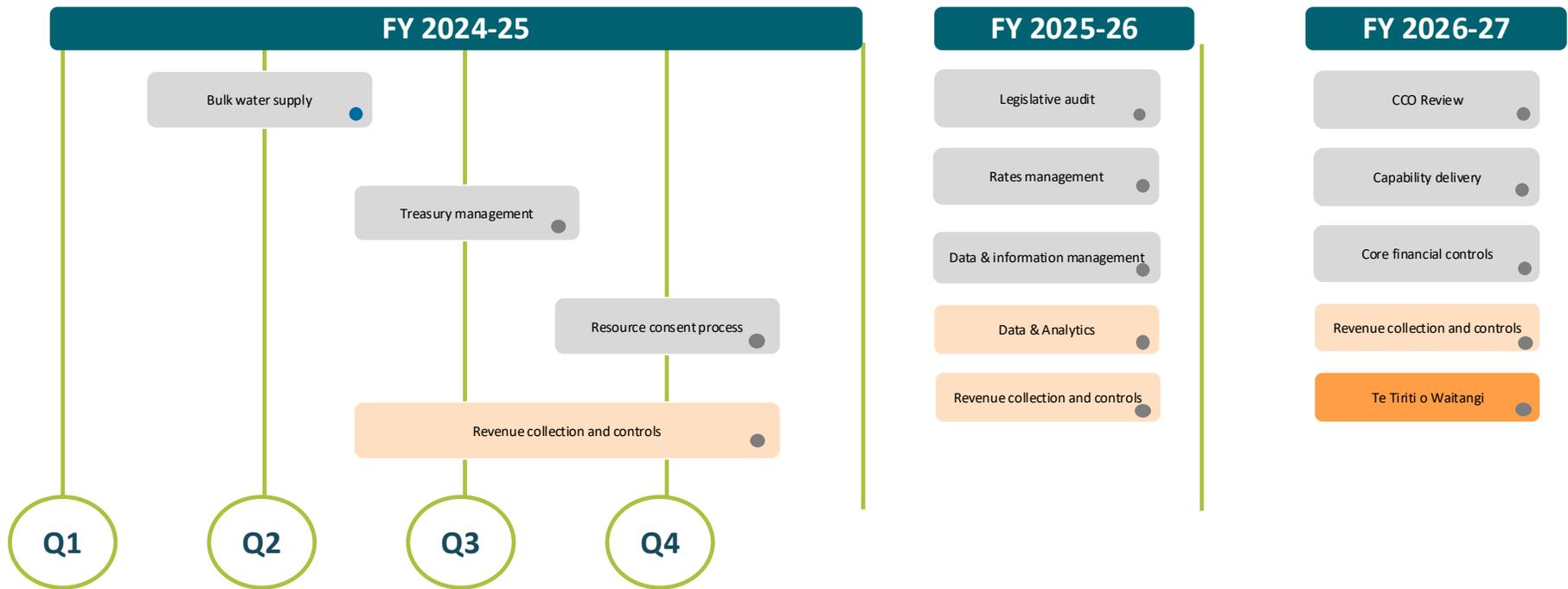
The Treasury Management audit will be undertaken across January and early February with planning completed in December.

Key:

- One-off assurance activities
- Regular assurance activities
- Triennial assurance activities

PwC status:

- Completed
- In progress/ on track
- Delays or changes expected
- Not yet started



Status of in progress reviews

The table below provides an update on in progress assurance reviews.

Review	Objective	Scoping	Terms of Reference	Fieldwork	Draft	Management Comments	Final Deliverable	Comments	
Indirect taxes Sponsor: Alison Trustrum-Rainey	Assess the approach and Enterprise Resource Planning (ERP) functionality used to enable GW to fulfil its indirect tax obligations.								Audit completed and paper tabled with FRAC
		Actual end date: October 2024							
Bulk water supply Sponsor: Julie Knauf	Ability to meet our bulk water supply responsibilities.								Audit completed and paper tabled with FRAC
		Actual end date: November 2024							

Update on outstanding recommendations

Follow up of Open Actions

The below table provides an update on current open and completed Business Assurance actions

Business Assurance review	Closed Actions #	Open Actions #	Management commentary
Health, Safety & Wellbeing	11	8 (8 in progress)	2 recommendations have now been closed. Map of HSW has been included within the HSW Management Framework and the HSW team is now fully resourced. Remaining HSW recommendations have been reviewed and incorporated into the H&S improvement project. These recommendations will be implemented over the next 12 months.
Procurement and Contract Management	4	3 (3 in progress)	Procurement pipeline still to be developed. Training soon to be launched.
Asset management maturity	2	1 (1 in progress)	Asset management outsourcing policy to be addressed as part of procurement services blueprinting.
Capital works programme internal audit	3	12 (11 in progress)	BPI process has been extended until July 2025 which has extended the deadline for PMO recommendations.
Revenue collection controls assessment internal audit report	19	All actions closed	1 recommendation closed. Confirmed during the FY2024 audit that the reconciliation process is now operating as expected with variances being investigated. All recommendations from this audit are now closed.
Revenue collection controls assessment internal audit report (2024)	6	5 (5 in progress)	6 recommendations closed. Snapper have implemented processes across SLA incident management, firmware tests and peer review of test configurations. Snapper have also reminded staff of operational reporting timeframes and reassessed system access rights.
Fleet management	3	15 (15 in progress)	Optifleet has now been implemented which has already helped to identify vehicle efficiencies (1 vehicle transferred and 2 disposed). In spect prompt now live on road units, as well as H&S messaging. Significant increases in inspections already noted in H&S Monthly reporting.
Core financial controls	0	5 (5 in progress)	Recommendations have been addressed through Finance & Risk business planning for 2024/25.

Attachment 3 – Risk Appetite Statements

Risk category Loss, failure, or damage to assets	
Risk category description We are responsible for delivering services across our communities, which relies on our infrastructure networks delivering reliable services in line with our commitments, and the networks' capacities to respond to unplanned events.	
Risk appetite statement Loss or damage to assets is unavoidable and is expected to happen based on the type of assets we hold and nature of the services we offer to our communities. We will need to work alongside our partners and suppliers to ensure we have processes and controls in place to prioritise maintenance, renewals, and improvements towards the most critical assets.	
Risk stance Investment and maintenance of our infrastructure networks will be prioritized based on asset criticality.	
Risk tolerance	Medium tolerance provided controls are in place effective and monitored
<p>Council will tolerate:</p> <ul style="list-style-type: none"> • Appropriate physical security is in place to protect our most critical physical assets from damage or theft and to prevent local network intrusion to our digital assets. • The prioritisation of maintenance, renewals and improvements of our assets is based on criticality. • Implementation of new technologies, innovative initiatives or projects so far as cost and risk are balanced. • Using self-insurance as the primary means of insurance, even for critical assets, as long as appropriate reserves are in place. • Not insuring assets where premiums make it uneconomical to insure. 	<p>Council will not tolerate:</p> <ul style="list-style-type: none"> • Degradation of critical infrastructure networks. • Critical/high-value assets not having sufficient or appropriate insurance in place. • Breaches in regulations and legislation through mismanagement or inappropriate design of our assets. • Single points of failure not being identified and actively managed for critical infrastructure networks.
Associated Uncertainties (ELT Dashboard)	
<ul style="list-style-type: none"> • Ability to deliver the capital programme. • Reliance of actions of third parties 	<ul style="list-style-type: none"> • Fitness for purpose of assets • Financial

Attachment 3 to Report 24.635

Risk category Our people	
Risk category description We meet our employment obligations and create leadership and a culture that ensures we effectively deliver in a way that also enables our staff to feel valued, engaged and productive.	
Risk appetite statement All employment obligations set out in legislation, employment agreements and policies are met. Staff need to feel a sense of belonging and be comfortable bringing their whole selves when working for Greater Wellington. Greater Wellington aims to be an employer of choice through enabling a diverse and inclusive workforce that is equitable and provides an environment to deliver on our commitments to Māori staff. Staff will be appropriately remunerated, and we will provide the opportunity for them to develop the right skills, knowledge, attributes, and resources to do their job effectively and deliver for us. When undergoing change, our employees should feel supported and heard, with appropriate processes and controls to manage these change activities.	
Risk stance We will meet employment obligations and have a culture that builds productivity, engagement and that values diversity, equity and inclusion.	
Risk tolerance	Low tolerance
Council will tolerate: <ul style="list-style-type: none"> • Minor staff grievances that can be dealt with through normal internal mechanisms • Adherence to policies and procedures • Some exceptions to policy where appropriate • Change that supports effective delivery and retention of staff 	Council will not tolerate: <ul style="list-style-type: none"> • Bullying, harassment and discrimination • Actions or behaviours that do not adhere to our policies and values • Change for change's sake • High unplanned turnover • Policies and employment agreements that do not meet minimum legislative requirements
Associated Uncertainties (ELT Dashboard)	
<ul style="list-style-type: none"> • Appropriateness of services & delivery design • Reputation and public profile • Being effective partners in giving effect to Te Tiriti o Waitangi • Quality of stakeholder relationships & partnerships • Ability to implement change • Impact of reform • Integrity of people, fraud, bribery or corruption • Adequacy, integrity and privacy of information • Health, safety and wellbeing of people 	Links due to uncertainty surrounding capability and capacity <ul style="list-style-type: none"> • Ability to deliver the capital programme • Reliance on actions of third parties • Fitness for purpose of assets • Effectiveness of technology • Capability and capacity of external suppliers and partners • Compliance with legislative & regulatory requirements • Capability and capacity of people

Attachment 4 to the Report 24.635

Attachment 4 - Risk deep dives		
Uncertainty	Deep Dive	Status
Health Safety & Wellbeing	Undertaking treeworks	Completed
Fitness for purpose of assets	Validity of planning assumptions	Completed
Fitness for purpose of assets	Ability to fund improvements and maintenance (focused on flood protection assets)	Completed
Impact on Climate change	Climate change risk	Completed
Reliance on third parties	Integrity of the network with a focus on: Kiwirail - network investment backlog and the Wellington Railway Station – earthquake risk and impact on public transport	Completed
Effectiveness of technology	Accountability of technology	Completed
Data and information governance	Third parties are aware of and comply with GW requirements	Scheduled - Calendar year 2025
Being effective partners in giving effect to Te Tiriti o Waitangi	Te Tiriti audit	Scheduled - Calendar year 2025
Impact on the environment	Pest management	Scheduled - Calendar year 2025
Impact on Climate change	Climate change impacts on insurance	Scheduled - Calendar year 2025
Ability to fund delivery	Farebox revenue	Scheduled - Calendar year 2026
Impact on the environment	Environment compliance assessment	Scheduled - Calendar year 2026
Capability and capacity of people	Diversity, equity and inclusion	Scheduled - Calendar year 2026
Ability to deliver the capital programme	Progress against the PWC report with a focus on: - Financial management of projects - Internal capacity to deliver	Scheduled - Calendar year 2026
Capability and capacity of external suppliers and partners	Systems - staff have right systems and tools to do their job and are supported good policy and process	Scheduled - Calendar year 2026
Impact on the environment	Housing planning and policy	Scheduled - Calendar year 2027
Impact on the environment	Contaminated landfill sites	Scheduled - Calendar year 2027
Impact on the environment	Waste water non-compliance	Scheduled - Calendar year 2027

Greater Wellington Regional Council

Revenue collection controls assessment internal audit report
August 2024



Jacob Boyes
Head of Corporate Risk & Assurance
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington 6011

23 August 2024

Revenue collection controls assessment internal audit

Dear Jacob,

In accordance with our Terms of Reference dated 13 March 2024, we have completed our assessment of Greater Wellington Regional Council's revenue collection controls, based on our agreed scope described in Appendix A. Our observations and recommendations are set out in this report and are based on fieldwork completed between April and August 2024.

I would like to take this opportunity to acknowledge and thank the Greater Wellington Regional Council ('GWRC' or 'Council'), Transdev and Snapper personnel for the time and contributions they have made to enable us to perform this engagement.

Please feel free to contact me on 027 511 6563 if you have any questions or require any further information.

Yours sincerely,



Vaughan Harrison
Partner, Risk Services
PricewaterhouseCoopers
vaughan.x.harrison@pwc.com

Attachment 5 to Report 24.635



Inherent limitations

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.

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.



Confidential

This report is provided solely for 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.



1

Executive summary



Executive summary

Attachment 5 to Report 24.635

Background

The Council has long-term contracts with Snapper and Transdev for the provision of transport services in the Wellington region. These are significant long-term contracts under which important transport is managed and provided, and from which Snapper and Transdev are responsible for the collection of the following fare revenue:

- Physical ticketing services (Transdev only).
- Electronic smartcard system and card reader on buses and rail platforms (Snapper only).

You have asked us to assess the key Snapper and Transdev controls responsible for supporting the collection of Wellington region fare revenues. Please refer to Appendix A for our agreed scope and approach.

What we did

We have completed our assessment of revenue controls. Our approach to this assessment included:

1. Meeting with Snapper and Transdev management to understand the current control environment, progress made against the prior year recommendations, existing control issues (where relevant), and any changes made to existing controls.
2. Following this meeting, we agreed with the GWRC on the key controls to be tested and test sample sizes for each service provider
3. Performing process walkthroughs across all agreed control activities to assess the design of each control (completed for both Snapper & Transdev), and completed detailed sample testing to confirm controls are operating to their design (completed for Snapper only due to materiality of revenue collected by Transdev).

The detailed results of the work undertaken have been included in sections two and three of this report.



Overall, Snapper has enhanced its record-keeping and evidence of key controls in action when compared with the prior year. We identified some minor operational testing issues and improvement opportunities to further strengthen Snapper's control environment.

27 controls tested **15** With no issues identified **12** With issues identified
 1 design issue
 8 operational issues
 6 improvement opportunities

During our assessment we highlighted two issue types as summarised below:

1. Key control operational issues - where our testing showed the execution of the control did not align with its design

- Snapper has defined timelines for performing and resolving various activities (e.g. reconciliation variances and reporting to GWRC). However, these timeframes were not met across the sample we tested.
- System access rights for granting refunds and concessions need to be reassessed to ensure they align with activities of the staff members' role.
- Password parameters need enhancements, as the T-money central system lacks password complexity requirements, and there is no password expiry for DDCS, Keepers, and Office365. However, we acknowledge that the overall risk is reduced by two-factor authentication.
- Currently, test exit reports are only signed off for fare changes, not network changes. Snapper should reconsider and document sign off for test exit reports for Network changes as well.

1. Key control improvement opportunities - where the control could be further enhanced

- Improvements could be made to guidance documentation to outline the expected requirements for resolving reconciliation variances
- Improve keeping of meeting minutes as evidence of preventive maintenance review meetings
- Obtain formal approval and sign-off of the Business Continuity and Disaster Recovery Policy
- Improve the process to periodically apply firmware tests across Snappers environment.

Refer to section 2 for detailed testing

Executive summary

Attachment 5 to Report 24.635



Transdev has a number of controls in place to support the accurate and complete collection of revenue. Our design assessment has shown a number of improvements since last year, with Transdev addressing a number of the previous recommendations.

23 controls tested **21** With no issues identified **2** With issues identified
1 design issue
1 improvement opportunity

With a significant drop in revenue collected by Transdev in the current year, the focus was to assess the design of controls that support the revenue collection. Our design assessment of Transdev’s controls did not identify any significant issues for 23 out of the 25 controls we examined. This marks an improvement over the previous year.

One design issue we identified was in the daily cash collection process, where Armourguard did not sign the deposit bag receipt to confirm custody of cash being banked.

Further, we found one improvement opportunity relating to the daily reconciliation. Specifically, consideration needs to be given to addressing the longstanding discrepancies identified in the reconciliation by either writing them off, writing them back, or agreeing with GWRC on how to resolve them.

Refer to section 3 for detailed testing

Looking forward – Continue to maintain the oversight over the operation of control at both service providers and begin to establish the strategy for transitioning to the National Ticketing Solution (NTS).

In the coming year GWRC needs to continue to maintain oversight role of both service providers. However, with the confirmed changes in the national ticketing solution, there is a risk that the effectiveness of control operated by service providers may reduce as the date of the transition gets closer. As a result, GWRC should continue to monitor and review trends and take action as appropriate.

2

Snapper assessment results



Snapper assessment results

Attachment 5 to Report 24.635

Control objective 1: Tag on tag off (TOTO) data is recorded completely and calculated accurately within the correct period

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
1.1	Transactional data consisting of customer Tag On Tag Off (TOTO) details (i.e. date and time of journey, snapper card details etc.) is automatically uploaded in the Depot Data Collection System (DDCS). Data is auto uploaded from DDCS to T-money system and to the Snapper Database warehouse.	No concern (No issues noted)	Inspected one sample trip for all eight operators to confirm that the data is accurately automatically transferred from DDCS to T-money central system, Snapper database warehouse and GWRC reporting portal. Note: Data within DDCS is held for only 30 days before moving to the cloud and accordingly we are only able to test data transferred within this period.	No issues identified.	Tested the automated control in place no issues identified.	N/A
1.2	The Insights portal developed by Snapper reflects the bus trip performance against the set parameters / KPIs. Each day, Snapper Insight Analysts monitor vehicle incidents and vehicle state reports which present exceptions between actual trips data vs the schedule and feeds provided by GWRC. The Insight Analyst captures the reasons for discrepancies in the Insights Portal, and escalates any unresolved differences for commentary by the operators.	Some concerns (We can live with this but we can do better)	Inspected and confirmed the logic built in to monitor the exceptions in the bus trip data. Walked through and verified the live insights portal and monitoring mechanism of the network incidents and vehicle state reports.	No issues identified. Improvement opportunity: Insights analyst do not monitor the rail data due to the absence of trip details.	Tested the automated control in place no issues identified.	GWRC should consider whether rail trips should be defined and monitored to confirm completeness in the transaction data. GWRC Management response: We do not see this as a necessary solution and would require a device within trains which would be a significant investment. We are happy with the existing data that we have surrounding these trips which comes from Transdev operational reporting.

(continued)

Attachment 5 to Report 24.635

Control objective 1: Tag on tag off (TOTO) data is recorded completely and calculated accurately within the correct period (cont.)

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
1.3	A physical preventative maintenance programme (repeated in every six-month period) assesses all validators across all bus and rail operators. A monthly report is prepared by HTS highlighting repair trends and thematic issues identified. Snapper reviews the report, discusses the report in the monthly meeting, and performs follow up actions if required.	No concern (Missed opportunity)	Inspected a sample of three HTS monthly reports and meeting invites to confirm preventative maintenance discussions were held on a monthly basis.	No issues identified.	Operational issue: Evidence of monthly meetings in the form of meeting invites or minutes were not available in two out of three samples tested. We were informed that discussions took place over a phone call, but this could not be tested due to a lack of supporting evidence.	Snapper should maintain evidence of meeting invites and minutes for the monthly preventative maintenance meetings with the HTS group. GWRC Management response: We agree with this finding.
1.4	The T-money System automatically validates the transaction through checking the encrypted signatures. Any exceptions are notified by T-money and Snapper follows up and resolves the errors.	No concern (No issues noted)	Enquired with the Engineering Lead - Platform to confirm that T-money validates the transactions and notified any exceptions to Snapper.	No issues identified.	Confirmed via the T-money extract report that no errors were notified by T-money from 1 July 2023 to 30 June 2024 and as a result no sample testing was performed.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 2: All receipts are banked and/or paid to Greater Wellington Regional Council on a timely basis

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
2.1	On a daily basis the Settlement Officer performs a reconciliation of the data received in the T-money central system against the data from the Data Warehouse. The worksheet is sent to the Finance Manager for review and approval for reconciliation and payment.	No concern (No issues noted)	Walked through one reconciliation and inspected a sample of 25 daily reconciliations to confirm reconciliations were independently reviewed and approved by Head of Finance.	No issues identified.	No issues identified.	N/A
2.2	GWRC and Snapper have agreed a cumulative threshold of \$1,000 for variances within reconciliations. Any variances above this threshold are formally investigated and resolved and/or explained within agreed timeframes. Snapper has formalised these expectations and timeframes for investigation of reconciliation variances within a guidance document.	Some concerns (We can live with this but we can do better)	In continuation of Control 2.1, walked through one example of a reconciliation variation to confirm the variance was investigated and resolved by the Platforms team. Confirmed Snapper has prepared the "Misaligned Settlement discrepancies" guidance document, outlining the escalation process for identified discrepancies in settlements, the priority level of tickets and the response times for acknowledgement and resolution.	No issues identified. Improvement opportunity: We identified further enhancements that should be considered for inclusion within the guidance document: <ul style="list-style-type: none"> Statement regarding the agreed cumulative threshold of \$1,000 for variances within reconciliations Statement regarding the requirements for reporting variances to GWRC Re-evaluate the resolution timelines, as it may not be practical for issues to be resolved by the next settlement 	Operational issue: <ul style="list-style-type: none"> The incident level applied did not align with the new guidance document in two out of six samples tested The expected resolution time, based on the incident level selected, was not met in four out of six instances 	Snapper should consider incorporating the improvement points into the guidance document. Snapper should also ensure that incident levels are accurately recorded and timeframes are adhered to as specified in the Guidance document GWRC Management response: We agree with this finding.

(continued)

Attachment 5 to Report 24.635

Control objective 2: All receipts are banked and/or paid to Greater Wellington Regional Council on a timely basis

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
2.3	On a daily basis, the bank payment files uploaded into the banking system are reviewed against the amount in the supporting reconciliation and portal reports. Bank payments require two signatories before release.	No concern (No issues noted)	Inspected a sample of 25 daily reconciliations to confirm: <ul style="list-style-type: none"> Reconciliations were independently reviewed by Head of Finance. Two bank authorised signatories approved the payment before releasing 	No issues identified.	No issues identified.	N/A
2.4	Within the banking application only authorised employees can approve payments and individuals who can load payments cannot approve them.	No concern (No issues noted)	Inspected to determine only authorised personnel have access to approve payments and duties to load payments and approve are segregated.	No issues identified.	No issues identified.	N/A
2.5	On an annual basis, Engineering Lead - Platform generates a quarantine report from the Snapper database warehouse for the financial year, detailing transactions that were not processed for payment. The Finance team reviews the report to identify any underpayments and make necessary payments to GWRC. The Snapper Account Manager then communicates the payout details to the GRWC Commercial Leader.	No concern (No design issues noted, sample testing unable to be completed)	Enquired with the Engineering Lead - Platform & Finance Head to confirm the expected control process of review of the quarantine report on an annual basis.	No issues identified.	Testing unable to be completed Activity of extracting and reviewing the Quarantine report was not completed for the current testing period and accordingly no sample testing could be performed. This review is likely to take place in late August	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 3: Reporting to Greater Wellington Regional Council is complete, accurate and performed on a timely basis in accordance within the conditions set out in the providers Contract

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
3.1	<p>Snapper and GWRC have an agreement in place that outlines key responsibilities and service level performance requirements for each party.</p> <p>On a monthly basis, the SLA performance is monitored by the Snapper team through a Monthly operational report which shows performance against each SLA parameter and reasons for failure / low performance.</p>	No concern (Missed opportunity)	Inspected a sample of four months to confirm the IBTS operations report was sent to GWRC.	No issues identified.	<p>No issues identified.</p> <p>Improvement opportunity: As per the contract the timeframe to submit the monthly report has been agreed as 7th business day of the following month, however in two out of four samples, there were delays ranging from one to two days.</p>	<p>Snapper should remind staff of the timeframe requirements for sending the IBTS operations report.</p> <p>GWRC Management response: We agree with this finding.</p>
3.2	On a daily basis the Settlement Officer performs a reconciliation of the data received in the T-money central system against the data from the Data Warehouse. The worksheet is sent to the Finance Manager for review and approval for reconciliation and payment.		Refer to Control 2.1 for procedures performed.			

(continued)

Attachment 5 to Report 24.635

Control objective 4: Withdrawals from banks accounts, concessions or refunds are approved by authorised individuals

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
4.1	Access rights for granting refunds and credits on Snapper cards is restricted with the Customer service representatives and the Insights Analysts on the Customer Service agent CSA Portal and the Insights portal.	Some concerns (We can live with this but we can do better)	Enquired with the Platform Engineer to confirm the system access to grant refunds and credits on Snapper cards on the CSA and Insight portals is restricted to: <ul style="list-style-type: none"> • Snapper customer care • I-site support centre for snapper • Transdev support centre • Operations (including Insights) team (back up to customer service) • Engineering & Development team • Two Finance team members (Settlement Officer and Head of Finance) • Heads of Product & Technology teams 	No issues identified.	<p>Operational issue: Our assessment identified:</p> <ul style="list-style-type: none"> • Finance team members had Finance system access to create and approve refund invoices and Portal system access to grant refunds. • Snapper Head Office CSA portal account was linked to a terminated employee's email account. • For one Customer Service team member, a personal email account (Gmail) was registered to the CSA portal account. 	<p>Snapper need to reassess the existing system access rights to ensure access is restricted to the appropriate team members.</p> <p>GWRC Management response: We agree with this finding.</p>
4.2	Refund invoices billed to GWRC are were independently reviewed and approved by the Financial Accountant, Accounts Officer or Head of Finance.	Some concerns (We can live with this but we can do better)	Inspected ten samples of refund invoices to confirm these were independently reviewed and approved by the Financial Accountant, Accounts Officer or Head of Finance. For all samples tested, the preparer and approver were distinct team members.	No issues identified.	<p>Operational issue: We found two refund invoices sampled had edits made after the initial approval, without any subsequent approval obtained. It is noted each invoice amount remained unchanged.</p> <p>Improvement opportunity: Consider a system enforced approval workflow to manage invoice approval.</p>	<p>Snapper should remind the team to ensure that all edits to approved invoices require subsequent approval before being sent to GWRC.</p> <p>Consider implementing a system enforced workflow for invoice approval.</p> <p>GWRC Management response: We agree with the finding that Snapper should remind the team to ensure invoices are appropriately approved.</p> <p>However, We are comfortable with the current invoicing process as Snapper is planned to be replaced by NTS. We are not looking to make significant changes to systems and processes in the meantime.</p>

(continued)

Attachment 5 to Report 24.635

Control objective 5: Potential revenue losses is identified and resolved on a timely basis

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
5.1	Application of child concessions & limited full-time student concession on the existing cards is restricted to Snapper customer service representative.	Some concerns (We can live with this but we can do better)	Enquired with the Platform Engineer to confirm the system access for applying concessions on existing Snapper cards is restricted with the users tagged to the "Admin" group and the users belonged to the following teams: <ul style="list-style-type: none"> • Snapper customer care • Insights Analyst • Operations (including Insights) team (back up to customer service) • Engineering & Development team • Two Finance team members (Settlement Officer and Head of Finance) • Heads of Product & Technology teams 	No issues identified.	Operational issue: Our assessment identified: <ul style="list-style-type: none"> • The finance team are not involved in application of concessions but have access rights to apply them 	Snapper need to reassess the existing system access rights to ensure access is restricted to the appropriate team members. GWRC Management response: We agree with this finding.
5.2	Snapper automatically applies Accessibility, Tertiary and Community concessions to a card if it has been appropriately validated by external partners via API or portal (i.e. Tertiary organisations, Ride wise).	No concern (No issues noted)	Walked through one sample to confirm the accuracy of the concession applied.	No issues identified.	Automated control in place which has been tested and no issues identified. No further testing required.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 6: Access to ticket management system is granted, amended and removed with authorisation in a timely manner

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
6.1	Granting and modification of access to Snapper systems is controlled through authorisation by the line manager, platform teams and the P&C lead after the employee contract and start date is agreed.	No concern (No issues noted)	Inspected a sample of two new or modified users to confirm access was approved and provisioned appropriately.	No issues identified.	No issues identified.	N/A
6.2	Line Managers and P&C lead authorises IT to remove employee system access once termination date is agreed.	No concern (No issues noted)	Walked through two sample of users removed to confirm system and network access was removed in a timely manner.	No issues identified.	No issues identified.	N/A
6.3	Privileged access to Snapper's ticket management system application, network, server, and database is appropriately restricted and in line with staff roles and responsibilities.	No concern (No issues noted)	Walked through and inspected the privileged access to DDCS, VPN, T-money central system, GWRC ticketing portal, and AWS cloud is restricted in line with staff roles and responsibilities.	No issues identified.	No issues identified.	N/A
6.4	Effective password settings (including password expiry) and parameters are documented and enforced at both the Snapper network and application level.	Some concerns (We can live with this but we can do better)	Enquired with the Platform Engineer to confirm that passwords were enforced and parameter settings were documented for Snapper network and relevant applications.	Confirmed via the walkthrough enquiry that passwords requirements were documented and were enforced for: <ul style="list-style-type: none"> • Snapper Network. • Keepers (password vault). • T-money. • DDCS. 	<p>Operations issue: We noted the following:</p> <ul style="list-style-type: none"> • No password complexity enforced for T-money central system • No password expiry enforced for DDCS • No password expiry enforced for Keepers • No password expiry enforced for Office365 <p>It is noted all applications have two factor authentication enabled</p>	<p>Snapper should:</p> <ul style="list-style-type: none"> • Ensure password complexity requiring uppercase, lowercase and alphanumeric characters is enforced for T-money central system passwords. • Ensure password expiry period of minimum 60 days is enforced for DDCS, Keepers and Office365 <p>GWRC Management response: We agree with this finding.</p>

(continued)

Attachment 5 to Report 24.635

Control objective 7: Ticket management system application changes are authorised, tested, approved and documented appropriately prior to being migrated to production

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
7.1	Snapper system changes including fare adjustments are requested and approved by an authorised person at GWRC and Snapper.	No concern (No issues noted)	Inspected three samples of a system change (fare and network) to confirm that changes are requested by GWRC through ticketing system.	No issues identified	No issues identified.	N/A
7.2	Snapper's team peer review the test configurations and prepare test exit reports prior to a change being deployed to production. Each test exit report reviewed and approved by the appropriate Snapper person before being migrated to production. Access to the test environment is provided to GWRC to review.	Some concerns (We can live with this but we can do better)	Inspected three samples of system change (fare and network) to confirm: <ul style="list-style-type: none"> The test configuration is peer reviewed, signed off, and documented through the Jira ticketing system. Access to the test environment is provided to GWRC to support testing. 	<p>Design issue:</p> <p>Test exit reports are only signed off for Fare changes and not for Network changes. However, network changes are peer reviewed by a Snapper team member before migration to production.</p>	<p>Operations issue: We noted the following:</p> <p>Test exit report for two network changes were not documented. However, these two network changes were peer reviewed before being migrated to production.</p>	<p>Snapper should document the requirements for what type of changes require sign off test exits reports.</p> <p>GWRC Management response: We agree with this finding.</p>
7.3	Changes to the Snapper system are developed, modified, and tested in an environment separate from the production environment.	No concern (No issues noted)	Inspected and confirmed separate environments exist for development and production.	No issues identified.	No issues identified.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 8: Computer Operations of problem management, business continuity, disaster recovery and backup processes are managed appropriately

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
8.1	Incident and problem management tickets are created when issues arise. These are prioritised and monitored to ensure the issue is resolved within required business timeframes.	Some concerns (We can live with this but we can do better)	Inspected 25 sample incidents to confirm the incident ticket is monitored and resolved within the required business timeframes.	No issues identified.	Operations issue: We found that for five out of 25 samples tested, the incidents were not resolved within the required SLA timeframes, and delays were not escalated. These delays ranged from 40 minutes to 22 days.	Snapper should remind staff of the timeframe requirements for resolving incidents in adherence to the SLA GWRC Management response: We agree with this finding.
8.2	A backup policy is in place and tested regularly, in accordance with the requirements of policy. Any issues identified are resolved.	No concern (No issue noted)	Inspected backup policy and validated that backups were automatically and successfully completed by the system.	No issues identified.	No issues identified	N/A
8.3	Policy for Business Continuity (BCP) and Disaster Recovery (DR) is in place.	No concern (Minor issue noted)	Inspected the BCP and DR policy to confirm policies are in place.	No issues identified. Improvement opportunity: Although the BCP and DR policy has been documented, we noted that it has not yet received formal approval and sign-off.	No issues identified.	Snapper should consider implementing a formal approval process for their Business Continuity Plan (BCP) and Disaster Recovery (DR) policy. GWRC Management response: We agree with this finding.
8.4	Business Continuity and Disaster Recovery Plans are tested on an annual basis.	No concern (No issues noted)	Inspected one sample of BCP and DR tests performed.	No issues identified.	No issues identified	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 8: Computer Operations of problem management, business continuity, disaster recovery and backup processes are managed appropriately

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Operational assessment results	Snapper actions
8.5	Snapper runs firmware tests over all their systems whenever there is a change request. Ad hoc testing takes place in an event of reported system issue.	Some concerns (We can live with this but we can do better)	Snapper team confirmed that no firmware testings were carried out during the Financial year.	No issues identified. Improvement opportunity: Snapper should consider running periodic firmware tests.	N/A	Snapper should establish a process to periodically apply firmware tests to confirm system operations are working as intended and/or support the early identification of any system issues. GWRC Management response: We agree with this finding. Snapper agreed that if no firmware changes occur in any given year, then Snapper would undertake and document one test. This would be documented in a Release Process.

3

Transdev assessment results



Transdev assessment results

Attachment 5 to Report 24.635

Control objective 1: Physical access to ticket inventory and/or cash is restricted to authorised individuals.

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
1.1	Bulk physical ticket inventory is located in an access controlled (via physical locks) storeroom. Only authorised personnel have access.	No concern (No issues noted)	Observed physical ticket inventory is located within an access-controlled storeroom. Confirmed with Transdev management only authorised personnel have access to the storeroom as at 28 May 2024.	No issues identified.	N/A
1.2	Security cameras operate outside the storeroom and Glory Machine Area. Security cameras are installed and maintained by third party Red Wolf and footage is retained by GWRC's Security team for a period of 1 month.	No concern (No issues noted)	Observed the cameras operating at each location and the retention of footage for a one-month period.	No issues identified.	N/A
1.3	Wellington Railway Station Sales Agents are assigned tickets in a secure, locked, movable cupboard. The cupboard is locked at the end of the shift, and keys issued to staff member based on their system issue point.	No concern (No issues noted)	Observed the existence of tickets within lockable, movable cupboards assigned during the onboarding process which is locked at night.	No issues identified.	N/A
1.4	All Onboard staff have ticket wallets containing their tickets and float. At the end of the shift, these are securely locked in the staff members locker.	No concern (No issues noted)	Observed the existence of ticket wallets containing tickets and floats that are kept within the staff member's locker. There are lockers in other stations which we were unable to observe.	No issues identified.	N/A
1.5	The Glory Machine is locked using a key accessible by appropriate staff during the shift and locked in the safe overnight.	No concern (No issues noted)	Observed the Glory Machine key is stored in an overnight safe whose access is limited to appropriate personnel.	No issues identified.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 2: All ticket sales are completely and accurately recorded in the ticket management system

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
2.1	The ticket management system automatically calculates the value of the tickets sold for the day when entered.	No concern (No issues noted)	Walked through an instance of one automatic calculation within the ticket management system to confirm the value of daily tickets sold was calculated as expected.	No issues identified.	N/A
2.2	The ticket management system automatically prevents entry of a ticket stub number outside of the range allocated to the staff member.	No concern (No issues noted)	Walked through an instance of a ticket stub number outside of the range allocated to a staff member to confirm the ticket management system automatically prevented entry.	No issues identified.	N/A
2.3	On a daily basis Wellington Railway Station Sales Agents complete a cash book analysis to reconcile the days cash takings to sales of tickets. Team Leaders review and sign the cash book analysis to confirm supported documentation and information entered into the ticket management system agree. Any discrepancies identified are investigated and resolved.	No concern (No issues noted)	Walked through one sample of a daily cash book reconciliation to confirm: <ul style="list-style-type: none"> Reconciliation was prepared by the sales agent. Reconciliation was independently reviewed by a Team Leader. There were no discrepancies. 	No issues identified.	N/A
2.4	On a daily basis Onboard staff members report to Wellington Railway Station to cash up and calculate tickets sales for the day. Staff provide the Glory Machine receipts to P9 staff who enter values into the ticket management system as a confirmation of the cash up process and calculation of the sales values for the day. Any discrepancies identified between the cash and calculated sales are investigated.	No concern (No issues noted)	Observed one onboard staff member's cash up to confirm it was performed correctly, and any discrepancies identified were investigated.	No issues identified.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 2: All ticket sales are completely and accurately recorded in the ticket management system (cont.)

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
2.5	The Glory Machine is serviced and calibrated for accuracy approximately three times a year by the service provider as part of the contract with Transdev.	No concern (No issues noted)	Walked through evidence to confirm the Glory Machine has been serviced twice during the year (November 2023 and May 2024) by a Glory technician.	No issues identified.	N/A
2.6	The under and overs sale variance report is reviewed by Onboard Team Leaders to identify any follow up of staff that show unusual patterns or trends in their sales/floats. These discrepancies are investigated and resolved.	No concern (No issues noted)	Enquired with the Retail Sales Manager and walked through one sample to confirm the control was in place and performed on a daily basis for Onboard and Retail Staff.	No issues identified.	N/A
2.7	Refund request forms are reviewed for valid supporting documentation and are approved by the Retail Sales Manager before payments are made.	No concern (No issues noted)	Walked through one sample refund to confirm the supporting documentation was attached and approval by the Retail Sales Manager was provided	No issues identified.	N/A
2.8	On a monthly basis the Project Resource reviews the negative adjustments report to confirm transactions processed in the ticket management system are appropriate. Any discrepancies identified are investigated and resolved.	No concern (No issues noted)	Enquired with the Project Resource and walked through one sample of the negative adjustments report to confirm that transactions were processed appropriately.	No issues identified.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 3: All receipts are banked and/or paid to Greater Wellington Regional Council on a timely basis

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
3.1	<p>On a daily basis cash is collected from the Glory Machine by the Transdev Collections Officer who completes a cash summary and a banking deposit slip and provides this to Armourguard upon pickup.</p> <p>Armourguard sign the deposit bag receipt to evidence collection and custody of the cash which is deposited into the Farebox bank account.</p>	Some concerns (We can live with this but we can do better)	Walked through one sample of a pickup to confirm the deposit bag receipt was signed appropriately and deposited into the Farebox bank account.	Design issue: The sample deposit bag receipt tested was not signed by Armourguard.	<p>Limited improvement from the prior year whereby deposit bags were not signed by Armourguard upon pick up. Transdev should provide additional training to staff who perform this control to ensure they obtain Armourguard sign off on the deposit bag to evidence custody of the cash being collection.</p> <p>GWRC Management response: While we agree with this finding, we note that the process has already changed. Transdev have provided evidence showing the correct process being followed.</p>
3.2	<p>On a daily basis, the Transdev Wellington accountant performs a reconciliation between the Farebox closing bank account balance and the sales reported by the ticket management system.</p> <p>Reconciling items are matched to valid supporting evidence (e.g. Armourguard and ticket agents' invoices) and discrepancies followed up and resolved.</p> <p>The reconciliation is reviewed and approved by the Business Planning Analysis and Reporting Manager (BPARM) within agreed business timeframes.</p>	Some concerns (We can live with this but we can do better)	<p>Walked through a sample reconciliation to confirm:</p> <ul style="list-style-type: none"> The reconciliation was completed and signed by the Transdev Wellington accountant and reviewed by the BPARM The Farebox closing bank balance matched to the sales reported by the ticket management system Any reconciling items were investigated and resolved. 	<p>No issues identified.</p> <p>Improvement opportunity: Due to decrease in revenue, the unreconciling difference has significantly reduced to approximately \$630. However, we noted that there are old outstanding known balances amounting to approximately \$7.3k, which relate to payments received but tickets not issued and \$2.9k, for unknown deposits.</p>	<p>Transdev should consider addressing the known long-standing discrepancies identified in the reconciliations by either writing them off, writing them back, or agreeing with GRWC on how to resolve them.</p> <p>GWRC Management response: We accept this risk as the total variance is below the \$1k threshold. We also note that with move towards NTS we are looking to progress towards being cashless.</p>

(continued)

Attachment 5 to Report 24.635

Control objective 3: All receipts are banked and/or paid to Greater Wellington Regional Council on a timely basis (cont.)

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
3.3	Transdev and Armourguard have an agreement in place that outlines key responsibilities for each party. Transdev performs monitoring over the service provided through regular meetings or reporting.	No concern (No issues noted)	Inspected the agreement and confirmed it was approved prior to services being provided.	No issues identified.	N/A

(continued)

Attachment 5 to Report 24.635

Control objective 4: Reporting to Greater Wellington Regional Council is complete, accurate and performed on a timely basis in accordance within the conditions set out in the Partnering Contract

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
4.1	A signed contract is in place between Greater Wellington Regional Council (GWRC) and Transdev Wellington to enable Transdev to sell tickets on behalf of GWRC and to detail each party's role, responsibilities, and expectations.	No concern (No issues noted)	Inspected the agreement and confirmed it was approved prior to services being provided.	No issues identified.	N/A
4.2	On a daily basis, Transdev Wellington run a report from the ticket management system detailing the sales for the previous day. The Accountant will check that hash totals match in the report and the GWRC populated template. The Business Planning and Reporting Manager then approves the report.	No concern (No issues noted)	Walked through a sample report to confirm they were approved and reviewed by the Business Planning and Reporting Manager.	No issues identified.	N/A
4.3	On a daily basis, the required reports and reconciliation are sent to GWRC before 10am, in line with the responsibilities set out in the partnering contract.	No concern (No issues noted)	Walked through a sample daily email to confirm that the required reports and reconciliations were sent before 10am.	No issues identified.	N/A
4.4	On a daily basis, the Transdev Wellington accountant performs a reconciliation between the Farebox closing bank account balance and the sales reported by the ticket management system. Reconciling items are matched to valid supporting evidence (e.g. Armourguard and ticket agents' invoices) and discrepancies are followed up and resolved. The reconciliation is reviewed and approved by the BPARM within agreed business timeframes.	Refer to control 3.2 for procedures performed			

(continued)

Attachment 5 to Report 24.635

Control objective 5: Withdrawals from banks accounts or refunds are approved by authorised individuals

No.	Control	GWRC risk framework rating	Assessment procedures	Design assessment results	Transdev actions
5.1	On a daily basis, the previous day's sales or cash receipts are transferred to GWRC from the Farebox account. The batch bank payment is reviewed against supporting documents (e.g. GRWC reporting) and approved by two signatories within agreed business timeframes.	No concern (No issues noted)	Walked through a sample payment to GWRC to confirm the batch was reviewed before payment.	No issues identified.	N/A
5.2	Segregation of duties exist in the banking application. Only authorised employees have the ability to approve payments and individuals who can load payments cannot approve them.	No concern (No issues noted)	Observed on screen the banking application prevents the authorised users from loading and approving the same payment.	No issues identified.	N/A
5.3	Withdrawals from the Farebox account can only be made with approval from an appropriate delegate at GWRC.	No concern (No issues noted)	Walked through a sample withdrawal from the Farebox account to confirm the withdrawal was approved before payment.	No issues identified.	N/A

4

Appendices



Appendix A – Objective and scope

Attachment 5 to Report 24.635

Objective and scope

The **objective** of this engagement was to:

- Assess the design of the revenue collection controls in place across Snapper and Transdev to determine if they are designed to meet the agreed control objectives which will form the basis of our assessment
- For Snapper controls only, confirm through sample testing the existing controls are operating as intended for the period 1 July 2023 to 30 June 2024
- Provide recommendations to the Council to consider for addressing any improvement observations identified.

The scope for this engagement includes the existing control activities as they relate to the following control objectives agreed between the Council, Transdev and Snapper:

Control objectives	Snapper	Transdev
Tag on tag off (TOTO) data is recorded completely and calculated accurately within the correct period	✓	
Physical access to cash is restricted to authorised individuals		✓
All ticket sales are completely and accurately recorded in the ticket management system	✓	✓
All receipts are banked and/or paid to Greater Wellington Regional Council on a timely basis	✓	✓
Reporting to Greater Wellington Regional Council is complete, accurate and performed on a timely basis in accordance within the conditions set out in the Providers Contract	✓	✓
Withdrawals from banks accounts, concessions or refunds are approved by authorised individuals	✓	✓
Potential revenue losses is identified and resolved on a timely basis	✓	
Access to ticket management system is granted, amended and removed with authorisation in a timely manner	✓	
Ticket management system application changes are authorised, tested, approved and documented appropriately prior to being migrated to production	✓	
Computer Operations of problem management, business continuity, disaster recovery and backup processes are managed appropriately.	✓	

Attachment 5 to Report 24.635

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Greater Wellington Regional Council

GST Data Analytics Summary

22 October 2024



Attachment 6 to Report 24.635



Strictly private and confidential

Attachment 6 to Report 24.635



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Ashwin Pai and Jacob Boyes
Greater Wellington Regional Council
P O Box 11646
6142, Wellington
New Zealand

22 October 2024

Dear Jacob and Ashwin

Please find enclosed our summary of findings from the GST analytics undertaken over a sample of data provided by the Greater Wellington Regional Council (Council).

This report has been prepared for the purpose of delivering our data analytical assessment of GST compliance, and should not be relied upon for any other purpose.

As this is a draft report, the comments herein are subject to amendment or withdrawal. Our definitive findings and conclusions will be those set out in the final report. We request that you review the draft report and if there are any changes that you consider are required, please advise. We can finalise the report once we have received your feedback.

This report is strictly confidential, unless described in the contract or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ashwin'.

Phil Fisher
Partner

A handwritten signature in blue ink, appearing to read 'Kelly David'.

Kelly David
Senior Manager

October 2024

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Abbreviations

AP	Accounts Payable
AR	Accounts Receivable
GST	Goods and Services Tax
IR	Inland Revenue



Executive Summary

Context - Why is GST important?

GST makes up 32% of tax revenue (more than \$40 billion per annum) collected by the Government. As such, Inland Revenue places a high-degree of emphasis of organisations having high-compliance in this area and have invested heavily in GST data analytics. We are increasingly seeing the use of these analytics with clients being asked questions over the GST returns they have filed, particularly where a refund has arisen!

Accordingly, we have developed data analytic capability that primarily runs off AP/ AR data, with some additional master data requests. The tests we have run over Council's data are comparable to the tests that we understand Inland Revenue are performing, and can assist Council in being prepared for any potential data scrutiny by Inland Revenue. The expectation is that an organisation's GST/ Finance team would be aware of, and be able to justify any exceptions.

GST Data Analytics

Our data analytics testing has resulted in a moderate proportion of 'exceptions' where further investigation should be taken. However, we consider that there is likely to be a valid explanation of any discrepancies in most instances. Our key observations in relation to each test type, can be found at Section One of this report.

Based on our understanding of Council' operations, and to assist with the review of the exceptions, we have provided possible explanations for a number of these. Our comments should be confirmed and accepted/ rejected where appropriate. In other instances we have recommended further investigation may be warranted.

Overall Comments

The purpose of this data analytic testing was to identify any trends in Council GST calculations which may be cause for concern.

Based on our data analytic testing, we identified a significant amount of duplicate invoices in both the AP and AR functions. We recommend Council investigate this as it may have a material impact on the GST position and would certainly be something Inland Revenue would question.

Whilst a number of other exceptions have been identified, we do not consider there is any significant cause for concern for these. We recommend that Council review these exceptions provided in conjunction with the comments within this report.

If Council is unable to provide an explanation to any exceptions, this may be an indication that there is an issue or error in the GST process that needs to be resolved.

Scope and Approach

The scope of our GST data analytics testing was set out in our proposal provided in June 2024 and is in accordance with our terms of business set out in our Engagement letter dated 1 February 2024.

Briefly, the aim of this testing was to provide the Finance team with an assessment of Council' GST compliance. The approach taken for the testing was to analyse GST information contained in Council AP/AR data.

As agreed, the culmination of the evaluation is the following report, providing an overview of the exceptions identified, and our evaluation of the potential reasons behind these exceptions.

GST Information tested

Total transactions in dataset	AR	AP
46,083	18,520	27,563

GST Period	Data Analysed	Period start date	Period end date
October 2023	AR AP	1 October 2023	31 October 2023
November 2023	AR AP	1 November 2023	30 November 2023
December 2023	AR AP	1 December 2023	31 December 2023
January 2024	AR AP	1 January 2024	31 January 2024
February 2024	AR AP	1 February 2024	29 February 2024
March 2024	AR AP	1 March 2024	31 March 2024
April 2024	AR AP	1 April 2024	30 April 2024

Summary of data analytic tests

Test	Function	Name
AP1	AP	Coding anomalies
AP2	AP	Suppliers with multiple tax codes
AP3	AP	Duplicate invoices
AP4	AP	GST claimed on time
AP5	AP	Significant transactions
AP6	AP	Vendors with invalid GST numbers
AP7	AP	Vendors with more than one GST number
AP8	AP	Vendors sharing the same GST number
AP9	AP	GST variance on credit notes
AR1	AR	Coding anomalies
AR2	AR	Significant transactions
AR3	AR	Duplicate invoices
AR4	AR	GST variance on credit notes
AR5	AR	GST returned on time
AR6	AR	Customer with multiple tax codes
AR7	AR	Sales to overseas customers

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Findings

Attachment 6 to Report 24.635



Findings - Accounts payable

Test	Explanation	# of Exceptions/ 27,563 of instances tested	Our observation / comment	Our recommendation	Management comments
AP1: GST coding anomalies	<p>Identifies payable transactions that are:</p> <ul style="list-style-type: none"> • Coded taxable but GST is not equal to 15% • Coded GST exempt, but GST amount is not 0 • Coded as zero-rated, but where the GST amount is not 0% • Coded no-supply, but GST amount is not 0 <p>We have allowed variance of 0.1% to account for minor rounding in the finance system.</p>	5	All 4 exceptions relate to where a client's GST code was 'NA', yet GST was charged on the amount suggesting a GST coding error on a one-off transaction.	We recommend that Council investigate these exceptions to ensure the GST treatment is correct.	We have investigated all 5 exceptions and found that GST treatment was correct. Exceptions mainly related to invoices with a mixture of taxable and exempt supply.
AP2: Supplier with multiple tax codes	Identifies vendors that have multiple different tax codes applied to the supplies they make to Council	47	We note that a number of suppliers use more than one GST code. This may reflect a supplier making supplies having both taxable and exempt elements, or have zero and standard rated supplies such as land, accommodation etc.	We recommend that Council sample tests a number of these results to confirm that the multiple tax code application is appropriate. Specifically we recommend testing the larger suppliers such as DHL as well as a handful of the smaller suppliers.	The majority of suppliers with multiple tax codes are appropriate as the suppliers are making both taxable and exempt supply. However, in doing this review we identified several suppliers where GST was not processed correctly. We will investigate these and report the outcome to FRAC.

Findings - Accounts payable (continued)

Test	Explanation	# of Exceptions/ 27,563 of instances tested	Our observation / comment	Our recommendation	Management comments
AP3: Duplicate invoices	Analysis of accounts payable duplicate invoices based on transactions that have the same invoice number, invoice date and tax amount.	1	Our testing initially identified 17,000 duplicate invoices but after updating the new logic this has been reduced to 1. We note the new logic for AP and AR duplicates is: Same invoice number + Same vendor/ consumer + Different document number.	We recommend Council ensure the duplicate invoice logic is correct, and investigate the 1 duplicate invoice.	We have reviewed this transaction and it relates to an invoice and a credit note issued with the same reference number. The two transactions net to zero.
AP4: GST input tax claimed on time	Identify whether accounts payable transactions have been entered into the system (posting date), and therefore assumed GST claimed within at least 2 years. This test also produces a trend analysis/area chart to give a broad illustration of the delay for every transaction in the dataset.	57	On the assumption that the GST return is driven off the posted date then these results are somewhat accurate. Certainly, having 99.8% (27,506/27,563) of invoice and posting dates within the statutory 2 year time frame provides some confidence that GST is being largely claimed on time. Of the 57 invoices supposedly "claimed early" we note that a majority of these have invoice and posting dates within the same month which likely leads to them being claimed appropriately in the same period as the invoice date. However, we did identify 5 instances where GST was claimed more than one month early.	We recommend further analysis is undertaken of the invoices showing as claimed more than one month before the invoice date.	GST was claimed in the correct month for these transactions. We reviewed the 5 instances where GST was claimed more than one month early and identified that this related to a data entry error, with invoice date and document date fields being different. While we note that this is not a common issue, with only 6 instances of transactions having a different invoice and document date across the same period, we are investigating limiting access to change invoice entry details to ensure changes are managed correctly.

Findings - Accounts payable (continued)

Test	Explanation	# of Exceptions/ 27,563 of instances tested	Our observation / comment	Our recommendation	Management comments
AP5: Significant transactions	<p>Test 1: Top 10 suppliers who have highest volume of transactions recorded against them.</p> <p>Test 2: Top 10 highest value invoices.</p> <p>In both instances results are displayed monthly.</p>	10	<p>Test 1 highlights the highest volume suppliers. We note for suppliers 1, 4, 7, and 9, the GST amount is not equal to 15% however this is likely to be because these suppliers make both taxable and exempt supplies. Additionally, for suppliers 2 and 5 the GST amount is not equal to 15% however this is likely to be a rounding issue given the large volume of transactions.</p> <p>Test 2 results highlight the largest 10 invoices. We note all ten results relate to one supplier who has one GST code which should be sense-checked on occasion to ensure this remains true.</p>	<p>We recommend the highlighted suppliers are investigated to confirm the GST variance. As good practice, we recommend undertaking periodic spot checks to provide confidence over the GST treatment.</p> <p>We recommend the top 10 largest invoices should also be tested as a regular part of any GST return review.</p>	<p>The majority of variances are not significant and relate to rounding.</p> <p>For Snapper, GST has not been claimed on refunds. We will investigate whether this treatment is correct and aligns to our treatment of concession revenue from other sources.</p> <p>We have reviewed the top 10 largest invoices. They all relate to Treasury which is in line with our expectations</p>

Findings - Accounts payable (continued)

Test	Explanation	# of Exceptions/ 27,563 of instances tested	Our observation / comment	Our recommendation	Management comments
AP6, AP7 & AP8: Vendors IRD number validation check	<p>Vendors with invalid GST number: Verified supplier IRD numbers.</p> <p>Vendors with more than one GST number and sharing GST numbers: Identifies vendors in the master data that may have multiple GST numbers</p> <p>Vendors sharing the same GST number:</p>	<p>AP6: 239 vendors with invalid GST numbers</p> <p>AP7: 0 vendors with more than one GST number</p> <p>AP8: 51 vendors sharing a GST number</p>	<p>Of the 239 vendors with invalid GST numbers this appears to largely be because there is no GST number - which may be appropriate if the vendors are not registered for GST purposes. The majority of results appear to be individual names which is indicative that these are likely staff reimbursements.</p> <p>In regards to the 51 vendors sharing a GST number this may make sense where there are CCO's/ Trust accounts etc.</p>	<p>We suggest further investigation is undertaken for both categories in question through sample checks particularly to ensure an explanation can be given.</p>	<p>We have viewed all vendors with invalid GST numbers and found no issues. They are not registered for GST as these vendors include staff, foreign creditors and non-GST registered entities.</p> <p>We have reviewed all vendors who share a GST number and have identified no issues.</p> <p>The reason for shared GST numbers primarily related to linked businesses and the same business with multiple bank accounts.</p>
AP9: Variances on credit notes	Duplicate test used to identify possible reversal transactions and match them to their possible original transactions.	0 results	No exceptions identified.	No further action required.	Noted.

Findings - Accounts receivable

Test	Explanation	# of Exceptions/ 18,520 of instances tested	Our observation / comment	Our recommendation	Management comments
AR 1: Coding anomalies	<p>Identifies receivable transactions that are:</p> <ul style="list-style-type: none"> • Coded taxable but GST is not equal to 15%; • Coded GST exempt, but GST amount is not 0; • Coded as zero-rated, but where the GST amount is not 0%; or • Coded no-supply, but GST amount is not 0. <p>We have allowed variance of 0.1% to account for minor rounding the finance system.</p>	0 results	No exceptions identified.	No further action required.	Noted.

Findings - Accounts receivable (continued)

Test	Explanation	# of Exceptions/ 18,520 of instances tested	Our observation / comment	Our recommendation	Management comments
AR2: Significant transactions	<p>Test 1: Top 10 customers who have highest volume of transactions recorded against them.</p> <p>Test 2: Top 10 highest value invoices</p> <p>In both instances results are displayed monthly.</p>	10	<p>Test 1 highlights the highest volume suppliers. We note 'supplier 1' has no 'customer name'. For suppliers 1, 3 and 4 the GST amount is not materially equal to 15% however this is likely to be because these suppliers make both taxable and exempt supplies and for suppliers 6 - 10, the GST amount is not equal to 15% however this is likely to be a rounding issue given the large volume of transactions.</p> <p>Test 2 results highlight the largest 10 invoices. We note that the majority of results relate to Waka Kotahi NZ Transport Agency. Additionally, suppliers 1, 5, 6, 7, 8 and 9 have no 'customer name' which may suggest an error in the AR system.</p>	<p>We recommend suppliers 6 - 10 are investigated to confirm the GST variance and 'supplier 1's' customer name is looked into. As good practice, the top 10 largest invoices should also be tested as a regular part of any GST return review.</p> <p>We suggest the highlighted suppliers are investigated as to why they have no customer name. Test 2 is also useful in a review process when undertaking periodic spot checks to provide confidence over the GST treatment.</p>	<p>Those transactions with no customer name primarily relate to upload files, eftpos and bank receipts. GST is not equal to 15% as these transaction include fines, bond payments and credit notes for non-GST registered parties.</p> <p>For the remaining suppliers the recognition of GST in the accounts is correct with the variance resulting from rounding, hardcoded GST and correction of transaction in the accounts.</p> <p>Transactions with no name is due to standard processes for upload files and GST refunds from IRD.</p> <p>For these transactions the customer name is held for one invoice only but these transactions are still attached to the debtor through the upload file.</p>
AR3: Duplicate invoice	<p>Analysis of accounts receivable duplicate invoices based on transactions that have the same invoice number, invoice date and tax amount.</p>	3	<p>Our testing initially identified 16,000 duplicate invoices but after updating the new logic this has been reduced to 1. We note the new logic for AP and AR duplicates is: Same invoice number + Same vendor/ consumer + Different document number.</p>	<p>We recommend Council ensure the duplicate invoice logic is correct, and investigate the 3 duplicate invoices.</p>	<p>Reviewed and no duplicates identified.</p> <p>Transactions related to fines and eftpos receipts which can use the same reference details.</p>

Findings - Accounts receivable (continued)

Test	Explanation	# of Exceptions/ 18,520 of instances tested	Our observation / comment	Our recommendation	Management comments
AR4: GST variance on credit notes	Duplicate test used to identify possible reversal transactions and match them to their possible original transactions.	N/A	Only 1 results was returned and looks to be caused by rounding to nearest whole cent.	No action required	Noted.
AR 5: GST returned on time	Identify whether accounts receivable transactions have been entered into the system (posting date), and therefore assumed GST claimed in same month. This test also produces a trend analysis/area chart to give a broad illustration of the data entry delay for every transaction in the dataset.	359	Of the 359 invoices “not returned in the same month” we note that a majority of these have invoice and posting dates within two weeks of each other. This may suggest a lag time between receiving and posting the invoice which from the ‘Core financial controls internal audit report’ is as a result of the manual authorisation process/ capacity within the team. There are also a small number of invoices where posting has been delayed by more than two weeks which may relate to irregular outliers.	We understand Council is already in the process of investigating options for automation in this and other areas. We agree with automation as it will reduce the need for manual reviews and aid with capacity.	We note that GST has been claimed on time but agree there is a time lag. We will look at how system automation and process improvements can help to reduce the time between the work being undertaken and the work being invoiced.

Findings - Accounts receivable (continued)

Test	Explanation	# of Exceptions/ 18,520 of instances tested	Our observation / comment	Our recommendation	Management comments
AR 6: Customer with multiple tax codes	Identifies customers that have multiple tax codes applied to their profile.	149	Tests conclude Council have 149 customers with multiple tax codes. We expect to see some customers with multiple tax codes given Council makes both taxable and exempt supplies e.g. rates.	We recommend Council ensure there is a valid reason for all customers that have multiple tax codes.	We have reviewed these customers and found they all have valid reasons for having multiple GST codes for instance credits notes for exempt supply or court fines.
AR 7: Sales to overseas customers	Shows all supplies made to foreign customers along with GST treatment.	4	Tests identified four supplies that were made to overseas customers where GST was included at a rate of 15%. We would not expect any sales made to overseas customers to include any GST. We note in all instances the amounts are negative which may be a reversal of the invoice to correct the original GST treatment.	We suggest Council look into the four transactions and explain why GST was included in the invoice - noting that for two of these, the GST is less than \$1.	The transactions were for supplies in New Zealand with GST being correctly processed.

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Appendices

Attachment 6 to Report 24.635



Data request details

Data inputs and manipulation details

Finance system: TechOne

Description	Data supplied	Fields requested
Chart of Accounts		Full chart of accounts GST Accounts defined
Master data including Vendor/Customer IRD numbers		
AP data	<ul style="list-style-type: none"> ✓ 	Entity Code Posting Date Tax Code Invoice Date Invoice Number Invoice Line Description Statutory Reporting Net Statutory Reporting GST Statutory Reporting Recoverable GST Statutory Reporting Gross Statutory Reporting Currency Code Supplier No. Supplier Name Supplier Country Code

Description	Data supplied	Fields requested
AR data	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ 	Posting Date Tax Code Invoice Date Statutory Reporting Net Statutory Reporting GST Statutory Reporting Recoverable Statutory Reporting Gross Document Number Invoice Number Tax rate Statutory Reporting Currency Code Customer No. Customer Name IRD Number Customer Country Code Document Type Invoice Line Description GL Account Entity Country Code

Data analytic tools used

The analytics were processed using PwC's GST Analyser 2024. This tool is based primarily on Power BI with some Alteryx workflows to cleanse and organise the data.

Thank you



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Greater Wellington Regional Council

Payroll Data Analytics

October 2024



Attachment 7 to Report 24.635



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Attachment 7 to Report 24.635



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Ashwin Pai and Jacob Boyes
Greater Wellington Regional Council
P O Box 11646
6142 Wellington
New Zealand

7 October 2024

Dear Ashwin and Jacob

Please find enclosed our summary of findings from the PAYE data analytics undertaken over a sample of the pay data provided by Greater Wellington Regional Council (Council).

This report has been prepared for the purpose of delivering our assessment of employment tax compliance and should not be relied upon for any other purpose.

As this is a draft report, the comments herein are subject to amendment or withdrawal. Our definitive findings and conclusions will be those set out in the final report. We request that you review the draft report and if there are any changes that you consider are required, please advise. We can finalise the report once we have received your feedback.

This report is strictly confidential, unless described in the contract or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Phil Fisher', is written over a light blue circular stamp.

Phil Fisher
Partner

A handwritten signature in blue ink, appearing to read 'Kelly David', is written over a light blue circular stamp.

Kelly David
Senior Manager

October 2024

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Abbreviations

EI	Employment Information
ESCT	Employer Superannuation Contribution Tax
IR	Inland Revenue
PAYE	Pay-As-You-Earn Tax
WT	Withholding Tax



Executive Summary

Context - Why is PAYE and KiwiSaver important?

The combined total of PAYE and ESCT makes-up more than 39% of the New Zealand tax revenue collected, higher than any other type of tax revenue collected by the Government. As such, Inland Revenue places a high-degree of emphasis on employers having a high-level of compliance in these areas.

In addition, Inland Revenue expects that employers report the correct gross taxable employment income for employees, as this amount impacts many other areas such as social welfare entitlements, student loan repayments and child support payments.

Employment taxes are currently an area of focus for Inland Revenue and they have invested heavily in their data analytics capability. Accordingly, we have developed data analytic capability that runs off the payday filing (Employment Information) returns. The tests we have run over Council's pay data are comparable to the tests that we understand Inland Revenue are performing, and can assist Council in being prepared for any data scrutiny by Inland Revenue. The expectation is that an organisations payroll function would be aware of, and be able to justify, the exceptions.

Payroll Data Analytics

Our data analytics testing has resulted in a small proportion of 'exceptions' where further investigation may be warranted. However, we consider that there is likely to be a valid explanation of any discrepancies in most instances.

Our key observations from the payroll data analytics testing, including a summary and trend analysis of the exceptions identified, can be found at Section One of this report.

Based on our understanding of Council's business, and to assist with the review of the exceptions, we have provided possible explanations for a number of these. Our comments should be confirmed and accepted/ rejected where appropriate.

We note we have excluded any line items with a 'WT' tax code in our testing. We are not able to accurately test these as the tax rate for schedular payments can vary. On this basis we have excluded the "Payday_2" files from our testing, as most line items in these files have a 'WT' tax code.

Overall Comments

Based on our data analytic testing, we consider the tests of most interest to be:

- Test 1: We identified 43 instances for PAYE where the absolute variance is greater than \$5.00.
- Test 4: There were 1,534 instances where an employee was paid gross salary and did not contribute to KiwiSaver. This is approximately 15% of employees tested.
- Test 5: We identified 39 instances across three employees when an employee's KiwiSaver contribution is > \$0 and employer net KiwiSaver contribution = \$0.
- Test 7: There were 3,354 instances where the adjusted annualised gross pay band returned an ESCT rate that has a difference of greater or less than 1.0% of the expected rate. Expected rates were 10.5%, 17.5%, 30%, 33% or 39%. This is a test where we expect there to be a high number of exceptions as the necessary data to accurately test ESCT rates for all employees is not readily available. This requires knowledge of employee start dates, prior year income, and where there are contributions to alternative superannuation schemes.

We recommend that Council review the exceptions provided in conjunction with the comments within this report. If Council is unable to provide an explanation of these exceptions, this may be an indication that there is an issue or error in the PAYE, ESCT, and/or KiwiSaver process that needs to be resolved.

Final comment

The purpose of this data analytic testing was to identify any trends in Council's payroll calculations which may be cause for concern. Overall, a small number of exceptions have been identified and there is a positive indication there are likely valid reasons for these.. Accordingly, we have not identified any significant areas of concern in Council's payroll calculations.

Scope and approach

The scope of our employment tax data analytics testing was set out in our terms of reference provided in June 2024 and is in accordance with our terms of business set out in our Engagement letter dated 1 February 2024.

Briefly, the aim of this testing was to provide the Chief Financial Officer with an assessment of Council's employment tax compliance in respect of the accuracy of PAYE and other deductions/entitlements (e.g., KiwiSaver and Student Loan, ACC levies).

The approach taken for this testing was to analyse payday returns (Employment Information) filed by Council and perform analytic testing over:

- PAYE (including ACC earners' levy)
- Student loan deductions
- KiwiSaver employer contributions
- KiwiSaver employee contributions
- ESCT deductions (with a focus on rates)

As agreed, the culmination of the evaluation is the following report, providing an overview of the exceptions identified, and our evaluation of the potential reasons behind these exceptions.

EI files tested

Payday_1_22Mar2024_P_F.csv	Payday_1_29Dec2023_P_F.csv
Payday_1_08Mar2024_P_F.csv	Payday_1_15Dec2023_P_F.csv
Payday_1_23Feb2024_P_F.csv	Payday_1_01Dec2023_P_F.csv
Payday_1_09Feb2024_P_F.csv	Payday_1_17Nov2023_P_F.csv
Payday_1_26Jan2024_P_F.csv	Payday_1_03Nov2023_P_F.csv
Payday_1_12Jan2024_P_F.csv	Payday_1_06Oct2023_P_F.csv
Payday_1_20Oct2023_P_F.csv	
Payday_1_05Apr2024_P_F.csv	(for the purposes of checking ESCT rates only)

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Points to note:

- We were not aware of any individuals included in the files tested as having a special deduction rate certificate for the Student Loan Deductions.
- We were not aware of any instances where ESCT was underpaid on the Council's KiwiSaver contribution.

Summary of data analytic tests

- | | |
|--------|---|
| Test 1 | Tests variances between recalculated PAYE and the PAYE amount listed on the EI file. |
| Test 2 | Tests variances between recalculated student loan deduction and the student loan deduction listed on the EI file. |
| Test 3 | Tests instances when an employee's KiwiSaver contribution percentage (employee KiwiSaver contribution ÷ gross pay) is a percentage other than the contribution rates specified in section 64 of the KiwiSaver Act 2006 (currently 0%, 3%, 4%, 6%, 8% or 10%). |
| Test 4 | Tests instances where an employee does not contribute to KiwiSaver. |
| Test 5 | Tests instances when an employee's KiwiSaver contribution is > \$0 and employer net KiwiSaver contribution = \$0. |
| Test 6 | Tests instances where the employer KiwiSaver contribution is less than 3% of the employees gross taxable earnings for the period. |
| Test 7 | Tests instances where the Adjusted Annualized Gross Pay band returns an ESCT Rate different than what is in the EI file. |
| Test 8 | Tests instances when an employers net KiwiSaver contribution is > \$0 but ESCT = \$0. |
| Test 9 | Tests instances where gross pay is \$0. |

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Findings

Attachment 7 to Report 24.635



Summary of exceptions

Period tested

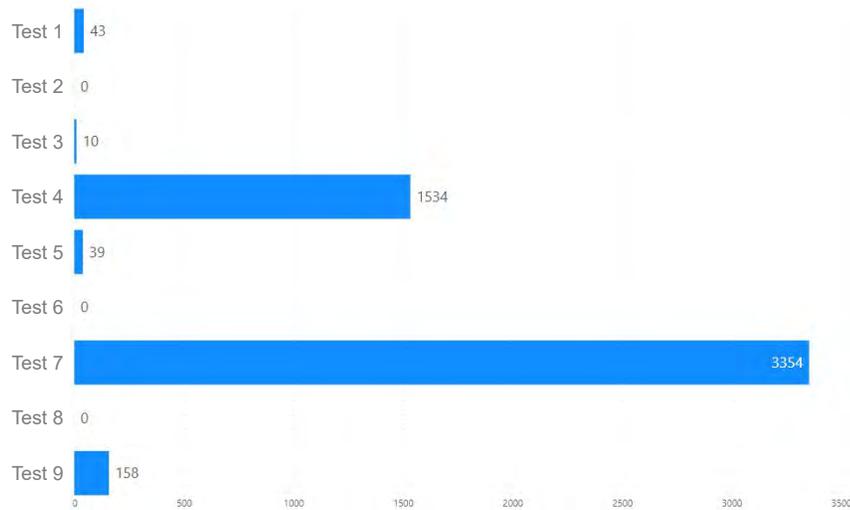
6 October 2023 to 22 March 2024, 5 April 2024

Total payslip tested

9,896

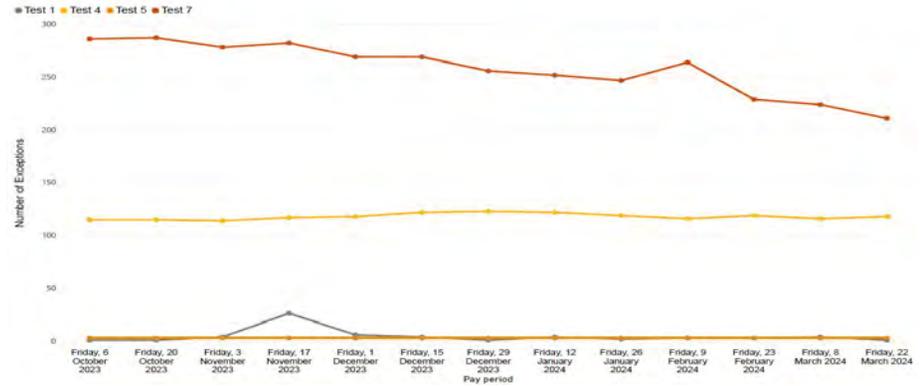
We tested a total of 9,896 payslips across 14 payday files (all regular fortnightly pays) over the specified testing period. A total of 6,699 exceptions were identified across nine tests, which we have summarised in the graph below.

Total exceptions across all pay instances



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Total exceptions across regular fortnightly payday files



The above illustrates the trend in the number of exceptions across the fortnightly payday files for Tests 1, 4, 5 and 7 (the four tests in which the highest number of exceptions occurred).

Test 1: The number of exceptions for Test 1 is fairly consistent across the fortnightly pay periods, with an increase in the 17/11/2023 pay period. This may warrant further investigation to ensure the exceptions in these periods can be explained.

Test 4: The trend line for Test 4 is very consistent, indicating there is a consistent number of Council employees who do not contribute to KiwiSaver. We recommend Council confirm this number aligns with what is expected.

Test 5: The exceptions are consistent on each pay period and relate to three employees. We recommend Council review the exceptions for these three employees to explain why KiwiSaver employer contributions are not being made.

Test 7: For Test 7, we note that ESCT cannot be completely accurately tested from the EI files, as the ESCT rate is determined by the employees start date and prior year income, which is not contained in the EI files. As such, this is a test where we expect there to be a high number of exceptions.

Findings

Test	Explanation	# of Exceptions / # of pay instances tested	Our observation / comment	Our recommendation	Management comments
1. PAYE calculations	<p>Displays variance between recalculated PAYE and the PAYE amount listed on the EI file.</p> <p>Currently any variance must be greater than \$5 to be an 'exception.'</p>	43 of 9,896 (0.43%)	<p>Of the exceptions, most instances involved a negative variance. This occurs when the recalculation of PAYE is higher than that in the EI. This may indicate an under-deduction of PAYE.</p> <p>A possible explanation for these variances could be due to the payment of a lump sum or extra pay amount. This is likely given the quantum of some of the gross pay amounts, particularly for those with larger variances.</p>	We recommend Council test a sample of the larger (positive and negative) exceptions and provide an explanation as to why they have arisen and identify if there is any pattern that needs to be addressed.	We will review a sample of transactions and report back to FRAC on findings.
2. Student loan deductions	<p>Displays variance between recalculated student loan deduction and the student loan deduction listed on the EI file.</p> <p>Currently any variance must be greater than \$5 to be an 'exception.'</p>	0 of 9,896 (0%)	No exceptions identified.	No action required.	Noted.

Findings (continued)

Test	Explanation	# of Exceptions / # of pay instances tested	Our observation / comment	Our recommendation	Management comments
3. Employee KiwiSaver contribution percentage	<p>Displays instances when an employee's KiwiSaver contribution percentage (employee KiwiSaver contribution ÷ gross pay) is a percentage other than the contribution rates specified in section 64 of the KiwiSaver Act 2006 (currently 0%, 3%, 4%, 6%, 8% or 10%).</p> <p>Currently any variance must be greater than 0.3% to be an 'exception.'</p>	10 of 9,896 (0.10%)	<p>Our testing identified a small percentage of exceptions where one employee's KiwiSaver contribution percentage does not match the specified contribution rates.</p> <p>This may occur where an employee received a payment which is not subject to KiwiSaver deductions e.g. accommodation or redundancy payments.</p>	We recommend Council further review the exceptions of this one employee to confirm the reason for these variances.	We will review exceptions from this employee.

Findings (continued)

Test	Explanation	# of Exceptions / # of pay instances tested	Our observation / comment	Our recommendation	Management comments
4. Employees not contributing to KiwiSaver	Displays instances where an employee does not contribute to KiwiSaver. These are shown when Employee KiwiSaver contribution = \$0.	1,534 of 9,896 (15.50%)	<p>This finding indicates that circa 15% of Council employees were paid taxable salary and wages but did not contribute to their KiwiSaver.</p> <p>There are likely a number of valid explanations as to why some employees do not contribute to KiwiSaver, including where employees:</p> <ul style="list-style-type: none"> Contribute to alternative workplace savings schemes. We note some Council employees contribute to NZRT, Civic and NPF (and subsequently opt out of KiwiSaver); Has opted out of KiwiSaver for varying reasons; Is not eligible for KiwiSaver because they are not a New Zealand citizen or entitled to live in New Zealand indefinitely Is not eligible for KiwiSaver because they are over the age of 65 (this depends on when the employee joined KiwiSaver); Is on a savings suspension, or; 	We recommend Council test a sample of the exceptions to ensure that there is a valid reason (which can be supported with documentation) as to why employees are not contributing to KiwiSaver.	<p>Council is an exempt employer under the KiwiSaver Act which means we do not have to auto-enroll staff as we also provide alternative schemes.</p> <p>We have confirmed test results to data we hold in relation to KiwiSaver/ other schemes. The results align to our expectations and therefore we are comfortable that employees not paying into KiwiSaver have been correctly set-up.</p>

Findings (continued)

Test	Explanation	# of Exceptions / # of pay instances tested	Our observation / comment	Our recommendation	Management comments
5. Employer not contributing to KiwiSaver when employee contributes to KiwiSaver.	Displays instances when an employee's KiwiSaver contribution is > \$0 and employer net KiwiSaver contribution = \$0.	39 of 9,896 (0.39%)	These exceptions occurred for the same three employees across the 13 fortnightly payday files tested. A possible explanation for these exceptions is that Council is not required to contribute to an employee's KiwiSaver, but the employee is still making KiwiSaver contributions. This may occur, for example, when an employee is over the age of 65 or under the age of 18.	We recommend Council review the exceptions for these three employees to ensure there is a valid reason (which can be supported with documentation) as to why KiwiSaver employer contributions are not being made.	We will review exceptions for these 3 employees and report to FRAC on findings.
6. Employer KiwiSaver contribution percentage	Displays instances where the employer KiwiSaver contribution is less than 3% of the employee's gross taxable earnings for the period. Exceptions identified when ((Net employer KiwiSaver contribution + ESCT) ÷ gross pay) < 3%.	0 of 9,896 (0.00%)	Initially we identified 1,560 findings for this test. However, in all 1,560 findings the net employer KiwiSaver contribution was \$0, which was tested in Test 4. We consider the legitimacy of employer contributions to KiwiSaver is more accurately tested in Test 5 and we have therefore excluded instances where the net employer KiwiSaver contribution is \$0. As such, this leaves no exceptions where the total employer KiwiSaver contribution is less than \$0.	No action required.	Noted.

Findings (continued)

Test	Explanation	# of Exceptions / # of pay instances tested	Our observation / comment	Our recommendation	Management comments
7. ESCT Rates	Displays instances where the recalculated ESCT rate differs from the actual ESCT rate. A further detailed description of the test is included in Appendix One .	3,354 of 9,896 (33.89%)	<p>We identified 3,354 exceptions for test 7, 1,098 of which exceed the maximum ESCT rate of 39%. We note that there are a number of reasons as to why the recalculated ESCT rate may differ from the actual ESCT rate for the employee (see Appendix One). As such, this is a test where we expect there to be a high number of exceptions. There are likely several reasons for the variances identified, including where:</p> <ul style="list-style-type: none"> • Employees have worked for Council for less than the the full tax year immediately preceding the pay periods tested; • Waged employees whose income is likely to vary from payslip to payslip; • Employees receive out-of-cycle or extra pay amounts which differ from their normal pay. • Council contributes to a scheme that is not KiwiSaver. This is because whilst ESCT is calculated across all Super schemes, this test only considers the employer contribution to KiwiSaver. <p>During Phase 1 of our PAYE evaluation we considered the processes of Council in relation to determining ESCT rates. As noted in our report, Council correctly applied ESCT rates to new and existing employees. Our EI file testing also confirms Council have correctly applied ESCT rates in the review periods.</p> <p>However, we understand there was an issue with updating the Tech One calendar on 1 April 2024 which resulted in every employee being set to the 10.5% ESCT rate affecting pay periods ending 5/04/2024, 19/04/2024 and 3/05/2024. We understand this issue has been resolved prospectively, and we are now working with IRD to correct the 3 pay periods. To test how this error impacts the EI results, we ran our data analytics over the 5 April 2024 pay period which returned 647 exceptions out of 782 pay instances across all tests (82.74%).</p>	We recommend Council ensure the Tech One calendar is correctly updated on 1 April each year. In addition, Council should perform manual sample checks to ensure ESCT rates have been updated appropriately.	<p>This is a known issue and we have since updated Ngatahi to ensure the calendar is working.</p> <p>We are working with PwC and IRD to correct the ESCT and employer contributions for the 3 payruns in error.</p>

Findings (continued)

Test	Explanation	# of Exceptions / # of pay instances tested	Our observation / comment	Our recommendation	Management comments
8. Employer contributes to KiwiSaver but does not deduct ESCT	Displays instances when an employers net KiwiSaver contribution is > \$0 but ESCT = \$0.	0 of 9,896 (0%)	No exceptions identified.	No action required.	Noted.
9. Gross pay = \$0 but another field is not a 0.	<p>Displays instances where gross pay is \$0 and were therefore not tested with the above tests.</p> <p>Any record with a non-zero amount for PAYE, Student Loan Deductions, KiwiSaver employee deductions, or KiwiSaver employer contributions, will be highlighted.</p>	158 of 9,896 (1.60%)	<p>All of the exceptions identified in this test had zero amounts for both gross pay and deductions.</p> <p>As such, the exceptions identified are not cause for concern.</p> <p>Where the exceptions relate to previously terminated employees, this may highlight a gap in Council's process regarding the termination of employees.</p>	We recommend Council's ensure any terminated employees are removed from EI files accordingly	We will review a sample of transactions and report to FRAC on findings.

2

Appendices

Attachment 7 to Report 24.635



Appendix One - Determining ESCT Rates

The Employer Superannuation Contribution Tax (ESCT) is a tax deducted from an employer's contribution to their employees' KiwiSaver or complying superannuation funds. The ESCT rate threshold amount determines the ESCT rate that applies to that employee.

The Income Tax Act 2007 states:

"ESCT rate threshold amount, for an employer's superannuation cash contribution, means—

- a. *for an employee employed by an employer for the whole of a tax year immediately before the tax year in which the employer's superannuation contribution is paid, the total amount of—*
 - i. *salary or wages derived by the employee in the previous tax year; and*
 - ii. *the gross amount of employer's superannuation contributions before ESCT is withheld that the employer paid on behalf of the employee in the previous tax year; or*
- b. *if paragraph (a) does not apply, the total amount of—*
 - i. *salary or wages that the employer estimates will be derived by the employee in the tax year in which the contribution is paid; and*
 - ii. *the gross amount of employer's superannuation contributions before ESCT is withheld that the employer estimates that they will pay on behalf of the employee in the tax year in which the contribution is paid"*

Focusing on paragraph (b) which applies where an employee has not worked for the employer for the whole of previous tax year. This is relevant for two scenarios:

Scenario 1

New starter (e.g., starts on 1 October 2023 and we want to determine the rate for the year ending 31 March 2024 for an employee on a \$100,000 salary plus 3% employer's superannuation contribution)

An employer should estimate the amount of earnings (and gross KiwiSaver employer contributions) the employee will receive between 1 October 2023 and 31 March 2024, without annualising and use this to determine the ESCT rate. As a result, this employees ESCT rate threshold amount would be approximately \$51,500 and therefore an ESCT rate of 17.5% should apply.

Appendix One - Determining ESCT Rates (continued)

Scenario 2

Where an employee has not worked for the whole of the previous tax year (e.g., an employee commenced work on 1 October 2023, and we now want to determine the appropriate ESCT rate for the tax year 1 April 2024 - 31 March 2025).

An employer should use the earnings (and gross KiwiSaver employer contributions) the employee earned between 1 October 2023 and 31 March 2024 and annualise these. The annualised amount of \$103,000 then determines the appropriate ESCT rate of 33%. We have confirmed with Inland Revenue that this is the correct interpretation of (b) above.

Data Analytics - Test 7

Our test focuses on paragraph (a), as we consider this scenario to be the most likely to apply. To attempt to recalculate the ESCT, our test takes gross pay for the period, annualises the gross pay, and multiplies the annualised gross pay by 1.03 (to account for minimum gross employer contribution of 3%). This amount is the recalculated ESCT rate threshold amount which then determines the recalculated ESCT rate.

For example, if gross pay for an employee who is paid monthly is \$10,000, the annualised pay would be \$120,000. The recalculated ESCT rate threshold amount would be \$123,600 ($\$120,000 \times 1.03$), and the recalculated ESCT rate would therefore be 33%.

The test takes the recalculated ESCT rate, and compares it to the ESCT rate that applied to employer KiwiSaver contributions in the period. We calculate the ESCT rate that may have applied in the period by dividing ESCT by the gross employer KiwiSaver contribution (ESCT plus net employer KiwiSaver contribution). Variances between the ESCT rate and the recalculated ESCT rate that are greater than 1% are then displayed.

We note that this test makes a number of assumptions, including:

- The employer did not make a contribution to another superannuation scheme (i.e. this test is not testing ESCT rates in relation to contributions made into the other superannuation scheme);
- For the purposes of annualising, the employer only contributes the minimum 3%;
- The employee worked for the employer for the entire previous tax year;

Thank you

[pwc.co.nz](https://www.pwc.co.nz)

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Attachment 7 to Report 24.635





Author:
Deborah Kessell-Haak, Head
of Legal and Procurement
(General Counsel)

To:
ELT

Purpose:
Reporting on the outcome of
the legal compliance survey
prior to FRAC

Date:
07 Nov
2024

Period covered 01 Jul 2023 - 31 Jul 2024	People finished 60 / 75	Responses completed 1986 / 2381	Unique obligations 1117
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Introduction

This report gives a summary of the key results of our recent legal compliance survey at Greater Wellington regional Council (Greater Wellington).

We have an up-to-date Obligations Register for the legislation applying to Greater Wellington as a regional council including its public transport functions. This gives our people clarity about the legal obligations they need to know about, and law change alerts keep them updated. Legal obligations are mapped to responsible roles across Greater Wellington reported on in the survey to give assurance and help identify legal compliance risks.

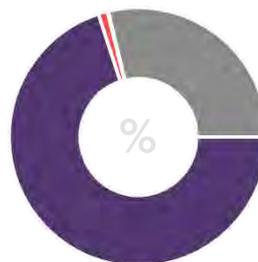
Summary

- 80% of surveys were completed showing a high level of engagement.
- The increase in the number of staff not completing surveys (up from one person last year), was expected. This was the first survey completed after the stand-up of the Environment Group and required a significant obligation remapping exercise. This will take time to bed in and develop staff understanding of the system.
- The two indications of full non-compliance relation to the Employment Relations Act and information management practices, are remediable and are not considered high risk.

The legal team will review those obligations that remain partially or fully non-compliant to ensure staff have an action plan and they are working towards implementing the plan

Results:

	Full Compliance	1390	70%
	Partial	23	1%
	Zero	2	0%
	Did Not Arise	571	29%



Status of corrective actions:

2	Resolved	
16	Action plan	
7	No action plan	

Overview of key results

Reported Non-Compliance

- Our relevant employment agreements may not include appropriate shiftwork cancellation provisions. This is likely to affect a small number of agreements but is being investigated.
- Retention of payroll related records are potentially being retained for an inappropriately long period due to Holiday Act remediation project. This should resolve itself as the remediation process proceeds.
- Both reported non-compliances are at the lower end of the risk scale in relation to the potential impact on the organisation associated with the non-compliance.

Reported Partial Compliance

These are summarised in infographic form by legislation type on the next page.

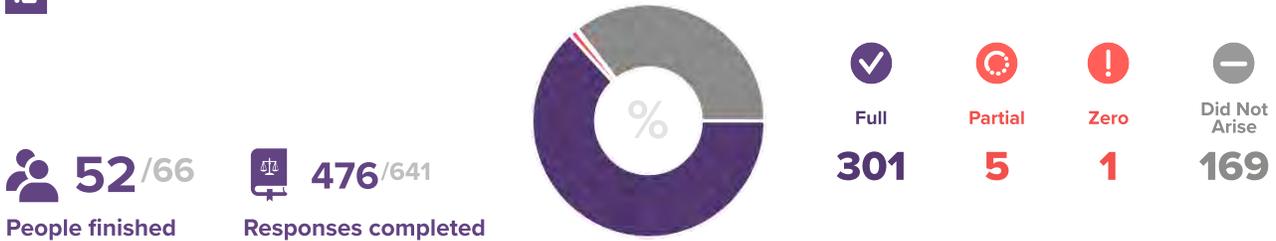
- The Wellington City Council rates issue advised to Council in early 2024 was reported with a current remedial action option sitting with Chair and Council for consideration.
- Data and Information governance, in particular retention and disposal, noted across the organisation as an area of uncertainty. A roadmap to address this issue is in development.
- Concerns were noted in relation to compliance with our PCBU obligations in the public transport/assets an infrastructure space where there are multiple parties, including our contractors, with such obligations operating in the same space. Work is underway with the HSW team.
- In relation to Health, Safety and Wellbeing obligations, a number of partial compliances were noted in relation to employment, emergency plans, building evacuation plans, building 'warrants of fitness', community events (emergency resilience planning), remote workers, and in remoter sites, access to appropriate facilities. All reported partial compliances have action plans associated with them that are underway.
- The reported partial compliance under soil conservation legislation relates to forestry operations. Work is underway to increase environmental monitoring, performance management and to undertake erosion susceptibility assessments to address this issue.

Reported Partial Compliance - Cont.

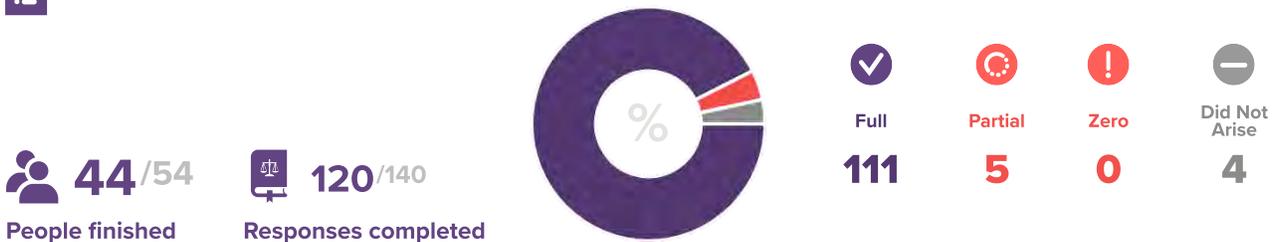
- The Wellington region does not currently have a back-up regional 'on-scene commander' as required by the Maritime Transport Act. An appropriate appointee has been identified and is expected to undergo training in 2025.
- In relation to the new dam regulations, there is uncertainty surrounding the 'ownership' of a dam located in Wellington city (owners of dam hold the obligations). Negotiations are underway to determine ownership with Wellington City Council.
- A number of privacy law partial compliances were noted in relation to requests for access to personal information and the collection and use of personal information in accordance with Greater Wellington policy. The PMAF report recommendations have a multi-year plan to address the same.
- Of particular note was the issue of transport operators responding to privacy requests and the lack of transparency as to whether or not Privacy Act obligations were being complied with. In addition, partial compliance in relation to the process around audio recordings on public transport was noted with an action plan in place to clarify obligations within the operator contracts.
- Partial compliances were also noted in relation to LGOIMA response management in relation to time frames (i.e. late responses) or transfer mechanisms. These are noted as rare with education programs in place to address.

Partial Compliance by Legislation

Information Management



Official Information

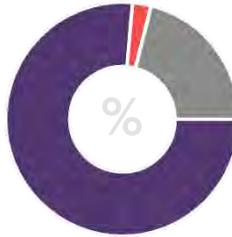




HSW and Buildings

47/59
People finished

271/310
Responses completed



✓
Full
207

⚠
Partial
7

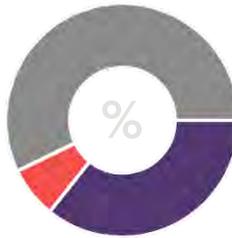
!
Zero
0

—
Did Not Arise
57

Soil Conservation & Rivers Control

2/3
People finished

14/25
Responses completed



✓
Full
5

⚠
Partial
1

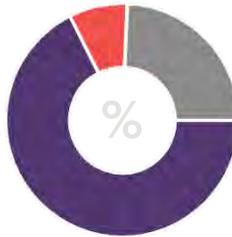
!
Zero
0

—
Did Not Arise
8

Maritime

1/1
People finished

37/37
Responses completed



✓
Full
25

⚠
Partial
3

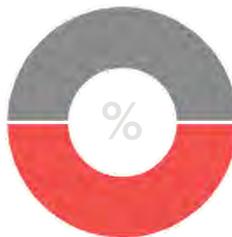
!
Zero
0

—
Did Not Arise
9

Dam Regulations

2/2
People finished

4/4
Responses completed



✓
Full
0

⚠
Partial
2

!
Zero
0

—
Did Not Arise
2

We are using **ComplyWith**, a legal compliance management tool, to identify and monitor our legal compliance risks.



Map responsibilities

Legal obligations have been carefully mapped to the responsible roles within our business.



Identify legal risks

Responsible roles have completed an online compliance survey, enabling them to proactively identify legal risks and issues.



Track unresolved risks

The corrective actions function allows us to monitor risks, set action plans, and send reminders about unresolved issues.

What do the survey results mean?

Responsible roles rate our compliance with our legal obligations using the response scale below. When partial or zero compliance is reported, the current status of the compliance issue is also required to be entered.

Response scale



The obligation arose and was **fully complied with**.



The obligation arose, there was more than zero compliance but **not full compliance** (explanation mandatory).



The obligation arose, but there was **no compliance at all** with it (explanation mandatory).



The circumstances giving rise to the **obligation did not occur** during the period covered by the survey.



The obligation should be **allocated to another role**, or it should be deleted because it **does not apply** at all.

Status of compliance issues



The issue has been **resolved**, no further action required.



There is an **action plan in place**. There will be updates towards resolution.



There is **no action plan in place** yet. An explanation is required to be given.

Want to know more?

To learn more about the legal compliance programme, or to access a copy of the full survey results, please ask the author of this report.

Legislation in this survey

Accident Compensation Act 2001
 Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
 Arms Act 1983 and Arms Regulations 1992
 Biosecurity Act 1993, Regulations, and the National Bovine TB Pest Management Plan
 Building Act 2004
 Child Support Act 1991
 Children's Act 2014
 Civil Aviation Act 1990 and Civil Aviation Rules
 Civil Defence Emergency Management Act 2002
 Climate Change Response Act 2002 and Climate Change (Unit Register) Regulations 2008
 Conservation Act 1987
 Construction Contracts Act 2002
 Contract and Commercial Law Act 2017 - Part 4 (Electronic transactions)
 Copyright Act 1994
 COVID-19 Public Health Response Act 2020
 Credit Contracts and Consumer Finance Act 2003 and Credit Contracts and Consumer Finance Regulations 2004
 Criminal Records (Clean Slate) Act 2004
 Data and Statistics Act 2022
 Delegations Compliance
 Electricity Act 1992 and Regulations
 Employment Relations Act 2000
 Equal Pay Act 1972
 Fair Trading Act 1986
 Financial Reporting Act 2013
 Fire and Emergency New Zealand Act 2017 and (Fire Safety, Evacuation Procedures and Evacuation Schemes) Regulations 2018
 Government Rounding Powers Act 1989
 Hazardous Substances and New Organisms Act 1996
 Health Act 1956 and Regulations
 Health and Safety at Work (Asbestos) Regulations 2016
 Health and Safety at Work (Hazardous Substances) Regulations 2017
 Health and Safety at Work Act 2015, General Risk Regulations 2016, and Worker Engagement Regulations 2016
 Health and Safety in Employment Regulations 1995
 Heritage New Zealand Pouhere Taonga Act 2014
 Holidays Act 2003
 Human Rights Act 1993
 Immigration Act 2009 and Immigration Advisers Licensing Act 2007
 Income Tax Act 2007, Tax Administration Act 1994, and GST Act 1985 - Overview obligations
 Juries Act 1981
 KiwiSaver Act 2006
 Land Drainage Act 1908 (Part 3 only)
 Land Transport Act 1998
 Land Transport Management Act 2003
 Legislation Act 2019 and Legislation (Publication) Regulations 2021
 Local Authorities (Members' Interests) Act 1968
 Local Electoral Act 2001 and Local Electoral Regulations 2001
 Local Government (Rating) Act 2002

Local Government Act 1974
 Local Government Act 2002 and Local Government (Financial Reporting and Prudence) Regulations 2014
 Local Government Members (2024/25) Determination 2024
 Local Government Official Information and Meetings Act 1987
 Maori Commercial Aquaculture Claims Settlement Act 2004
 Marine and Coastal Area (Takutai Moana) Act 2011 and Ownership of Structures Regulations 2015
 Marine Mammals Protection Act 1978 and Marine Mammals Protection Regulations 1992
 Marine Reserves Act 1971 and Marine Reserves Regulations 1993
 Maritime Transport Act 1994 (and parts of the Maritime and Marine Protection Rules)
 Minimum Wage Act 1983 and Minimum Wage Order
 National Library of New Zealand (Te Puna Matauranga o Aotearoa) Act 2003
 Natural and Built Environment Act 2023 (Fast-track consenting process only)
 New Zealand Bill of Rights Act 1990
 New Zealand Geographic Board (Nga Pou Taunaha o Aotearoa) Act 2008
 Ombudsmen Act 1975
 Parental Leave and Employment Protection Act 1987
 Plumbers, Gasfitters, and Drainlayers Act 2006
 Privacy Act 2020 and Privacy Regulations 2020
 Protected Disclosures (Protection of Whistleblowers) Act 2022
 Protected Objects Act 1975
 Public Audit Act 2001
 Public Records Act 2005
 Public Works Act 1981
 Radiocommunications Act 1989 and Radiocommunications Regulations 2001
 Rating Valuations Act 1998 and Regulations
 Reserves Act 1977
 Resource Management (NES for Air Quality) Regulations 2004
 Resource Management (NES for Assessing and Managing Contaminants in Soil to Protect Human Health) Regulations 2011
 Resource Management Act 1991 and Regulations
 Road User Charges Act 2012 and Road User Charges Regulations 2012
 Smokefree Environments and Regulated Products Act 1990
 Social Security Act 2018 and Social Security Regulations 2018
 Soil Conservation and Rivers Control Act 1941
 Student Loan Scheme Act 2011
 Unclaimed Money Act 1971
 Urban Development Act 2020
 Volunteers Employment Protection Act 1973
 Wages Protection Act 1983
 Water Services Act 2021 and Water Services (Drinking Water Standards for New Zealand) Regulations 2022
 Wild Animal Control Act 1977
 Wildlife Act 1953



Water Services Act 2021 and Water Services (Drinking Water Standards for New Zealand)
Regulations 2022
Wild Animal Control Act 1977
Wildlife Act 1953



Greater Wellington Regional Council

FINAL Report

EMU Depot & Rolling Stock Natural Catastrophe Loss Analysis

Based on the 2022 National Seismic Hazard Model

November 2024





Executive Summary

Greater Wellington Regional Council (GWRC) engaged Aon Global Risk Consulting (Aon) to undertake a high-level estimate of losses in consequence of natural catastrophe, from assets insured on the 'Rolling Stock and EMU Depot' policy, as declared in the 2024-25 insurance renewal.

To better inform GWRC to make prudent risk financing and insurance decisions in anticipation of the upcoming renewal, probabilistic portfolio-level loss estimates have been calculated using the RiskScape platform, explicitly using the latest, 2022 release of the New Zealand National Seismic Hazard Model (NSHM22). Modelling of the rolling stock policy forms the first stage of a larger cumulative loss modelling piece, supporting GWRC's understanding of their overarching exposures across a range of policies.

GWRC declared the 'Rolling Stock and EMU Depot' (rolling stock) total sum insured (TSI) to be \$724.3m primarily comprised of the EMU depot plus associated plant and contents, Matangi Fleet EMUs, SE and SW Carriage Fleets and other rolling stock items forming the Greater Wellington Regional rail portfolio.

A qualitative high-level exposure screening of the key locations in the GWRC portfolio to a range of other natural hazards is also presented.

The Lower North Island Rail Integrated Mobility (LNIRIM) project highlights a need to upgrade existing infrastructure along the two main rail routes from Wellington station in order to guarantee safety and scalability of operations to meet growing user service demand; including the purchase a fleet of eighteen Independently Powered Electric Multiple-Units (IPEMU's). In support of upcoming decisions around the stabling and insurance of this fleet, the present work also presents the hypothetical losses associated with 3 future IPEMU stabling configurations under consideration.

Results are presented as a curve of probabilistic MD losses estimated in consequence of earthquake shaking, as well as the secondary impacts of liquefaction and shaking-induced landslide. Losses for key return periods of interest are presented in the panel to the right. These are typically considered suitable return periods for informing insurance decision-making. Further breakdown of the loss estimates, including a full loss exceedance curve, can be found in Section [5.4](#) on Page [14](#).

Given the inherent exposure of the coastally situated EMU depot to tsunamis, a desktop update to the existing tsunami loss estimates has also been presented in Section [6.3](#) on page [18](#). These estimates are high level and apply a scenario-based approach to quantify the potential exposure to the current portfolio of assets, as well as IPEMU stabling locations under consideration.

The loss estimates provide an assessment of potential **physical damage** losses to assets, with quantification of consequential disruption costs beyond the scope.

2024-25 Rolling Stock Total Sum Insured	\$724.3m
AEP Earthquake Losses (\$m)	
1-in-500 years	
Day	\$94.95m
Night	\$77.00m
1-in-1,000 years	
Day	\$118.52m
Night	\$98.35m



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Version	Document Title	Produced By	Reviewed By	Date
Draft	GWRC - EQ EMU - Rev 2.0.docx	E. Jude L. Bertoni	M. Bilderbeck	15 Oct 2024
Final	GWRC - EQ EMU - Rev 2.0.pdf	E. Jude	M. Nayerloo	1 Nov 2024

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1 Introduction

Greater Wellington Regional Council engaged Aon Global Risk Consulting (Aon) to assess the potential damage and loss from natural catastrophe affecting the portfolio. This includes a high-level natural catastrophe screening exercise, and presenting loss estimates for both earthquake and tsunami events.

This work will provide a high-level assessment of potential **physical damage losses** to assets declared by GWRC on their group 'Rolling Stock and EMU Depot' (rolling stock) insurance policy. Loss estimates can inform decisions on how much risk to transfer through insurance, and how much to retain, as well as validate that a policy is sufficiently tailored to transfer risk where intended.

The existing rolling stock portfolio is known to be running almost at passenger capacity, with many of the carriages also approaching the end of their operational lifetimes. The Lower North Island Rail Integrated Mobility (LNIRIM) project highlights a need to upgrade existing infrastructure along the two main lines from Wellington station (Wairarapa Line, and Masterton Line), in order to guarantee safety and scalability of operations to meet growing user service demand. Within this, the LNIRIM business case outlines intentions to purchase a fleet of eighteen Independently Powered Electric Multiple-Units (IPEMU's). In support of upcoming decisions around the stabling and insurance of this fleet, the present work also presents the hypothetical losses associated with 3 future IPEMU stabling configurations under consideration.

The remainder of the report is structured as follows:

Summary of Assets	Summary of GWRC assets included in this assessment, including distribution of declared value, and geographic extents of assets.
High-Level Natural Catastrophe Exposure Screening	A qualitative overview of the exposure (and factors affecting vulnerability) of key locations to a range of natural catastrophe risks, including earthquake, tsunami, flood, volcanic, and weather event exposures.
Natural Catastrophe Risk Analysis	Summary of the underlying principles in the loss modelling methodology.
Earthquake Modelling	Detail on the earthquake hazard and vulnerability information, and presentation of the seismic loss estimates, in terms of NZ\$.
Tsunami Modelling	Outline of the defined scenario and assumptions, presentation and discussion of high-level estimates for tsunami loss exposure, in terms of NZ\$.
Additional Factors to Consider	Discussion of the potential additional factors which could inflate the cost of a claim, as well as factors affecting loss limit decision-making based on the results presented in this report. Brief recommendations following the loss modelling work.



2 Summary of Assets

This assessment covers the assets declared on the GWRC rolling stock insurance schedule, with supporting replacement value information as declared for the 2024-25 renewal period informing the modelled values. Locations of key stabling yards and stations were provided, and a nominal value to be assigned to the IPEMU assets in the hypothetical future stabling scenarios.

Table 1: GWRC rolling stock values by asset type

Type	Description	Unit Value (\$m)	No.	Total Value	
				\$m	%
Matangi EMU	Two-car electric multiple units	7.4	83	614.9	84.9%
SW Carriage	Passenger couches - 2 wheelchair hoist, 3 generators	2.5	18	45.0	6.2%
SE Carriage	Passenger couches - 1 wheelchair hoist, 1 generator	2.4	4	9.7	2.0%
		2.3	2	4.6	
AG Van	Generator and luggage van	1.0	1	1.2	0.2%
EMU Depot Equipment	Wheel lathe, shunt crabs and other equipment			48.9	6.8%
Total Modelled Value				724.3	100%
IPEMU	Future fleet of battery powered rolling stock	20.0	18.0	360.0	
Total Modelled Value Incl. IPEMU Fleet (Transition)				1,084.3	
Total Modelled Value Incl. IPEMU, divested Carriage fleet (Longer-Term)				1,025.0	

2.1.1 Asset Data Sources

The initial data provision included the 2024-25 'Rolling Stock and EMU Depot' Schedule. The document titled '*Insurance – Rolling Stock and EMU Depot Asset Register.xlsx*', provided by the client was the primary source of valuation information for this analysis. 'Future LNIRIM Scenarios' were defined in conversation between Aon, GWRC and GWRL (and documented via email correspondence).

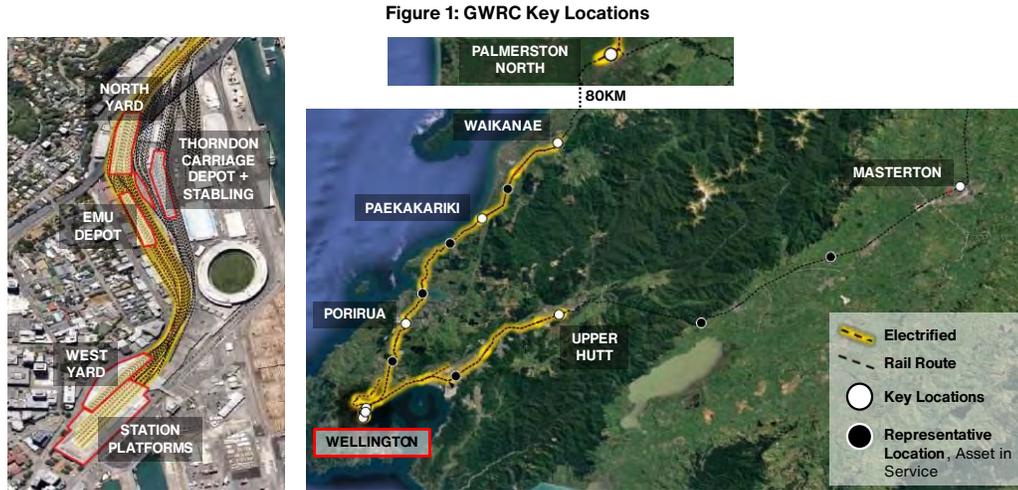
In classifying GWRC's assets, additional publicly available information was utilised as needed, including local and regional council hazard information, and Google Street View. The following supplementary information was provided by GWRC, and Greater Wellington Rail, for this analysis:

- 'Stabling Plan 14082024.xlsx'
- Data informing key locations provided in the form of maps informing signalling and interlocking arrangements for: 'Masterton.pdf,' 'Waikanae.pdf,' 'Paekakariki-Paraparaumu.pdf', 'Wellington.pdf', 'Trentham-Featherston.pdf'



2.2 Geographic Distribution

Figure 1 shows the key locations in the portfolio: Wellington City stabling yards and depots (left), and stabling yards and stations at Upper Hutt, Paekakariki, Waikanae and Masterton (right).



2.2.1 Defined Stabling Scenarios

Overnight, all assets are stabled between the key locations mentioned above. However, during the daytime a proportion of the rolling stock assets are in service – moving along the rail routes in Wellington CBD, and across the wider network. To maintain consistency with past work, stabling scenarios are defined for day and nighttime accumulations, accounting for some variation of locations of assets in service. The locations of fixed assets such as the EMU depot building and contents, spares and tools, do not vary and therefore these assets are excluded from the following table for simplicity. The AG222 generator carriage is assumed to remain at the Thorndon Carriage Depot in both the day and night-time configurations.

Table 2: Accumulations of assets by stabling location

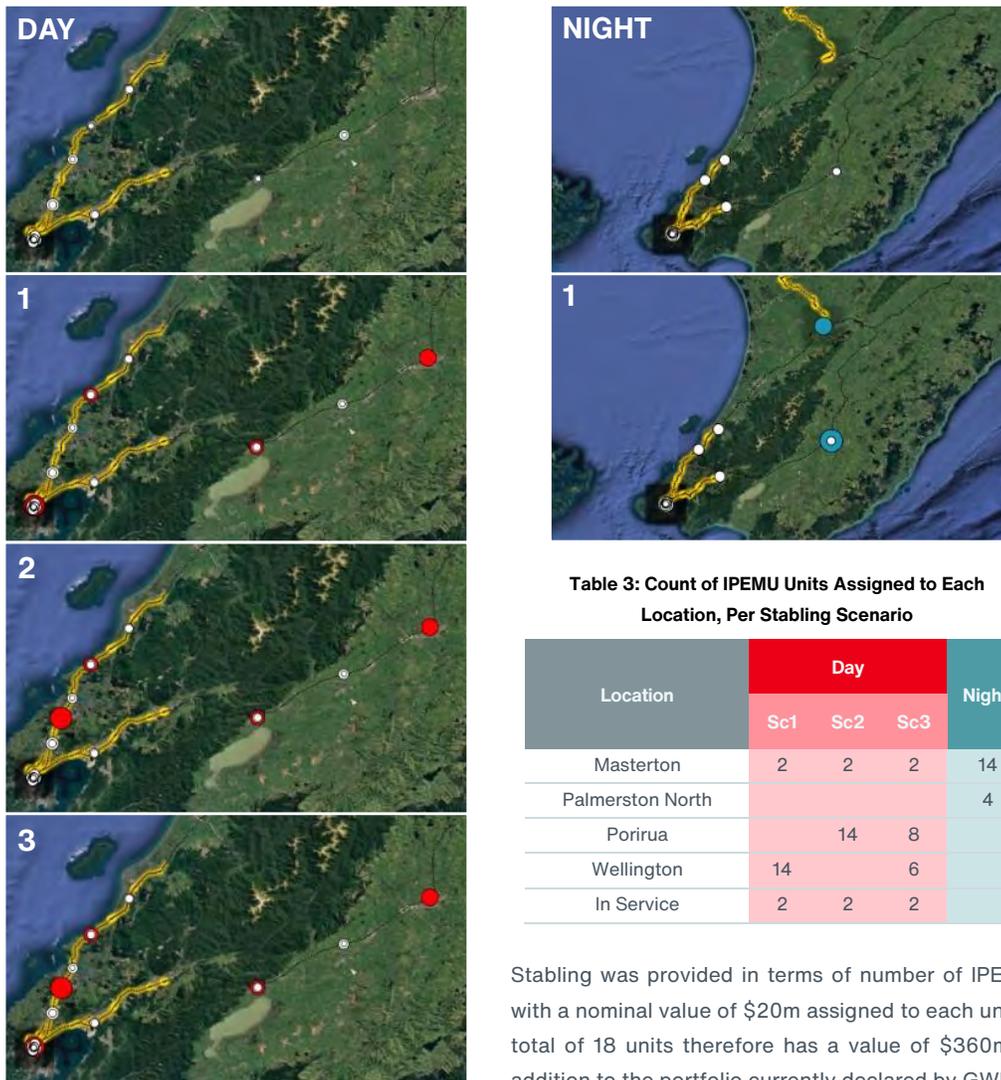
Location	Night			Day		
	Matangi	S Carriage	IPEMU	Matangi	S Carriage	IPEMU
Wellington West	21			36		
Wellington North	3			8		
Wellington South						
Wellington Station	27			16		
EMU Maintenance Depot	6			6		
Thorndon Carriage Depot		5			14	14, 6, 0
Upper Hutt	11					
Paekakariki	9					
Waikanae	6					
Masterton		19	14			2
Palmerston North			4			
Porirua						0, 8, 14
In Service (inner WGTN)				9	5	
In Service (wider WGTN)				8	5	2
Network Total	83	24	18	83	24	18



2.2.2 Distribution of IPEMU Value

As part of LNIRIM, a fleet of IPEMU rolling stock are to be purchased, with several stabling configurations under consideration. The figures below show the distribution of value of the current portfolio (top row) in both the day and nighttime scenarios. A total of three day-time fleet configurations were provided for modelling, based on a 'fleet home base' in Wellington (Day Future Sc1.), Porirua (Day Future Sc2.) or a split between both sites (Day Future Sc3). A future nighttime stabling configuration for the IPEMU fleet is also provided, (Night Future Sc.1).

Figure 2: GWRC Distribution of Portfolio Value



Stabling was provided in terms of number of IPEMU, with a nominal value of \$20m assigned to each unit. A total of 18 units therefore has a value of \$360m, in addition to the portfolio currently declared by GWRC.

¹ It is noted that stabling at Masterton and Palmerston North would present significant operational efficiencies, being the starting locations for early train departures on both lines.



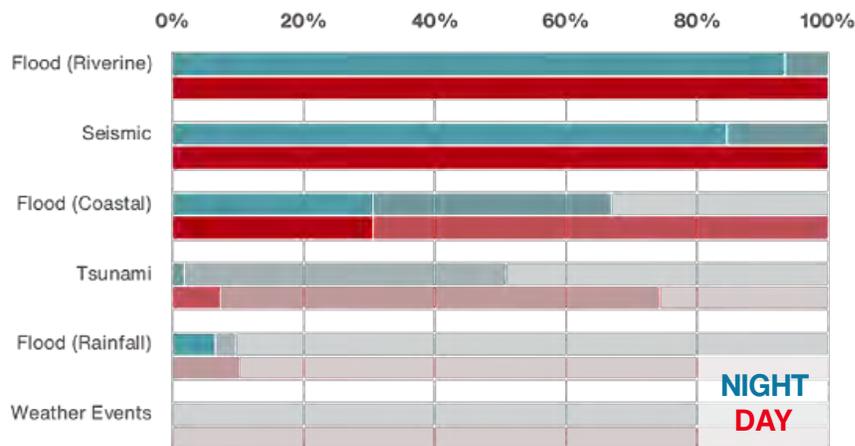
3 High Level Natural Catastrophe Exposure Screening

As a part of this exercise, a high-level exposure screening of the key locations across the portfolio has been undertaken, based on a range of natural catastrophe events. No quantification of the potential losses has been undertaken within this high-level screening; however, the value, vulnerability, and potential for disruption of operations should be considered when investigating loss potential.

Risks to the portfolio can vary significantly in the likelihood of occurrence, however for the purposes of informing insurance limit-setting discussions, it is prudent to investigate events that could occur within a reasonable recurrence interval, and also cause significant damage or disruption. For more frequent weather or moderate flooding events, this could be associated with an Average Recurrence Interval (ARI) between 1-in-10 years and 1-in-100 years, while more catastrophic events such as severe floods, earthquakes and tsunamis may have ARI's of the order of 1-in-100 years to 1-in-1,000 years.

Each location in the portfolio was assessed geospatially using Aon's Combined Hazard Information Platform (CHIP), which assesses various hazard exposures by property address, publicly available hazard information, as well as licensed hazard data from third-party sources. CHIP provides qualitative hazard exposure rating ranging from 'Negligible' to 'Very High' exposure. Based on the findings of this screening section overleaf discusses the extent and severity of the exposure to assets. A summary is presented in [Figure 3](#) below.

Figure 3: Exposed Proportion of Portfolio MD TSI



3.1 Earthquake

Seismic exposure, and the potential for damage from earthquake, is typically dominant for New Zealand based portfolios – for valid reason. For the total sum insured on the rolling stock policy, CHIP indicates 'High' or 'Very High' seismic hazard exposure² - further justification for the loss estimates presented in the remainder of the report.

² Note that, within this screening no liquefaction or landsliding are considered, however these secondary factors are included in the following quantitative sections.



It should be noted that a large earthquake event would also cause regional disruption to assets owned by GWRC, as well as further potential disruption to regional transport infrastructure, and electrical, communications and three-waters infrastructure. Damage to KiwiRail infrastructure, on which the rail operations are dependent, could cause significant disruption to service.

3.2 Flood

All locations in the portfolio have a 'High' or 'Very High' pluvial flood exposure, with several lower-value locations simultaneously exposed to fluvial flood and/or coastal flood. In particular, several areas of the Wellington station and depot area (65-75% depending on day vs nighttime) also have a 'High' or 'Very High' coastal flood exposure. The inundation depth at key asset locations should be investigated.

Buildings with an open ground storey, and/or a basement are particularly vulnerable, allowing water ingress into the building from surface flooding in the surrounding environment. It is expected that subsurface train maintenance pits would be impacted similarly. Coastal sites may also experience seawater inundation due to king tides and worsening with the impacts of climate change (with many coastal locations predicted to observe sea-level rise in the future).

Trending towards IPEMU units (as opposed to electrified rail lines) minimises the electrical dependency 'in route', however, concentrates this dependency risk at available charging stations. The potential for flooding and water (or saltwater) ingress into batteries on in service units, chargers, and charging hubs should be investigated in the conversations around stabling and operational risk of the IPEMU assets.

Flood information used in this assessment is derived from the New Zealand FloodMaps dataset from Royal Haskoning DHV, which presents a nationally consistent view of flood hazard.

3.3 Tsunami

For an asset to have an exposure to damage from tsunami events it must be close to the coast, low-lying and in a region with offshore tsunamigenic sources to cause inundation at the asset location.

The tsunami risk to the group portfolio is far less extensive than flooding, however the Thorndon Carriage Depot (with a notable stabled value) is exposed and could pose credible loss potential for GWRC. Tsunami events can be catastrophic to buildings and infrastructure and so there is potential for complete loss of assets with a notable exposure to the risk. It should be noted that a large tsunami event could still cause widespread disruption in the affected areas. The tsunami hazard information used within the CHIP product, is sourced from the GNS Science probabilistic tsunami hazard assessment by Power et al. (2023).

3.4 Storm and Cyclone

Storm and cyclone events could result in more frequent losses for the portfolio and can have impacts ranging from damage to individual assets, up to impact to an entire region. The portfolio has low storm and cyclone exposures compared to other hazards. In terms of the vulnerability of the portfolio to damage from storms and cyclones, building structural form, height, age, foundation type, condition, shape, roof deck, roof pitch, roof geometry, and tree exposure are some attributes of interest. It should be noted however that based on the NIWA climate change projections, the severity of cyclones is predicted to increase. Therefore, the exposure, and potential for damage to the GWRC assets are likely to be more significant in future time horizons.



3.5 Overview of Specific Stabling Locations' Exposures

To support risk-informed conversations around the various stabling configurations, additional detail on hazard exposures is presented below for the Masterton, Porirua and Palmerston North stabling yards. Based on the site-level exposure analysis below, and the ability to relocate rolling stock, it is anticipated that flood may have limited loss potential, and therefore would be unlikely to drive the upper limit of the portfolio insurance coverage (instead contributing to the more frequent, less severe losses impacting retention levels). If movement of rolling stock is the mitigation strategy for site-level exposures, it is recommended that emergency evacuation plans are kept up to date and tested, giving indication of the number of units of each fleet, that can practically be moved within a specified time window. Where notable exposures are reported, a detailed assessment of the hazard and potential impacts to rolling stock could be considered, if deemed beneficial by GWRC.

3.5.1 Masterton

Sufficiently distant from the coast, Masterton stabling has a negligible **tsunami** exposure, and negligible **coastal flooding** exposure, across a wide range of recurrence intervals. The nearby Waipoua river (<200m to the north) could expose the stabling yard to **fluvial flood** depths of up to 0.4m (considering the mitigating effects of flood protection assets on the river) however level of ingress into the site, and potential for damage have not been investigated. Similarly, the site may be flooded following a significant weather event, inundating the local stormwater system. At the time of writing, the site has a low **storm and cyclone** risk, expected to worsen with **climate change** (potentially also worsening the pluvial flood risk). **Seismic** exposure in Masterton is very high, however the stabling yard is reported to have a low susceptibility to the shaking-induced secondary hazards of liquefaction and landsliding.

3.5.2 Palmerston North

The inland Palmerston North stabling yard also has a negligible **tsunami** exposure across all recurrence intervals investigated, with negligible **coastal and river flooding** exposure. There is potential for **flooding from rainfall** across some of the property parcels adjacent to the stabling yard, exposed on average to flood depths of 0.2m, with the worst case of up to 0.6m towards the southern end of the site. Again, this stabling location has a low **storm and cyclone** exposure, with the potential for worsening impacts of **climate change**. **Seismic** exposure is moderate, with liquefiable extents of moderate susceptibility to the western end of the site. Stabling in Palmerston North has a negligible exposure to landsliding, with an area of flat topography surrounding the site.

3.5.3 Porirua

The Porirua tracks and stabling yard run adjacent to Porirua stream (<50m distant); the site has a high **fluvial (river) flood** exposure despite flood defence assets. Across the site, estimated flood depths vary significantly, with the stabling yard and south of the carpark exposed to up to 0.6m inundation. A more significant exposure to flood at the Porirua station platforms – noted also to be the only area of high liquefaction susceptibility. **Seismic** exposure is high; however, the majority of the site has a low exposure to liquefaction and landsliding. **Storm and cyclone** exposures are also low currently but could worsen due to the effects of climate change. There is a relatively low **tsunami** exposure across all recurrences investigated, despite the site being approximately 1km from the coast and falling within the yellow evacuation zone. Due to the shielding effect of Porirua harbour, tsunami exposure is mitigated, with the reported exposure typically based on open coast wave heights (5-10km from site). A tsunami event resulting in elevated water levels in the harbour could result in overtopping of the Porirua stream, leading to flooding of the station and stabling yards as discussed above.



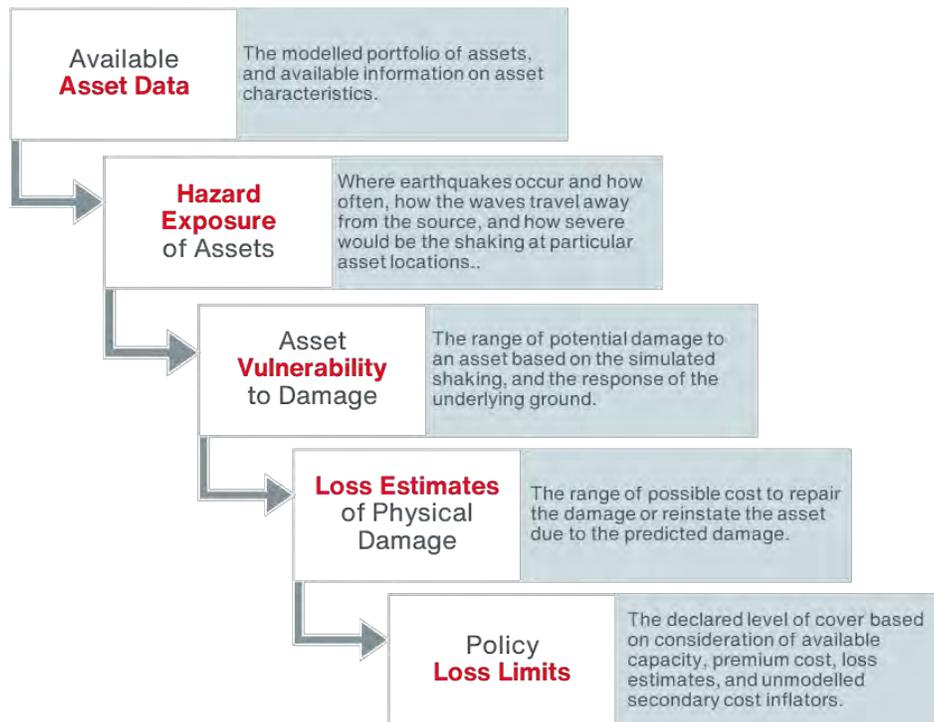
4 Natural Catastrophe Risk Analysis

Natural catastrophes like earthquakes and tsunamis are inherently **infrequent**, and **uncertain** events, with few past experiences to learn from – more uncertainty is present when modelling events with higher simulated recurrence intervals (return periods).

Naturally therefore, modelling these catastrophic events estimates losses that also carry a band of uncertainty: the results presented are influenced by various sources of uncertainty throughout the loss modelling process from simulating possible events, to estimating potential damage, and how that translates in terms of potential monetary losses (See [Figure 4](#) below).

The diagram below depicts the flow of information in the overall loss modelling process, and how the loss estimates feed into a loss limits suitable for declaration on the policy. It is important to note that the loss estimates produced are an input to the loss limit decision, but not the sole factor.

Figure 4: High-Level Methodology Flow Chart



The following section details each of the key steps in the modelling methodology outlined above, with a high-level commentary provided (where relevant) on:

- sources and handling of uncertainty in each stage,
- materiality of any major assumptions made, and
- the range of data sources underlying each core component of the modelling.



5 Earthquake Modelling

5.1 Hazard

The modelling uses the *RiskScape* platform, a tool jointly developed by GNS Science and NIWA, to support in the analysis of damage and financial loss through a New Zealand specific lens. Explicitly, this leverages off shaking levels reported in the recently released New Zealand National Seismic Hazard Model (NSHM22), published by GNS Science in late 2022. This platform also allows for the incorporation of secondary hazards at an asset-by-asset level, using locally published secondary hazard layers.

Specific uncertainties in the modelling include (but are not limited to), earthquake magnitudes, return periods, depths, and locations, and ground motion resulting from earthquakes.

Probabilistic (stochastic) modelling simulates a wide range of potential events in which the portfolio of assets may be damaged, over thousands of iterations, and accounts for the probability of each event occurring. Producing these results stochastically allows us to account for some of the variation in the potential location, magnitude, return period and depth of the earthquake event, in turn allowing the compilation of an aggregated exceedance probability curve – a curve of losses for a range of likelihoods up to 1-in-3,000 years.

The following sources are used to quantify the range of hazards to which GWRC's assets may be exposed in an earthquake event.

Earthquake Hazard Data Sources

Shaking is modelled using the recently released New Zealand National Seismic Hazard Model (NSHM22) (Gerstenberger, et al. 2022), with liquefaction and landsliding assessed using an aggregate of territorial and or regional authority liquefaction layers, and information provided by GNS Science. To our knowledge, these sources reflect the most up-to-date understanding of the earthquake hazard to which the GWRC rolling stock portfolio could be exposed.

5.2 Vulnerability

Information about the portfolio and stabling locations, provided by GWRC formed the basis of the loss assessment – it is assumed that the provided data is both accurate, and up to date. Review of the provided data included a check on the availability of necessary information regarding the characteristics of the assets, the hazard exposure and vulnerability data to enable the modelling. Assets were then further classified according to their type, construction, age, and exposure to secondary hazards (such as liquefaction and landslides) and assigned lat-longs based on address information or site description, as provided.



5.3 Assets In Service

Assets in service represent rolling stock moving along the various rail tracks between key stations and yards. To represent the in-service losses, the track segment hazard exposures, vulnerabilities and loss potential must be understood. The extents of liquefaction and landslide susceptibility were reviewed, alongside lengths of track highlighted by KiwiRail to have a known risk of slope failure, and locations of key network assets. To give context to the risk exposures assigned to in service assets in the model, a brief summary of observations³ for each main stretch of the track is provided below.

5.3.1 Wairarapa Line

- **Wellington – Porirua.** Regions of high liquefaction susceptibility north of the Wellington station, accounting for ~10-15% of the segment length, comparatively low liquefaction susceptibility towards Porirua. Large tunnel providing some resilience to the track (except for portals), a few bridges but no major noted points of weakness. A section of the rail runs along the coast, with some noted potential for landslide debris.
- **Porirua – Paekakariki.** Regions of high liquefaction susceptibility around both stations, with the majority (~60%) of the segment exposed to moderate liquefaction susceptibility or higher. Approximately half of the segment also identified as having a very high risk of slope failure by KiwiRail.
- **Paekakariki – Paraparaumu – Waikanae.** High susceptibility to secondary hazards, with the majority of the segment exposed to liquefaction, and multiple lengths considered by KiwiRail to have a high or very high risk of slope failure, including through Paekakariki station. Due to negligible value stabled in Paraparaumu station, this was treated as a single segment. No in service assets were distributed further north than Waikanae.

5.3.2 Manawatu Line

- **Wellington – Upper Hutt.** No major tunnels or bridges along the route, some small regions of landslide susceptibility (though no major risk of slope failure identified by KiwiRail). Narrow strip of highly liquefiable land follows the track immediately out of Wellington station. Approximately half of the rail route segment has a moderate liquefaction susceptibility or higher.
- **Upper Hutt – Masterton.** Small segments of moderate liquefaction susceptibility, with no regions of higher susceptibility noted. Approximately 30% of the segment length at risk of slope failure. One major tunnel offering some resilience, and no major bridges.

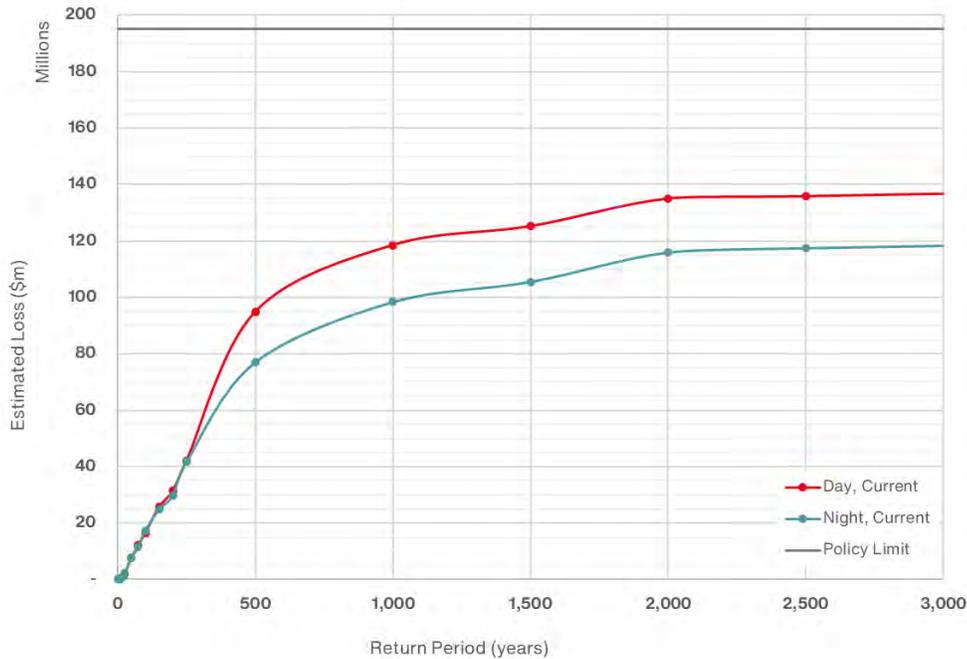
³ Note, no formal investigation undertaken.



5.4 Earthquake Loss Estimates

The distribution of modelled losses for the currently declared GWRC rolling stock portfolio is shown below. The loss curve reported is the **AEP (Aggregated Exceedance Probability)** which represents the probability that the associated loss level will be exceeded by the aggregated losses in any given year, over the 100,000-year simulation window. Results have been presented on this basis to align with the wording of the GWRC rolling stock policy, within which the limit is declared on an aggregate basis.

Figure 5: Estimated Losses for assets currently declared on the GWRC rolling stock Policy



A few key points of interest are highlighted in the below.

Return Period (years)	Estimated MD Loss (\$m)	
	Day	Night
250	42.17	41.69
500	94.95	77.00
1,000	118.52	98.35
2,500	135.82	117.48

[Figure 6](#) overleaf compares the current portfolio loss curves as presented above, with the losses including the hypothetical future fleet of IPEMU assets to inform the potential difference in loss potential associated with stabling the IPEMU fleet in various locations), relative to 'todays risk'.

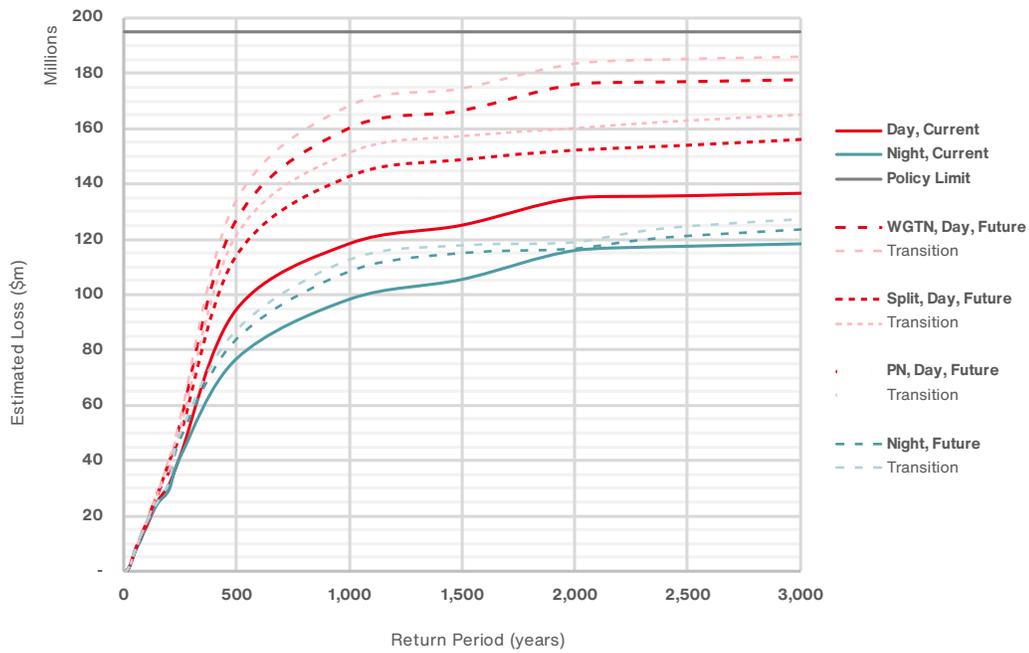
The current policy limit of liability (\$195m) is also shown for comparison.



Two sets of results are presented in parallel, representing the changing levels of risk as the portfolio adapts through the LNIRIM project timeline. The significance of the results is as follows:

- **Transition (T):** Results are presented based on the transition risk associated with acquiring IPEMU assets before the sale of the existing fleet, where the modelled portfolio value is approximately \$1,084.3m, based on the current portfolio, plus a nominal \$20m value per IPEMU.
- **Future (F):** The longer-term strategy is to replace the carriage fleet with the IPEMU assets, requiring losses to be presented for the portfolio, including the new IPEMU assets, and excluding the existing fleet of S carriages, where the modelled portfolio value is approximately \$1,025.0m.

Figure 6: Estimated Losses GWRC rolling stock + IPEMU units in various stabling scenarios



A few key points of interest are highlighted in the below

Return Period (years)	Estimated MD Loss (\$m)							
	Wellington (DT Sc1.)		Palmerston North (DT Sc2.)		Split (DT Sc3.)		Night (NT Sc1.)	
	T	F	T	F	T	F	T	F
250	56.38	54.44	50.18	48.78	52.23	49.80	50.44	48.35
500	134.79	127.57	112.90	104.36	121.95	114.69	87.49	84.16
1,000	168.54	160.26	138.44	130.08	151.28	142.93	112.66	108.41
2,500	185.37	176.96	147.48	139.26	162.79	154.16	124.64	121.14



5.4.1 Discussion

The previous assessment applied a deterministic approach allowing for the inclusion of more scenario-specific causes of loss, such as the potential for collapse of the Thorndon Viaduct, which passes directly over the Wellington North Yard (and rail tracks).

Given the complexities around modelling indirect damage to the rolling stock caused by building and/or viaduct collapse (both from GWRL or third-party assets), these have been excluded from the analysis. However, at the higher return period shaking levels considered, building and/or viaduct collapse are possible, and therefore should be allowed for when making decisions around suitable levels of cover. Conservatively, the same assumptions as the previous assessment could be applied, which would equate to the complete loss of 4-6 Matangi units (\$30m-\$45m) stabled beneath the viaduct, limited to 3 units during overnight stabling (\$22.2m). This is expected to be sufficient to represent any partial viaduct collapse or building collapse scenarios.

6 Tsunami Modelling

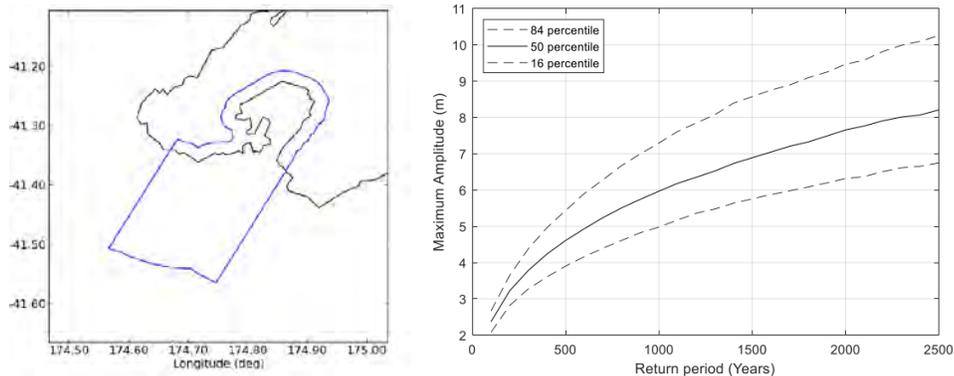
6.1 Hazard

New Zealand straddles a plate boundary and experiences many earthquakes, some of which can cause tsunami. Submarine and coastal landslides, island and submarine volcanoes, and large distant earthquakes in South America, western North America, or in the Aleutians in the north Pacific Ocean can also send tsunami waves to New Zealand coasts. All New Zealand coasts are exposed to tsunami hazard at varying degrees.

The National Tsunami Hazard Model (NTHM) provides a national view of tsunami hazard for New Zealand coasts (Power et al., 2022). It provides estimates of tsunami wave amplitudes⁴ to which coastal assets could be exposed for a range of return periods, for all coastlines in New Zealand.

The Wellington South tsunami hazard curve from the NTHM is shown in [Figure 7](#) with key points of interest highlighted in [Table 4](#) below.

Figure 7: Wellington South tsunami hazard curve (Power, 2022)



⁴ Maximum tsunami amplitude is the maximum tsunami wave height at the coast.

**Table 4: Open Coast Tsunami Heights at Key Return Periods of Interest**

Return Period (years)	Median Height (m)	84 th Percentile Height (m)
500	4.6	5.4
1,000	5.9	7.3
2,500	8.2	10.3

The NTHM also provides a disaggregation of the tsunami hazard to show the relative contribution of tsunami sources to the probabilistic tsunami hazard levels outlined above. The Wairarapa Fault and Hikurangi Subduction Interface (HSI) clearly stand out at the 2,500-year return period, generating approximately 50% of all potential scenarios capable of causing tsunami heights ~8.8 m at the Wellington South coast (Power, 2022).

It should be noted that the maximum amplitudes were developed for the purpose of estimating tsunami heights on **open coast** and are the maximum for the entire zone shown in the figure. As a consequence, the estimated heights are less reliable for Wellington Harbour that forms part of the interior of Wellington South coast. It should be noted that the sites under consideration do not expect to see inundation levels equalling the open-coast wave height.

A more detailed assessment of tsunami hazard from the major tsunami sources plus the Wellington and Wharekauhau faults was undertaken by GNS Science to better quantify tsunami hazard posed by these sources to Wellington Harbour (Mueller et al., 2014), with further detailed analysis investigating the tsunamigenic potential of the Hikurangi Subduction Interface.

Inundation depths were estimated for the Wellington stabling locations by GNS Science to enable the assessment of potential tsunami losses to the GWRL rolling stock in 2019. Following further research by GNS Science, the representation of buildings as solid forms can be seen to amplify tsunami depths and velocities - estimated to be between 0.5m and 1m increase in inundation depth, and 1-3 m/s increase in flow speed for the HIS scenario modelled. On the basis that the stabling sites are less sheltered by buildings compared to the CBD, a 0.5m inflation has been added to the inundation levels estimated by Mueller et al. (2015) to account for potential increase in tsunami inundation depth and velocity at the stabling locations as a result of the interaction of tsunami waves with buildings in the Wellington Harbour area.

Table 5: Tsunami Inundation Depths at Key Stabling Locations

Return Period (years)	GNS Median Flow Depth (m)	+0.5m (Mueller et al., 2015)
Wellington North, EMU, Thorndon	No inundation	0.5
Wellington West	0.09	0.59
Wellington Station	0.43	0.93



Tsunami Hazard Data Sources

Tsunami **wave heights** are defined based on the National Tsunami Hazard Model (NTHM) (Power et al., 2022). The **inundation depth** at locations is determined by the GNS tsunami hazard study (Mueller et al., 2015). To our knowledge, these sources reflect an up-to-date understanding of the tsunami hazard to which the GWRC rolling stock portfolio could be exposed.

6.2 Vulnerability

Damage mechanisms of rolling stock from tsunami can be summarised as resultant from **inundation** (such as damage due to water ingress), resultant from **currents** (carrying debris, or flotation of cars) and due to **secondary hazards**, such as fire-following and contamination. Saltwater ingress causing damage to electrical components, and sand and silt requiring extensive cleanup can significantly increase the post-event loss.

Consistent with the previous estimates flow depths below 0.5m are assumed to cause 'negligible' damage to rolling stock, between 0.5m and 2m 'low-high' damage expectations (derailment, debris strikes, floating impact damage etc.), and above 2.0m to be 'high' (same as for 'low-high' but more severe). (Horspool & Fraser, 2016).

Based on the above information, estimates of tsunami losses assume:

- Inundation depth is assumed to be approximately 1m for Wellington Station and 0.5m for the other Wellington locations.
- Damage ratio is assumed to be 15% at 0.5 m inundation (inundation damage, debris impact damage etc.). The damage ratio is assumed to increase to 30% at 1 m (greater level of damage from inundation and debris impact, potential for collision etc.).
- Tsunami flow velocity is assumed to be moderate, i.e., between 1 and 5 m/s. This assumption is partly informed by the study of Wang et al. (2017).
- Other than inundation, the rolling stock are assumed to be vulnerable to damage from tsunami flow and debris impact.

It should be noted that these are high-level assumptions on the potential level of damage and further analysis is required to refine these estimates.

6.3 Tsunami Loss Estimates

The losses calculated in this work, and presented in the following section, are based on the values provided by GWRC. Losses are quantified at a high level by spatially considering the locations of assets which may be exposed to each of the chosen tsunami scenarios.

[Table 6](#) overleaf shows the estimated night-time and day-time tsunami loss exposure for rolling stock assets currently owned and insured by GWRC. [Table 7](#) shows the estimated night-time and day-time tsunami losses associated with the IPEMU units stabled in each of the hypothetical future stabling configurations.



Table 6: Estimates of Potential Hikurangi Subduction Interface Tsunami Losses

Location	Night Value (\$m)	Day Value (\$m)	Inundation Depth (m)	Assumed DR (%)	Night Loss Exposure (\$m)	Day Loss Exposure (\$m)
Wellington West	155.6	303.7	0.6	15%	23.3	45.6
Wellington North	22.2	66.7	0.5	15%	3.3	10.0
Wellington Station	200	133.3	1	30%	60.0	40.0
EMU Maintenance Depot	93.4	100.8	0.5	15%	14.0	15.1
Thorndon Carriage Depot	12	48.3	0.5	15%	1.8	7.2
Masterton	47.2	0.0	0	0	0.0	0.0
In Service (inner Wellington)		79.7	1	30%	0.0	23.9
In Service (outer Wellington)		71.5	0	0	0.0	0.0
Upper Hutt	81.5	0.0	-	0	0.0	0.0
Paekakariki	66.7	0.0	-	0	0.0	0.0
Waikanae	44.4	0.0	-	0	0.0	0.0
Total					102.4	141.9

Table 7: Estimates of Potential Tsunami Losses for the Stabling of the IPEMU Fleet

Location	Value (\$m)*				Inundation Depth (m)	Assumed DR (%)	Loss Exposure (\$m)			
	Night	DTF1	DTF2	DTF3			Night	DTF1	DTF2	DTF3
Masterton	280	40	40	40	0	0	-	-	-	-
Palmerston North	80	-	-	-	0	0	-	-	-	-
Porirua ⁵	-	-	280	160	0	0	-	-	-	-
Thorndon Carriage Depot	-	280	-	120	0.5	15%	-	42	-	18
In Service ⁶	-	40	40	40	0.5	15%	-	6	6	6
Total							-	48	6	24

*assuming a nominal \$20m value applied to each unit as directed by GWRC

⁵ Porirua Stabling Yard was not included in the 2019 assessment. Local regional and territorial authority maps show this location falls within an orange evacuation zone for tsunamis, which prompts further investigation on the tsunami inundation risk. A request on the results from the 2015 study on this location has been made and results will be communicated once obtained.

⁶ Conservatively, it is assumed that in service IPEMUs are in Wellington, and therefore exposed to tsunamis.



7 Additional Factors to Consider

Quantification of economic trends and detailed costing of asset specific replacement strategies is beyond the scope of this work. However, below is a discussion of the potential factors that could inflate the cost of a claim that should be considered alongside the loss estimates presented above.

7.1.1 Disruption and Dependency

This work quantifies the physical damage losses incurred as a result of a significant earthquake event impacting the assets declared on GWRC's rolling stock policy, however estimation of the consequential disruption is not presented. With several notable asset dependencies on electrical transmission and distribution, KiwiRail owned rail tracks, and interdependency between in-line stations, the potential financial impacts should be understood.

7.1.2 Secondary Cost Inflatoms

Due to the very asset-specific nature of the additional costs that may be required to fully reinstate an asset (i.e., the nuances of the repair as discussed within the claim preparation process), the loss estimates do not include the contribution of secondary cost inflators. Although excluded from this work, they should be considered in the context of the placement, as these potentially significant costs could otherwise be retained by GWRC.

Examples of secondary costs include, but are not limited to:

- Limited or potentially destructive access – i.e., Could there be any sites that would incur the additional cost of demolition of a building to allow machinery access to a damaged asset? Has this damage resulted in an accelerated asset reinstatement strategy for neighbouring assets, i.e., cost to resurface a road heavily used due to traffic redirection, which would otherwise not need repair?
- Enablement costs or additional increased costs of working - i.e., What would be the total cost of configuring a temporary alternate facility to maintain customer level of service whilst undertaking repair on damaged facility? Is there an increased operational cost if operations are to be continued from another key location?
- Acquisition and installation of replacement parts – i.e., What is the current price of replacement parts, and current shipping costs? Are critical spares already available? What is the cost to hire and transport temporary equipment, and availability and cost of staff?
- Other – i.e., Is there a requirement for traffic management around damaged assets or during works, and who retains this cost? How much are damage inspection costs, per site? Is there any damage to third party, for which GWRC may be responsible?

Aon Valuations can provide advice to GWRC around the suitability of declared values, and aid in the revaluation of assets for insurance purposes. **Aon Risk Accounting** can detail the anticipated policy response based on the current rolling stock policy configuration, provide BI loss estimates for a range of disruption scenarios, and support in claim preparation to optimise the insurance response in the case of an event causing significant damage or disruption to assets in the portfolio.



7.1.3 Post-Event Surge in Pricing

Immediately after a large natural disaster, the cost to repair damage can be temporarily significantly greater than the cost to repair the same damage in a smaller disaster (or during typical asset renewals). When a large event occurs, causing damage to many assets with many owners, there is an increased demand for urgent repair of assets, and reinstatement of services – resulting in a surge in pricing.

The key factors that contribute to demand surge are, but are not limited to:

- Magnitude of damage and size of the affected area; a significant event could impact the majority of NZ.
- Growth stage of the local and national economy, and the construction sector – all of which show variation over time and across the region.
- Current industry wage levels, and resource and labour availability.
- Global considerations, such as supply chain disruption, residual increased costs due to the pandemic and war/conflict.

This means that the cost to repair damage post-disaster, can be notably higher than the cost to repair the same amount of damage, day-to-day, or during typical asset renewals – this inflation can vary significantly, and can be as great as 30-60% in a highly damaging or disruptive event.

Aon brokers can advise on the practicalities of implementing demand surge into the insurance placement.



8 Determining an Insurance Loss Limit

Loss modelling provides loss estimates that are a representation of what is the consequence (loss or damage) from a given event. The variability of the outcomes, and inherent uncertainty, is considered as part of the statistical analysis. However, there are always unknown factors and complexities that can impact actual loss outcomes compared to a theoretical representation, as discussed in Section 7 above. It is therefore important that loss estimates are not converted immediately into a loss limit, but instead are used as part of the process to determine policy loss limits. The following are additional insurance-specific considerations that should be included in the process for defining loss limits:

- Generally, the **cost of capital** reduces as the likelihood of loss decreases. However, the **availability of capacity** and the underwriters' view of risk means that this can only be ascertained by asking the insurance markets for either a formal quote, or indicative costs for additional capacity.
- A **policy limit** is the maximum amount that is payable under the insurance contract. There are also **sublimits** available within the policy. These can be declared for specific coverages (e.g., enablement costs). The overall loss limit should be sufficient to cater for the damage and additional coverages in the total aggregate. This current work will support GWRC in conversations around the adequacy of their policy loss limit in reference to potential physical damage – review of any exclusions, sublimits and wordings is beyond the scope.
- Asset values, for asset reinstatement, generally trend upward over time. Loss limits should be set to allow for some **value increase** over the period between loss modelling re-evaluations.

8.1 Next Steps

Following from the presented work, Aon recommends the following:

- The present assessment applies a high-level approach to quantifying the potential for loss from tsunami. Following the release of the probabilistic tsunami-following earthquake model, an extension of the NSHM22, and in development by GNS at the time of writing – Aon recommends a more detailed modelling exercise of tsunami risk be undertaken if deemed valuable by GWRC. This could focus on determining the probabilistic loss curve for tsunami (similar to the curve presented in the context of seismic losses in this work), however could also allow for parallel investigation into life-safety risk associated with in service units. It is noted that a considerable proportion of the regions rail lines are exposed to a range of secondary hazards including slope failure of the surrounding land.
- Review of the transitional and operational risk profiles as the portfolio evolves to include IPEMU units (assuming also the gradual retirement of older fleet), with a suggested focus on the risk associated with the change in concentration of dependency risk.
- Asset valuations, at an asset-by-asset level, are reviewed on a regular basis and are estimated using an insurance-based reinstatement cost, not financial (or depreciation) based valuations.
- Investigate the impact of more frequent events (i.e., floods), and how that would impact the retention levels (deductibles) that GWRC would be comfortable holding.

Aon can assist Greater Wellington Regional Council with the implementation of the above recommendations and any follow-up extension of the present loss assessment as an additional stage of work. Such work, if undertaken, could bring cost benefits.



9 Aon Limitations and Disclaimer

9.1.1 Limitations

This report has been produced by Aon (We, we, Our, our) to assist in the understanding and quantification of potential earthquake material damage losses for property assets owned by Greater Wellington Regional Council (the Client, GWRC). The loss estimates are considered pragmatic and at an appropriate level and in line with good practice for loss estimations associated with high impact low probability events.

The content of this report is only intended to be used for risk transfer and as such has been modelled to the detail required for this purpose. When used for other purposes, such as post-disaster response, land use planning and so forth, it may not be sufficiently robust or detailed. When used for other purposes, it could be useful as a starting point for further work provided the limitations are understood and acknowledged. Limitations are listed below:

- The loss estimates consider the potential first-party property damage and loss from earthquake damage. Other losses, including third-party property and liability are excluded.
- The loss estimates assume that both the Client and third-party assets meet their declared seismic designs. Any losses attributable to deficiencies of design and construction, which might be realised during a seismic event, are excluded.
- The estimates do not provide for additional damage that could be sustained during large aftershocks, nor does it factor in cascading events (such as fire following earthquake or shaking-induced tsunami).
- The estimates are for potential material damage losses only, and do not include associated costs such as claims preparation, expediting expenses and additional increased cost of working, however these should be considered when determining policy limits.
- Demand surge has not been included in the loss estimates.
- No allowance has been made for enablement costs in the assessment. This should form part of an additional assessment.
- Catastrophe models assume high correlation between characteristics of insured assets and those of the model features (such as vulnerabilities) designed to represent them. Specific individual risks however may have different attributes to those assumed by the catastrophe models. This means that real-life losses from a single risk or small group of risks concentrated at one or more locations could potentially exceed modelled losses calculated using the catastrophe models.
- Without in-depth structural and geotechnical investigations, the actual loss potential cannot be accurately pre-determined. When determining loss limits for insurance purposes, the potential for additional damage to high-value assets within the portfolio of assets considered can be improved by undertaking more specific and detailed assessment for those assets.
- No site-specific assessment, e.g., landslide or liquefaction potential assessment, has been undertaken as part of the present assessment to evaluate potential implications associated with earthquake actions.
- As natural hazard events are intrinsically highly unpredictable, there is a margin of uncertainty attaching to the results. The results and findings in this report have been reached through a series of qualitative and quantitative assessments in combination with various assumptions and limitations.
- Damage estimates are based on replacement costs estimates provided by the client. Aon reserves the right but not the obligation to recalculate damage estimates if the information is found to be in error or not suitable to fully replace the assets in the event of a loss.



- Aon recommends that the results presented in this report should not be relied upon in isolation when making decisions regarding policy limits.
- The loss estimates are desktop-based, and their accuracy relies on the information supplied by the Client and/or selected third party sources. We accept no responsibility for the accuracy or completeness of the underlying information provided.

9.1.2 Disclaimer

The Client acknowledges the assumptions and limitations noted above and agrees to the following:

- Where this report includes a recommendation or an assessment of risk, this is an expression of our opinion only and not a statement of fact. Any decision to rely upon any such recommendation or assessment will be solely at the risk of the Client, for which we accept no liability, and the Client acknowledges that the analysis provided does not replace the need for the Client to make its own assessment.
- We will not be liable, in any event, for any special, indirect, or consequential loss or damage of any kind (including but not limited to, loss of profit and business interruption, loss of use, loss of revenue, loss of contracts, increased costs and expenses, wasted expenditure, and all special, indirect, and consequential loss or damage suffered by the other party) arising from any use of the information contained in this report.
- We reserve all rights to the content of this report. No part of this document may be reproduced or transmitted in any form or by any means, whether electronic or mechanical, including photocopying, recording or otherwise, without our prior written consent. This document is provided exclusively for the use of the Client.
- No part of this document may be made available to any third party without both (i) Aon's prior written consent and (ii) that third party having first signed a "recipient of report" letter in a form acceptable to us. No responsibility is accepted to any third party for the whole or any part of the content of this document and all liability howsoever arising to any third party is hereby expressly excluded.

The primary aim of the analysis contained in this report, prepared by Aon (we, our) has been to ascertain and determine material damage loss estimates for earthquake events for the Client. The loss estimates provided are considered pragmatic and at an appropriate level and in line with good practice for loss estimations associated with severe earthquake events.

11.1 GNS Disclaimer (RiskScope)

This Report has been prepared by Aon New Zealand Limited (Aon) for the exclusive use and benefit of Greater Wellington Regional Council (GWRC) and solely for the purpose for which it is provided and has utilised proprietary technology licenced from the Institute of Geological and Nuclear Sciences Limited (GNS). Neither Aon nor GNS accept responsibility for any use of or reliance on any contents of this Report by any party and neither Aon nor GNS shall be liable to any party on any ground, for any loss, damage or expense arising from such use or reliance. Any party using or relying on this Report will be regarded as having accepted the terms of this disclaimer.



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Finance, Risk and Assurance Committee
21 November 2024
Report 24.627



For Decision

FORWARD WORK PROGRAMME – NOVEMBER 2024

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of the forward work programme ([Attachment 1](#)).

He tūtohu

Recommendations

That the Committee:

- 1 **Endorses** the Forward Work Programme ([Attachment 1](#)).

Te horopaki

Context

2. Staff have compiled regular reports for the year and other upcoming items into a Forward Work Programme for the Committee to consider. At each meeting, the work programme will be reviewed and adjusted based on progress, added information, and changing priorities.

Te tātaritanga

Analysis

3. The Forward Work Programme contains the regular and planned upcoming reports for the Committee meetings for the forward 12 months.
4. The Committee's Forward Work Programme is scheduled to be presented at each Committee meeting.
5. The Forward Work Programme and associated planning ensures the Committee meets its terms of reference. This includes the review and monitoring of performance under Council's Financial Strategy and to oversee, review, and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting including the Annual Plan and Long Term Plan; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).

Ngā hua ahumoni
Financial implications

6. There are no financial implications arising from this report.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

7. There are no known implications for Māori arising from this report.

Ngā tikanga whakatau
Decision-making process

8. The matters requiring decision in this report were considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

Te hiranga
Significance

9. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters for decision, taking into consideration Council's *Significance and Engagement Policy* and Greater Wellington's *Decision-making Guidelines*. Officers consider that the matter is of low significance due to its administrative nature.

Te whakatūtakitaki
Engagement

10. Due to the low level of significance, community engagement was not considered necessary.

Ngā tūāoma e whai ake nei
Next steps

11. Once the Committee endorses the programme, officers will implement the reporting.

Ngā āpitihanga
Attachments

Number	Title
1	Finance, Risk and Assurance Committee Forward Work Programme as at November 2024

Ngā kaiwaitohu
Signatory

Writer	Alison Trustrum-Rainey – Kaiwhakahaere Matua Pūtea me ngā Tūraru Group Manager Finance and Risk
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He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The Forward Work Programme is designed to cover the key items in the Committee's Terms of Reference.
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> The Committee's Terms of Reference includes the review and monitor performance under Council's Financial Strategy and to oversee, review and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting including the Annual Plan and Long Term Plan; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).
<i>Internal consultation</i> Regular report writers to the Committee were consulted.
<i>Risks and impacts - legal / health and safety etc.</i> There are no known risks arising from this report.

Finance, Risk and Assurance Committee Forward Work Programme – November 2024

FRAC Work Programme 2024/25

Focus areas	November 2024	February 2025	May 2025	August 2025
Overall meeting focus if applicable				
Work programme	Decision Paper Rolling forward work programme	Decision Paper Rolling forward work programme	Decision Paper Rolling forward work programme	Decision Paper Rolling forward work programme
Financial Management	Q1 report	Q2 report	Q3 report	Q4 report
	Decision Paper Taxation Management Policy	Rating software update		
Risk Management	Health Safety and Wellbeing	Health Safety and Wellbeing Incl. Councillor and appointed members' health and safety legal duties and obligations	Health Safety and Wellbeing	Health Safety and Wellbeing
	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance
	Wellington Water active risk dashboard			
	Risk review and update including legal compliance	Risk review and update	Risk review and update	Risk review and update
	Climate Change Risk (annual)	Legal Risk update	Cyber Security Update	Legal Risk update

Finance, Risk and Assurance Committee Forward Work Programme – November 2024

Focus areas	November 2024	February 2025	May 2025	August 2025
	Insurance modelling stage 1 – rail assets	Insurance modelling stage 2 including our exposure		Insurance Review
	Cyber security report			Decision Paper Risk Appetite review
Business Assurance	Assurance update including: <ul style="list-style-type: none"> Report on indirect taxes Report on revenue completeness (Snapper/Transdev) 	Assurance update including: <ul style="list-style-type: none"> Report on bulk water 	Decision Paper Assurance update including: <ul style="list-style-type: none"> 2024-27 assurance plan review Report on Treasury Management 	Assurance update including: <ul style="list-style-type: none"> Report on resource consent process
Reporting and Accounting	Financial Policies update	Audit report to Council on the Annual Report	Annual Plan update	Audit Report to Council on the LTP
			Decision Paper Fair Value Assessment of Property Plant and Equipment	External audit plans
				Financial policy update
Workshops TBD	1. Risk Deep Dive – Clear accountabilities for technology	1. Risk Deep Dive – Te Tiriti o Waitangi which includes our Te Tiri audit process	1. Deep Dive - Climate change impacts on insurance	Risk Deep Dive – Pest management
		Risk appetite walkthrough	Risk appetite walkthrough	

Finance, Risk and Assurance Committee Forward Work Programme – November 2024

Focus areas	November 2024	February 2025	May 2025	August 2025
Out of cycle items: - Annual Report				

Finance, Risk and Assurance Committee
21 November 2024
Report 24.633



For Decision

RESOLUTION TO EXCLUDE THE PUBLIC

That the Committee excludes the public the following parts of the proceedings of this meeting, namely:—

Cyber Security Update – November 2024 – Report PE24.600

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:

Cyber Security Update – November 2024 – Report PE24.600	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<p>The report contains information about Greater Wellington’s information security and cybersecurity status. Release of this information exposes Greater Wellington to cyber-attack threats by making it easier for the public to know Greater Wellington’s cyber security status and utilise the information for improper gain or improper advantage (section 7(2)(j)). It is necessary for Greater Wellington to exclude the information contained in this report from the public domain to protect our information assets and reduce the likelihood of cyber-attack.</p> <p>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 this risk.</p>	<p>The public conduct of this part of the meeting is excluded under section 7(2)(j) of the Act in order to prevent the disclosure or use of official information for improper gain or improper advantage.</p>

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.