

**Absolutely Positively**  
**Wellington City Council**

Me Heke Ki Pōneke

# Ordinary Meeting of Unaunahi Māhirahira | Audit and Risk Committee Agenda

1:30pm Tuesday, 28 February 2023

Ngake (16.09)

Level 16, Tahiwī

113 The Terrace

Wellington



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## **MEMBERSHIP**

Mayor Whanau  
Councillor Apanowicz  
Councillor Chung  
Pouiwi Kelly  
Councillor Pannett  
Councillor Randle (Deputy Chair)  
Bruce Robertson (Chair)

### **Have your say!**

*You can make a short presentation to the Councillors, Committee members, Subcommittee members or Community Board members at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8337, emailing [public.participation@wcc.govt.nz](mailto:public.participation@wcc.govt.nz) or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.*

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## AREA OF FOCUS

The Unaunahi Māhirahira | Audit and Risk Committee oversees the work of the Council in discharging its responsibilities in the areas of risk management, statutory reporting, internal and external audit and assurance, monitoring of compliance with laws and regulations, including health and safety.

**Quorum:** 4 members





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# 1. Meeting Conduct

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## 1.1 Karakia

The Chairperson will open the meeting with a karakia.

<b>Whakataka te hau ki te uru,</b>	Cease oh winds of the west
<b>Whakataka te hau ki te tonga.</b>	and of the south
<b>Kia mākinakina ki uta,</b>	Let the bracing breezes flow,
<b>Kia mātaratara ki tai.</b>	over the land and the sea.
<b>E hī ake ana te atākura.</b>	Let the red-tipped dawn come
<b>He tio, he huka, he hauhū.</b>	with a sharpened edge, a touch of frost,
<b>Tihei Mauri Ora!</b>	a promise of a glorious day

At the appropriate time, the following karakia will be read to close the meeting.

<b>Unuhia, unuhia, unuhia ki te uru tapu nui</b>	Draw on, draw on
<b>Kia wātea, kia māmā, te ngākau, te tinana, te wairua</b>	Draw on the supreme sacredness To clear, to free the heart, the body and the spirit of mankind
<b>I te ara takatū</b>	
<b>Koia rā e Rongo, whakairia ake ki runga</b>	Oh Rongo, above (symbol of peace)
<b>Kia wātea, kia wātea</b>	Let this all be done in unity
<b>Āe rā, kua wātea!</b>	

## 1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

## 1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

## 1.4 Confirmation of Minutes

There are no previous minutes of this committee to confirm.

## 1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

***Matters Requiring Urgent Attention as Determined by Resolution of the Unaunahi Māhirahira | Audit and Risk Committee.***

The Chairperson shall state to the meeting:

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

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The item may be allowed onto the agenda by resolution of the Unaunahi Māhirahira | Audit and Risk Committee.

***Minor Matters relating to the General Business of the Unaunahi Māhirahira | Audit and Risk Committee.***

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Unaunahi Māhirahira | Audit and Risk Committee for further discussion.

## **1.6 Public Participation**

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to [public.participation@wcc.govt.nz](mailto:public.participation@wcc.govt.nz), by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 803 8334, giving the requester's name, phone number and the issue to be raised.

## 2. General Business

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# ASSURANCE AND BUSINESS INTEGRITY UPDATE

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### Kōrero taunaki | Summary of considerations

#### Purpose

1. This report provides the Unaunahi Māhirahira | Audit and Risk Committee with:
  - an update on progress against the Assurance & Business Integrity Workplan 2022-23
  - an update on progress to address recommendations from internal audit and other independent assurance sources
  - an update on integrity activities including protected disclosures received, and elected member gifts declaration procedures
2. The information supports the Committee to discharge its responsibility under its Terms of Reference to:
  - have oversight of the internal audit function
  - review and monitor whether management's approach to maintaining an effective internal control framework is sound and effective including appropriate systems to prevent, detect and effectively investigate fraud

#### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

#### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

#### Relevant Previous decisions

The Kāwai Māhirahira | Audit and Risk Subcommittee approved the Assurance & Business Integrity Plan 2022-23 on 3 May 2022.

The Subcommittee agreed to receive a statement on the completeness of the quarterly update of the Elected Member Gifts and Hospitality register during its meeting on 12 October 2021. This paper provides that statement of completeness.

#### Financial considerations

Nil

Budgetary provision in Annual Plan / Long-term Plan

Unbudgeted \$X

3. There are no new financial implications raised in this paper.

**Risk**

|  Low |  Medium |  High |  Extreme

4. Risks were identified as part of audit and assurance work completed and these have been communicated to relevant officers. Risks are managed in line with the Council's Enterprise Risk Management Framework.
5. This paper supports effective governance of assurance activities and provides assurance that risks identified are appropriately addressed. This gives confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

Author	Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

**Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the update on the Assurance & Business Integrity Workplan for 2022-23.
2. Agree the addition of two responsive reviews to the Assurance & Business Integrity Workplan.
3. Receive the update on management's progress to address recommendations from internal audit and other independent sources of assurance.
4. Receive the information about integrity activities.
5. Receive the statement on the completeness of the quarterly update of the Elected Member Gifts and Hospitality register.

**Whakarāpopoto | Executive Summary**

1. Delivery of the Assurance & Business Integrity Work Plan for 2022-23 is on track.
2. Management is making progress to address recommendations from internal audit and other independent assurance sources. There are no matters of concern to bring to the Committee's attention relating to the progress by management to address open assurance recommendations.
3. No new protected disclosures were received during the period 1 October 2022 to 31 January 2023.
4. Elected members were reminded to disclose any gifts or hospitality that have been offered, in line with the Council's guidance for Gifts and Hospitality. The completion rate for the quarters July to September 2022 and October to December 2022 were 38% and 40% respectively.

## Kōrerorero | Discussion

### Progress on Assurance and Business Integrity Workplan 2022-23

5. The Kāwai Māhirahira | Audit and Risk Subcommittee approved the Assurance & Business Integrity Plan 2022-23 on 3 May 2022.
6. Two responsive reviews were added to the Workplan and have been completed:
  - a. **Management practices for retaining walls.** The review confirmed that all three retaining walls associated with the August 2022 Terrace slip had been assessed as required within the last five years. Although one wall was given a condition rating of poor, it was still within the timeframe for repair.

We agreed recommendations with management:

    - i. To base the condition assessment frequency and approach on the risk associated with the retaining wall, to prevent both under and over control.
    - ii. To improve documentation supporting the process so as to reduce inaccuracies in the asset data and decisions made.
    - iii. To ensure that issues identified for maintenance are appropriately escalated or actioned.
    - iv. To base the condition assessment frequency and approach on the risk associated with the retaining wall, to prevent both under and over control.
  - b. **Holidays Act pay controls review.** We assessed the high-level risks in business processes designed to ensure the correct recording and application of leave entitlements. We identified over 15 risks inherent in manual payroll, business processes and work arounds.

We recommended potential controls to the project team that, if implemented, will help to reduce the impact of risks on the manual processes.
7. Three internal audit reports have been issued since our last [report](#) in September 2022:
  - a. Recruitment – employment documents
  - b. Burials and cremation
  - c. Building controls follow-up
8. Further details of these audits and our progress to deliver the Assurance & Business Integrity Workplan 2022-23 are tabled in Attachment One.

### Overdue open assurance recommendations

9. Assurance & Business Integrity monitors and reports on management's progress to address assurance recommendations from completed internal audit reviews, as well as from other independent sources of assurance.

**Internal audit recommendations**
10. There are three open internal audit recommendations that are overdue.
11. The table below shows the number of high and medium risk findings currently in progress that were due for completion before 31 December 2022 and are now overdue.

FY	Review	Overdue <b>High</b> recommend- ations	Overdue <b>Medium</b> recommend- ations
2021-22	Cash handling & reconciliation	0	1
2021-22	Cyber security	0	1
2018-19	Procurement and contract mgmt	0	1
	<b>Total</b>	<b>0</b>	<b>3</b>

12. Further details of management’s progress to address open assurance recommendations from internal audit and other independent assurance are tabled in Attachment Two.

### **Protected disclosures and investigations**

13. Assurance & Business Integrity has responsibility to receive protected disclosures and to have oversight of any investigations under the Protected Disclosures (Protection of Whistleblowers) Act 2022. We will bring to the attention of the Committee any allegations of internal fraud or other suspected financial misappropriation, and any protected disclosures or investigations instigated.
14. Since our last report to the Subcommittee in September 2022, no protected disclosures have been made to the Assurance & Business Integrity team.
15. Further details are provided in the Integrity activities section of Attachment 1.

### **Elected members’ gifts declaration**

16. Elected members are reminded quarterly about their obligation to disclose gifts or hospitality that has been offered to them in their capacity as an elected member, in line with the Elected Member Guidance for Receiving Gifts and Hospitality. Assurance & Business Integrity reviews the register for completeness and consistency with the Council’s guidance.
17. The following table shows the quarterly completion rate for elected members gifts and hospitality disclosures:



Period	% completion rate	Returns with nil disclosures	Returns with disclosures	Pending response
1 July to 30 September 2021	87%	7	6	2
1 October to 31 December 2021	79%	2	6	6
1 January to 31 March 2022	100%	11	3	0
1 April to 30 June 2022	57%	2	6	6
1 July to 30 September 2022	38%	1	2	5
1 October to 31 December 2022	53%	4	4	7

18. Officers will follow up with elected members who have yet to respond and provide an update at the next Committee meeting.

## Whai whakaaro ki ngā whakataunga | Considerations for decision-making

### Alignment with Council's strategies and policies

19. This report is about the Council's internal control systems that enable the Council to effectively deliver its business objectives.

### Engagement and Consultation

20. This paper is low significance as per our Significance and Engagement Policy. This paper is for internal use to support governance of assurance activities and there are no requirements to consult with the public on the matters raised in this paper.

### Implications for Māori

21. There are no specific Te Tiriti o Waitangi considerations to note. Our Te Tiriti o Waitangi obligations and our commitment to mana whenua partnerships are considered within each assurance engagements.

### Financial implications

22. This paper does give rise to any financial implications.

### Legal considerations

23. There are no new legislative implications raised in this paper.

### Risks and mitigations

24. Risks were identified as part of audit and assurance work completed and these have been communicated to relevant officers. Risks are managed in line with the Council's Enterprise Risk Management Framework. There are no additional risk implication arising from this paper.
25. The governance of actions to address assurance recommendations forms part of the Council's risk mitigation to assure that identified risks are appropriately managed. This gives confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

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### **Disability and accessibility impact**

26. The recommendations in this report do not have any impacts on accessibility.

### **Climate Change impact and considerations**

27. There are no climate change implications arising from this paper.

### **Communications Plan**

28. No communication plan is required for this paper.



### **Health and Safety Impact considered**

29. This report does not create or identify any new health and safety considerations.

### **Ngā mahinga e whai ake nei | Next actions**

30. Officers will follow up with elected members who have yet to respond to the gifts declaration and provide an update at the next Committee meeting.

### **Attachments**

Attachment 1.	Progress with Assurance and Business Integrity Workplan <a href="#">↓</a> 	Page 15
Attachment 2.	Follow up of open Assurance recommendations <a href="#">↓</a> 	Page 19

## Progress on Assurance and Business Integrity Workplan 2022-23

The table below summarises progress on the delivery of the current year Assurance & Business Integrity Workplan

Activity	Planned quarter	Progress update
<b>Internal audit engagements</b>		
<b>Annual Internal controls assessment</b>	Q1	<b>Completed</b> The council's internal control system was assessed as 'Core' which is defined as a basic approach and with elements of good practices in place but operating in isolation. (Reported to previous Subcommittee September 2022)
<b>Recruitment – Employment Documents</b>	Q1	<b>Completed</b> The objective of this review was to assess the recruitment processes and controls for ensuring that employment documents are accurate and comply with relevant legislation. The overall assessment rating was 'Improvements Required'. The controls are not effective in managing key risks. Attention is required to manage current risks. We made two key recommendations to manage the risks: <ul style="list-style-type: none"> <li>• update the Recruitment Policy, document the key controls and process, and investigate a software solution to reduce the risk of manual errors and increase efficiency.</li> <li>• Develop a pre-employment process (including a quality check and overseas criminal vetting), and ensure all current staff have the appropriate pre-employment checks.</li> </ul>
<b>Facilities Management</b>	Q2	<b>Audit work in progress – working alongside the operational team to identify lessons learned and make recommendations to improve the future process.</b> The objective for this review is to identify and assess the key actions, decisions, and controls around procurement and the transition between facilities management contracts. The audit fieldwork has been extended. Draft report mid-February 2023
<b>Burials and cremation</b>	Q2	<b>Completed</b> The objective of this review was to assess the effectiveness of the key controls in place to ensure that cemeteries processes are followed. The overall assessment rating was 'Good'. The controls are effective and key risks are managed. Some improvement would be beneficial to improve efficiency or effectiveness of internal controls. We made three key recommendations to manage the risks: <ul style="list-style-type: none"> <li>• Identify complaint trends and manage proactively</li> <li>• Review the support package in place for cemeteries staff</li> <li>• Consider discontinuing the ISO9001 certification</li> </ul>
<b>Building controls follow-up review</b>	Q2	<b>Completed</b> The objective of the review was to assess the progress for maintaining and improving consenting and compliance

Attachment 1 – Progress on the Assurance & Business Integrity Workplan 2022-23

Activity	Planned quarter	Progress update
		<p>activities ahead of the May 2023 IANZ Building Control Accreditation.</p> <p>The overall assessment rating was 'Improvements Required'. The controls are not effective in managing key risks. Attention is required to manage current risks.</p> <p>We made three key recommendations to manage the risks:</p> <ul style="list-style-type: none"> <li>• Audit and improvement actions should be resolved within a defined time to address adverse findings</li> <li>• Reassess risks and align to the accountability plan for managing effective accreditation outcomes</li> <li>• Monitor delivery and evaluate application of the induction programme to maintain currency and relevancy and meet programme objectives</li> </ul>
<b>Management practices for retaining walls (additional review requested by management)</b>	Q2	<p><b>Completed</b></p> <p>The objective for this review was to assess the effectiveness of the process and practices for managing retaining walls and to identify opportunities for improvement.</p> <p>The overall assessment rating was 'Improvements Required'. The controls are not effective in managing key risks. Attention is required to manage current risks.</p> <p>We made three key recommendations to manage the risks:</p> <ul style="list-style-type: none"> <li>• Implement a risk-based asset management framework which determines the frequency and approach based on risk</li> <li>• Review and strengthen the documentation and data supporting the process</li> <li>• Implement a maintenance programme</li> </ul>
<b>Holidays Act pay controls review (additional review requested by management)</b>	Q2	<p><b>Completed</b></p> <p>The objective for this review was to assess the high-level risks in business processes designed to ensure the correct recording and application of leave entitlements.</p> <p>We identified over 15 risks inherent in manual payroll, business processes and work arounds.</p> <p>Rather than a standard audit report, we provided the Holidays Act project team with a risk analysis focused on the inherent risks in manual payroll and leave processes. We also recommended potential controls that, if implemented, will help to reduce the impact of these risks on the manual processes.</p>
<b>Creative spaces – Toi Pōneke</b>	Q3	<p><b>Planning in progress – scope of work being developed</b></p> <p>This operations review will cover tenant and facilities management and advice about the future strategy and alignment with Aho Tini.</p>
<b>Customer enquiries, complaints and escalation</b>	Q3	<p><b>Not started</b></p> <p>This review will provide assurance over our customer approach in the management of customer enquiries,</p>

Attachment 1 – Progress on the Assurance & Business Integrity Workplan 2022-23

Activity	Planned quarter	Progress update
		complaints, and escalation of issues received via contact centre and other channels
<b>Marina</b>	Q4	<b>Not started</b> This review will provide assurance over the management of marina and waterfront berth tenants, responses to public enquiries, security & emergency, financial management and asset management
<b>Assurance advisory activities</b>		
<b>Advisory engagements</b>	Q1-Q4	<b>Key activities planned or in progress:</b> <ul style="list-style-type: none"> <li>TechOne Finance upgrade project</li> <li>Protective Security Requirement security reference group</li> <li>He Waka Eke Noa Effectiveness for Māori Framework network – support to stocktake</li> <li>Project Assurance Framework – assurance and risk review</li> </ul> <b>Assurance advisory activities completed:</b> <ul style="list-style-type: none"> <li>Support for Whakahui Tenancy Management System</li> </ul>
<b>Internal policy governance</b>	Q1-Q4	<b>In progress.</b> <ul style="list-style-type: none"> <li>Leading a programme of policy reviews and support to subject matter experts responsible for drafting and refreshing internal policies under the Internal Policy Governance Framework</li> <li>Ongoing coordination of Internal Policy Working Group</li> </ul>
<b>Delegations</b>	Q1-Q3	<b>Updates to the Financial Delegations Policy. Searchable repository for statutory delegations</b> To strengthen core controls: <ul style="list-style-type: none"> <li>Refresh of the financial delegations policy to reflect current organisational structure, increase \$ limits and remove approval at unnecessarily senior levels</li> <li>Working with tier 3 managers to populate statutory delegations across 48 key acts in a searchable software tool</li> </ul>
<b>Legislative compliance</b>	Q1-Q4	<b>Completed for the period 30 June 2022.</b> Follow up on actions is in progress. Planning for management attestation for the period ending 30 June 2023 will commence in late May 2023
<b>Integrity activities</b>		
<b>Protected disclosures</b>	On-going	During the period 1 July to 31 December 2022, no protected disclosures were received. Two concerns were raised about conflicts of interest. One of these did not eventuate. For the other we advised on measures which have now been put in place to manage the conflict. Three concerns were raised about the irregular use of public funds.

Activity	Planned quarter	Progress update
		<ul style="list-style-type: none"> <li>• In one case we confirmed that WCC policy had been followed to source a provider and the process was appropriately authorised.</li> <li>• In the second case we engaged a forensic investigator, but the complainant subsequently advised that they did not wish to proceed. There was no evidence to support the allegations made.</li> <li>• In the third case there was no evidence of funds being spent inappropriately or without authorisation. We made recommendations to manage risks with funding agreements.</li> </ul> <p>NZ Police have advised that there is insufficient evidence to proceed with a criminal prosecution of a matter which we reported to them in mid-2021. We are now considering civil action.</p> <p>We have signed a contract with a third party to provide an additional, independent channel for staff to report protected disclosures.</p>
<b>Gifts received</b>	Q1	<p><b>Completed.</b></p> <p>Letter of representation expanded to include manager sign-off of any gifts and hospitality received.</p>
<b>Conflict of interest declarations</b>	Q2	<p><b>Completed.</b></p> <p>We developed the declaration of interest statements for management. As part of the management letter of representation co-ordinated by the Finance team, all Tier-3 managers were asked to confirm that they:</p> <ul style="list-style-type: none"> <li>- have declared any conflict of interest where their duties or responsibilities to the Council could be affected by other interest or duty</li> <li>- have not used their position at the Council for personal gain or to provide an advantage to family or friends</li> <li>- are not aware of any personal interests, obligations or relationships that had or may influence the decisions that are made on behalf of the Council</li> </ul>
<b>Fraud risk awareness</b>	Q2	<p><b>Completed.</b></p> <p>We organised a Fraud Awareness Week in November 2022. It included daily communications to raise fraud awareness, and a recorded interview with the Chair of the Audit &amp; Risk Committee which was made available to all staff.</p>
<b>Continuous monitoring activities</b>	On-going  Q3-Q4	<p><b>In Progress.</b> Periodic checks of completeness of gifts declaration by business units and by elected members. Established reporting of elected members' pecuniary interests.</p> <p><b>Not started.</b> Sensitive expenditure review including credit card transactions.</p>

## Status of Open Assurance Recommendations February 2023

The following report includes information on management's progress to address open overdue assurance recommendations from internal audit and other independent assurance sources.

Assurance Sources	Description	Summary Status of Recommendations
<b>Internal audit reviews</b>	The Assurance & Business Integrity team completes internal audit reviews as part of its annual workplan approved by the Audit and Risk Subcommittee.	<b>Refer to Section 1 for details of high and medium risk items.</b>
<b>Annual Legislative Compliance Attestation for the period ending 30 June 2022</b>	The Assurance & Business Integrity team facilitated the annual legislative compliance attestation for the period ending 30 June 2022. The attestation process took place during July 2022 and the final report was issued in August 2022.	Two Acts that were prioritised for follow up and reporting back to the Audit & Risk Subcommittee. <b>Refer to Section 2 of this report.</b>
<b>Waka Kotahi Investment Audit Report</b>	The objective of this audit is to provide assurance that Waka Kotahi NZ Transport Agency's investment in the Council's land transport programme is being well managed and delivering value for money. The audit assessment took place in July 2020 and the final audit report was issued in February 2021.	All recommendations have now been addressed <b>Refer to Section 3 of this report.</b>
<b>Audit New Zealand report to management</b>	Audit New Zealand completed the audit for the year ended 30 June 2022. Their report sets out recommendations for improvements.	Refer to separate paper to the Subcommittee.

## 1. Internal Audit Reviews

There are three medium-rated internal audit recommendations in progress.

Review Name & Date Issued	Findings and Recommendations	Progress as at February 2023
Procurement & Contract Management  May-2019	<b>User access management</b> Reassess user access management risks, particularly for implied permission levels.  Ensure regular review of One Council System Role reviews.	80% of recommendations have been addressed.  Discussions about Access Management are in progress as discussions with increased collaboration between HR, finance, IT  Working on a live dashboard of access information to regularly review.  Timeframe for completion extended to April 2023
Cash-handling and reconciliation August 2022	<b>Lack of guidance on how to perform reconciliations. Varying systems and controls between sites.</b>  Financial Controller to develop guidance on reconciliations for all staff.	Resource assigned in Finance Work programme.  Timeframe for completion extended to 30 June 2023
Cyber-security July 2022	<b>Risk register and appetite for cyber security</b>  Adopt a risk management framework and establish a risk appetite statement to be used as a guide in defining the level of resources needed to treat a risk	Smart Council will utilise the existing Smart Council Operational Risk Register to manage new and existing cyber risks.  Smart Council will derive a group-specific risk tolerance once a Council-wide risk appetite has been agreed.  Updated timeframe for completion: June 2023

## 2. Legislative Compliance Attestation for the period ending 30 June 2022

The following is a progress report on the Acts that were identified as a priority for follow up and reporting to the Subcommittee

#	Acts	Description non or partial non-compliance	Status as at February 2023
1.	Vulnerable Children Act 2014	Partial compliance – the three yearly safety re-check requirements for children's workers were not completed. This was fundamentally due to a lack of system generated notification process.	<b>First identified in 2021: In progress – nearing completion.</b>  Security re-checks have been completed for close to 500 staff with less than 100 to go across the organisation. The remaining checks will be complete by the end of February 2023.  Further process improvements are being considered to make the safety re-checks process more efficient and to improve recording systems. This includes exploring whether TechOne can be used to conduct the three yearly checks.  A final legal review is underway of the updated Children and Young Person - Safeguarding and Child Protection Policy. Subject to the review, the Policy will then be published in March 2023.
2.	Holidays Act 2003	Non-compliance issues with complex	<b>In progress</b>

Attachment 2 – Status of open assurance recommendations



#	Acts	Description non or partial non-compliance	Status as at February 2023
		rules, configurations and payment types for leave codes existing in the Payroll system.	<p>Phase 1 (to rectify the system) is 99% complete – the project team is considering options for external support to rectify an issue with TechOne.</p> <p>The system rectification target will be reviewed in March 2023. If support cannot be obtained, a manual process will be developed to ensure compliance. Assurance has recommended controls to mitigate the risks of any manual processes.</p> <p>The project team is proceeding with Phase 2 (Remediation) as the outstanding issue with Phase 1 is not preventing this.</p> <p>Grant Thornton was appointed in response to a Request for Proposal for Phase 2 (Remediation). This is to assist with calculating any leave under- and over-payments for the approximately 8,600 staff who have been on Wellington City Council payroll since 2013. This includes Zealandia, Wellington Water and Wellington Venues. Phase 2 scoping and planning has commenced.</p>
3.	Training for key staff to develop competency in legislative responsibilities	Opportunities to build managers' knowledge of the statutory framework	<p><b>In progress</b></p> <p>Training on the statutory framework, building on material delivered to incoming Councillors, will be delivered to tier 3 managers to include Local Government Act, Utilities Act, Public Records Act, Land Transport Management Act, Reserves Act, Climate Change and RMA.</p>

- We continue to engage with management on their actions to strengthen legislative compliance, including for Acts where roles and responsibilities may need further clarification and for ongoing actions to improve processes and maintain compliance levels. This includes understanding how business units can demonstrate and confidently attest to the specific provisions for Māori outcomes. We are satisfied that appropriate actions are being considered.
- Apart from the partial compliance with the Vulnerable Children Act, the impacts of reported non-compliances and partial non-compliances as **minor to moderate**.
- The next legislative compliance attestation is scheduled for July 2023 for the period ending 30 June 2023. This will be reported to the Subcommittee in September 2023.

### 3. Waka Kotahi Investment Audit

Nine recommendations raised. Seven items completed and closed with details provided to the previous Subcommittee.

The final two items outstanding have now been closed.

	<b>Recommendation</b>	<b>Implement- ation timeframe</b>	<b>Status as at February 2023 and progress since September 2022</b>
R4. 1	Ensures that reinstatement of all road openings complies with Council's engineering standards	End 2020/21	<b>Closed</b> Inspection reports of 3 <sup>rd</sup> party trenches are being provided.
R5. 2	Investigates and trials new engineering solutions to reduce the whole of life costs to maintain the network while meeting current levels of service targets	End 2023	<b>Closed</b> We trialed two new sealing types with Fulton Hogan and one new product with Downer.  The trials were successful and the results promising. Monitoring of the trials will continue, and results will be available in a few years' time.

# 2023 AUDIT NEW ZEALAND AUDIT PLAN

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee is to take note of the Audit New Zealand arrangements for the audit of the financial statements, including statements of service performance for the year ended 30 June 2023.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
  - People friendly, compact, safe and accessible capital city
  - Innovative, inclusive and creative city
  - Dynamic and sustainable economy
- Strategic alignment with priority objective areas from Long-term Plan 2021–2031**
- Functioning, resilient and reliable three waters infrastructure
  - Affordable, resilient and safe place to live
  - Safe, resilient and reliable core transport infrastructure network
  - Fit-for-purpose community, creative and cultural spaces
  - Accelerating zero-carbon and waste-free transition
  - Strong partnerships with mana whenua

### Relevant Previous decisions

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

### Risk

- Low       Medium       High       Extreme

Author	Raina Kereama, Financial Controller
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer Paul Conder, Chief Financial Officer

## **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note the draft Audit Plan prepared by Audit New Zealand (attachment 1) and their approach to the audit of the Council and Group for the year ended 30 June 2023.
3. Note the draft Engagement letter prepared by Audit New Zealand (attachment 2).
4. Delegate the authority to finalise the Audit Plan to the Chief Financial Officer and Chair of the Unaunahi Māhirahira | Audit and Risk Committee.
5. Delegate the authority to finalise the audit fee for the year ended 30 June 2023 to the Chief Financial Officer and Mayor.

## **Whakarāpopoto | Executive Summary**

1. This report to Unaunahi Māhirahira | Audit and Risk Committee is to take note of the Audit New Zealand arrangements for the audit of the financial statements, including statements of service performance for the year ended 30 June 2024.

## **Takenga mai | Background**

2. Audit New Zealand has provided the proposed Audit Plan for the audit of the financial statements for the year ended 30 June 2023. This includes the audit risks and issues that will be the main focus for the audit. Audit New Zealand may issue a supplement to the audit plan if necessary for any further identified risks and issues.
3. Audit New Zealand has provided the Audit Engagement Letter for the annual audits for the years ending 30 June 2023 to 30 June 2026. This outlines the terms of the audit engagements and the nature, and limitations, of the annual audit. It also outlines the respective responsibilities of the Council and Audit New Zealand, for the financial statements and performance information.

## **Kōrerorero | Discussion**



4. Audit New Zealand's approach to the audit is set out on page 2 of attachment 1 of the Audit Plan to Council where it identifies business risks and issues. Management has no other business risks or issues to bring to the Committee or Audit New Zealand's attention at this stage.
5. Karen Young, Appointed Auditor and Audit Director will be in attendance. If there are any matters which the Committee would like to discuss, seek clarification on or if there are additional matters that the Committee think should be included, they can be discussed at the meeting.
6. Audit New Zealand has outlined the provisional key dates of the audit on page 25 of attachment 1, with the proposed date for the audit opinion being 31 October 2023. Management are still working with Audit New Zealand to finalise the timeline and will ensure the financial statements are completed within this timeframe.

7. Audit New Zealand are currently finalising their proposed audit fees which will be reviewed by management. It is proposed this is finalised by the Chief Financial Officer.

### **Ngā mahinga e whai ake nei | Next actions**

8. Management will continue to work with Audit New Zealand to finalise the Audit Plan and timetable.

### **Attachments**

Attachment 1.	2023 Draft Audit Plan <a href="#">↓</a> 	Page 26
Attachment 2.	2023 Draft Engagement letter <a href="#">↓</a> 	Page 56

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AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit plan

Wellington City Council

For the year ending 30 June 2023

## Audit plan

I am pleased to present our audit plan for the audit of Wellington City Council (the City Council) for the year ending 30 June 2023. The purpose of this audit plan is to discuss:

Audit risks and issues .....	2
Group audit .....	14
Our audit process .....	16
Reporting protocols .....	23
Audit logistics .....	24
Expectations .....	28

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Karen Young  
Appointed Auditor  
Draft – 31 January 2023

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
<b>Qualified performance measures</b>	
<p>In 2022 we issued a qualified opinion on the statements of service provision on the following performance measures:</p> <ul style="list-style-type: none"> <li> <p>• <b>Waste reduction and energy conservation</b> <i>WCC Group GHG emissions (tCo2-e) decreasing (LTP Year 1 to 10 target – “achieve 2050 target</i></p> <p>In measuring the GHG emissions associated with certain goods and services purchased by the Council, including capital goods, the Council has relied on spend-based emissions factors based on 2007 data. There is insufficient evidence to show that these factors are relevant for use in measuring the Council’s GHG emissions for the years ending 30 June 2021 and 2022, and we were unable to obtain sufficient alternative evidence to conclude that the reported performance is materially correct.</p> </li> <li> <p>• <b>Meeting customer expectations – Water supply, Wastewater and Stormwater</b></p> <ul style="list-style-type: none"> <li>○ <i>Water: Number of complaints about the drinking water’s clarity, taste, odour, pressure or low, continuity of supply, and supplier responsiveness.</i></li> </ul> </li> </ul>	<p><b>Waste reduction and energy conservation</b></p> <p>We will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of any changes to the City Council’s approach to measuring the Council’s GHG emissions;</li> <li>• obtain an understanding whether updated factors were used and what they were based on; and</li> <li>• perform planned audit work including sample testing and getting relevant confirmations from external providers.</li> </ul> <p><b>Meeting customer expectations – Water supply, Wastewater and Stormwater</b></p> <p>We will:</p> <ul style="list-style-type: none"> <li>• continue discussions with the City Council about how this matter has progressed and its plans to resolve the issues identified in the past;</li> <li>• based in the above, test the number and classification of complaints at the City Council;</li> <li>• review the reconciliation between the number and classification of complaints at the City Council and that received by Wellington Water; and</li> </ul>



Audit risk/issue	Our audit response
<ul style="list-style-type: none"> <li>○ <i>Wastewater: The total number of complaints received by the territorial authority about any of the following: sewage odour, sewerage system faults, sewerage system blockages, and the territorial authority's response to issues with its sewerage system.</i></li> <li>○ <i>Stormwater: The number of complaints received by a territorial authority about the performance of its stormwater system.</i></li> </ul> <p>The City Council was unable to provide a complete record of all complaints received as some complaints were made directly to Wellington Water and were unable to reconcile its information with that held by Wellington Water.</p>	<ul style="list-style-type: none"> <li>● we will continue engagement with the Wellington Water auditor to seek assurance over the performance information which the City Council will rely on for its performance reporting.</li> </ul> <p>If the issues identified in the past are not addressed and improvements made, our audit opinion may continue to be qualified for these measures.</p>
<b>Adoption of PBE FRS 48 Service Performance Reporting</b>	
<p>PBE FRS 48 Service Performance Reporting replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, i.e. for the City Council, it is for the year ended 30 June 2023.</p> <p>PBE FRS 48 imposes additional reporting obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Paragraph 47 allows an entity to cross reference this disclosure to another document, such as the document that sets out the forecast service performance information. Most of these judgements are made at the time the LTP is adopted.</p>	<p>We will assess the City Council’s compliance with PBE FRS 48 Service Performance Reporting.</p>

Audit risk/issue	Our audit response
<b>Valuation of investment property</b>	
<p>The City Council revalues its investment property annually. The relevant accounting standard is <i>PBE IPSAS 16 Investment Property</i>.</p> <p>The fair value of investment properties needs to reflect the market conditions as at reporting date. Given the volatility in the property market there is potential for large valuation movements year on year, which need to be accounted for.</p> <p>Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a significant misstatement in the value of investment property.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review the valuation report and hold discussions with the City Council and the valuer to confirm our understanding;</li> <li>• review the valuation report to assess whether the requirements of PBE IPAS 16 (including the appropriateness of the valuation basis) have been met;</li> <li>• evaluate the qualifications, competence and expertise of the external valuer;</li> <li>• review the valuation method and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the data and key assumptions used; and</li> <li>• review the accounting entries and associated disclosures in the annual report against relevant accounting standards.</li> </ul>
<b>Valuation of property, plant and equipment (subject to revaluation) – operational assets</b>	
<p>The City Council revalues its operational assets on a three year rolling cycle. The last revaluation was performed in 2020/21.</p> <p>With the current environment having a significant impact on costs – for example, supplies and labour cost escalations, the City Council’s existing revaluation policy has been reviewed to assess whether the current three year cycle is appropriate. Currently, there are indications there maybe potential material changes to the fair value of operational assets.</p> <p>The City Council has decided to bring forward its operational asset revaluation to 2022/23.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• assess the valuation process, including the competence and experience of the person completing the valuation;</li> <li>• review the valuation report to assess whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the valuation basis) have been met;</li> <li>• review the method of valuing the operational assets and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the data and key assumptions used;</li> <li>• ensure changes to useful lives have been appropriately taken up, and values and depreciation charges have been appropriately accounted for; and</li> </ul>

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> <li>• assess the presentation and disclosure of information related to the valuation in the financial statements.</li> </ul> <p>As part of the process, we will:</p> <ul style="list-style-type: none"> <li>• enquire into the processes employed by the City Council to ensure that the items revalued are complete. If any items have been excluded from the revaluation we will enquire into the reasons for this;</li> <li>• review how the City Council satisfies itself that the revaluation is appropriate;</li> <li>• discuss the results with, and obtain an assurance letter from, the valuers; and</li> <li>• obtain an understanding of how the City Council is tracking with its planned capital programme taking into consideration the uncertainty over the delivery of the programme due to a number of factors, including the significant constraints in the construction market.</li> </ul>
<b>Fair value assessment of property, plant and equipment (non-revaluation year)</b>	
<p>The City Council revalues its infrastructure assets on a three year rolling cycle. Infrastructural assets were last revalued at 30 June 2022.</p> <p>For those assets that are not due to be revalued, accounting standards require the City Council to perform a comprehensive analysis to determine whether there is a significant difference between the fair value and the carrying value that would trigger the need for the City Council to revalue (a fair value assessment).</p> <p>Accounting standards also require the City Council to complete an assessment of whether there are potentially any indications of impairment (an</p>	<p>We will review the robustness of the City Council's assessment of whether the asset class's fair value has significantly moved compared with its carrying value. This will include considering the appropriateness of the City Council's methodology and key assumptions.</p> <p>To strengthen the 2023 fair value assessments, we recommend that management:</p> <ul style="list-style-type: none"> <li>• factor in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing construction projects; this should be factored into the analysis;</li> <li>• consult with the valuers who performed the valuations in 2022 - they will have construction cost data available which will further improve the City Council's assessment; and</li> </ul>

Audit risk/issue	Our audit response
<p>impairment assessment), and whether an adjustment is needed to the value of any assets as a result of this.</p> <p>Management should perform a fair value assessment as at 30 June 2023 by applying relevant cost indices taking into account the cost pressures and significant constraints that exist within New Zealand and Wellington’s construction industry and the limited availability of resources in the sector (including various trades and project managers).</p>	<ul style="list-style-type: none"> <li>consider if it would be useful to have the assessment reviewed by an independent valuer – given the current environment (creating uncertainties) and cost escalation.</li> </ul>
<b>Accounting for impairment and capitalisation of work in progress</b>	
<p>Assets held at cost are required to be assessed for indicators of impairment on an annual basis, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.</p> <p>The City Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p> <p>The City Council will need to complete an assessment of impairment of assets (as above) and all significant WIP balances.</p>	<p>We will follow up with the City Council its processes for assessing impairment of assets held at cost and all significant WIP balances and capitalisation of work-in-progress. We will also test the impairment assessments.</p>
<b>Valuation of the City Council’s weathertightness liabilities</b>	
<p>The City Council’s liability for weathertightness claims remains significant, totalling \$24.6m at 30 June 2022. There is a high degree of judgement and estimation in the calculation of the liability.</p>	<p>We will review the valuation of the weathertightness homes provision as at 30 June 2023. This will include testing of the underlying information used in the valuation, reviewing the valuation methodology and key assumptions, and reviewing the disclosure in the financial statements.</p>

Audit risk/issue	Our audit response
<b>Accounting for items from major litigation activity - Legal claim by BNZ and other significant legal matters</b>	
<p>The City faces a number of on-going legal issues and court cases. The City Council will need to consider the accounting and disclosure implications of these legal issues and cases when preparing the financial statements.</p> <p>BNZ leased a premise for which the City Council issued a building consent for the superstructure of the building on 16 November 2006, a code compliance certificate on 27 March 2009 and the final code of compliance was issued on 29 June 2010. During the Kaikoura Earthquake in November 2016, BNZ claims the building suffered irreparable damage and was unable to be occupied by BNZ from that date. This litigation activity can result in significant liabilities for the City Council.</p> <p>Determining whether there is a contingent liability requiring disclosure in the financial statements generally requires judgement given the specific circumstances and facts of the legal matter.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• understanding the City Council’s approach to monitoring the litigation activity and how it makes decisions as to whether a contingent liability (and/or asset) or provision should be disclosed, including the City Council’s involvement in this;</li> <li>• obtaining confirmation from the City Council’s external legal advisers as to the legal matters they have assisted the City Council with during the financial year, their assessment of the likely outcome;</li> <li>• determining any likely financial impact of this outcome; and</li> <li>• discussing the status of the litigation with the City Council’s internal legal counsel and external legal advisors.</li> </ul>
<b>Mixed group (for-profit and public benefit entity) issues – refer also to the section on Group audits in this Audit Plan</b>	
<p>We have assessed Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit.</p> <p>WIAL is a for-profit entity and the City Council group is a public benefit entity. Different accounting standards apply to public benefit entities and for-profit entities resulting in differences in the treatment of certain transactions and events.</p> <p>There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.</p>	<p>The City Council will have to consider whether there are any consolidation adjustments that will be necessary to adjust WIAL figures to comply with PBE IPSAS.</p>

Audit risk/issue	Our audit response
<p><b>Accounting implications of arrangements with government, non-government organisations and private sector</b></p>	
<p>To deliver on the City Council’s 2021/31 Long Term Plan and specific plans for affordable housing, social housing, and sludge, the City Council indicated that they may enter into arrangements with government, non-government organisations and private sector.</p> <p><b>Sludge Minimisation Project</b></p> <p>The City Council has progressed the Sludge Minimisation Project and intends to construct a Sludge Minimisation Facility. As traditional funding and financing is not feasible the City Council has looked to use an alternative funding option based on the new Infrastructure Funding and Financing Act.</p> <p><b>Let’s Get Wellington Moving (LGWM)</b></p> <p>On July 6th, 2022, Wellington City Council and Greater Wellington Regional Council approved the mass rapid transport option 1 for the LGWM programme, the same option endorsed by Government the week before.</p> <p><b>Wellington Community Housing Provider Trust</b></p> <p>The City Council made the decision to establish a Community Housing Provider (CHP) on 30 June 2022, following a statutory process of community consultation and a Long-Term Plan amendment.</p> <p>The Trust Deed was signed off by the City Council on 15 December 2022 and decisions were also made in regard to the lease and loan agreements between the CHP and the City Council, support for transferring existing tenants and a transition plan to establish the Trust by July 2023.</p> <p>It is important that the accounting treatment for the above contractual arrangements are considered early on. The City Council may have to obtain external accounting advice on the tax implications and accounting treatment in its financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• obtain an update on these projects and arrangements from the City Council, gain an understanding of these arrangements and discuss with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements;</li> <li>• review any accounting, tax, legal or other technical advice received by the City Council for these arrangements; and</li> <li>• determine whether the tax and accounting treatment and disclosures were appropriate and in line relevant accounting standards.</li> </ul> <p>Where applicable, we will obtain our own technical opinion to corroborate the tax and accounting treatment and disclosures in the financial statements.</p>

Audit risk/issue	Our audit response
<p>The City Council should engage with us early, and provide position papers on each matter which includes sufficient support (for example, external accounting advice) for the accounting treatment chosen.</p>	
<b>Information Technology general controls review</b>	
<p>The City Council is IT dependant. (Refer to new auditing standard paragraph).</p>	<p>As part of our 2023 audit, we will perform an IT General Controls review. This review consists of two parts. The first is a high level assessment on IT Governance effectiveness. The second is an assessment as to the design effectiveness.</p>
<b>Procurement</b>	
<p>A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought.</p> <p>The City Council’s major projects involve significant procurement decisions and the City Council needs to ensure that lower value procurements (including contract variations) are subject to robust procurement practices.</p> <p>Procurement planning should be considered alongside the Procurement Strategy and Broader Outcomes Framework and procurement undertaken in line with the Procurement Policy.</p> <p>Non-compliance with the City Council’s policies and guidance and good practice results in poor procurement decisions and outcomes (including waste and unmanaged probity risks).</p> <p>In 2022 we reviewed:</p> <ul style="list-style-type: none"> <li>• The updated Procurement Policy and Procedures and found that these documents together met the elements of good practice.</li> <li>• A sample of recent procurements to assess the application and effectiveness of the Council’s policies and procedures in practice and found that record keeping could be improved.</li> </ul> <p>The Council’s continued focus on improving its procurement practices will help it achieve value for money, deliver the broader outcomes sought, and respond to evolving procurement and wider associated risks.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• discuss and review any updates to the control environment around procurement;</li> <li>• consider how the City Council is addressing emerging risks and issues; and</li> <li>• update our understanding of significant procurements undertaken during the year to determine an appropriate level of audit focus and if appropriate, review the application and effectiveness of procurement practices in place for a sample of procurements.</li> </ul> <p>Any new areas of focus will be discussed at the time with the City Council.</p>

Audit risk/issue	Our audit response
<b>Contract management</b>	
<p>The City Council has many significant contracting or funding arrangements in place for the delivery of goods and services. The contract management policies and procedures that underpin the Council's significant contract management activities are key aspects of the Council's control environment.</p> <p>It is important that the City Council has effective contract management arrangements in place and follows good contract management practice. This should ensure that both the City Council and suppliers are able to meet their respective contractual obligations and that the contracts deliver the intended outcomes.</p> <p>In 2022 we reviewed:</p> <ul style="list-style-type: none"> <li>The City Council's draft Contract Management Policy and Procedures against good practice for public sector contract management and assessed it as good.</li> <li>A sample of recent procurements to assess the application and effectiveness of the City Council's policies and procedures in practice and found that there was a robust approach to contract management for the sample executed after the approval of the Contract Management Framework. For contracts executed prior to the Contract Management Framework, the approach was variable.</li> </ul>	<p>We will:</p> <ul style="list-style-type: none"> <li>discuss and review any updates to the control environment around contract management; and</li> <li>update our understanding of significant contracts entered into during the year to determine an appropriate level of audit focus and if appropriate, review the application and effectiveness of contract management practices in place for a sample of contracts.</li> </ul>
<b>Project, programme and portfolio management</b>	
<p>The City Council has a number of significant projects and programmes underway at various stages, from strategic assessment through to completion.</p> <p>It is important that the City Council has appropriate governance and management arrangements in place to effectively manage significant projects and programmes and realise the expected benefits.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>update our understanding of key projects and programmes and follow up on progress made against our previous recommendations. Our work will involve understanding the City Council's systems, processes and controls in place to ensure projects and programmes are appropriately managed; and</li> </ul>



Audit risk/issue	Our audit response
<p>Similarly, the City Council also needs to ensure that good practice project management practices are applied to small and medium size projects, appropriate to their risk and complexity.</p> <p>Project and programme management practices should be considered in light of our reported findings and recommendations to date in this area.</p>	<ul style="list-style-type: none"> <li>• update our understanding of how the City Council is lifting its project, programme and portfolio management maturity, including implementing the Project Management Office's (PMO) phased model.</li> </ul>
<b>Three water reforms</b>	
<p>In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022.</p> <p>The impact of these proposed reforms will mean that the City Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.</p> <p>The City Council should ensure that there is sufficient disclosure about the impacts of the reform (to the extent that the impact is known) within the financial statements.</p>	<p>Because the impact could be significant, but is uncertain, an emphasis of matter paragraph in the audit report remains appropriate.</p>
<b>Holidays Act 2003 compliance</b>	
<p>During 2019/20, the City Council completed a review of payroll processes, which identified instances of non-compliance with the Holidays Act 2003 (the Act).</p> <p>The City Council established a project team to review systems configuration and business processes to better understand the areas of non-compliance with the Act. This work has continued into 2021/22. The project is split into two phases: phase one is the rectification of known system configuration and business process issues while phase two will be the remediation.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• meet with the project team to obtain an update on the progress of the project;</li> <li>• review the information and calculations available; and</li> <li>• review appropriateness of the accounting and disclosure based on above understanding and information.</li> </ul>

Audit risk/issue	Our audit response
<p>The City Council is partway through phase one of the project with a completion date estimated to be in 2023. Following this, the City Council will commence phase two of the project. The outcome of this phase cannot be determined at this time given the current level of reliability of this information. The City Council was unable to quantify its liability at 30 June 2022.</p>	
<p><b>The risk of management override of internal controls</b></p>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

**Fraud risk**

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council (as the governing body), with assistance from management. In this regard, we will discuss the following questions with you:

- What role does play in relation to fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the satisfied that it had appropriate input into this process?

- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to ? Has appropriate action been taken on any lessons learned?

***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](https://oag.parliament.nz/reports/fraud-reports).

## Group audit



The Wellington City Council group comprises of the City Council and the following entities:

- Karori Sanctuary Trust
- Wellington Museums Trust
- Wellington Cable Car
- Wellington Waterfront Limited
- Wellington Economic Development Agency Limited (including its subsidiary, Creative HQ)
- Wellington Zoo Trust
- Creative HQ Limited
- Chaffers Marina Holdings Limited (including its subsidiary, Chaffers Marina Limited)
- Wellington International Airport Limited
- Wellington Water Limited

Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component (other than the City Council which is set out in the earlier sections of the Audit Plan).

Significant component	Work to be performed
Wellington International Airport Limited (WIAL)	<p>This component will be audited by a different Appointed Auditor from another Audit Service Provider, KPMG.</p> <p>WIAL is a for-profit entity. There are no new for-profit standards in the current year.</p> <p>Group instructions will be issued to the component auditor that will specify information we require.</p> <p>We will review the results of KPMG’s audit and consider if any of their findings impacts our audit of the group.</p> <p>We will obtain WIAL’s audited financial statements and confirm the audited results have been appropriately consolidated into the City Council’s group financial statements.</p>

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

## Our audit process

### Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

### Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the City Council, your business, and the environment you operate in.

### Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

### Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

### Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

### Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the City Council's financial statements and performance information.

### Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the covering any relevant matters that come to our attention.

## **New auditing standard**

ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, is effective for the audit of your financial statements for the first time this year. The standard sets out how auditors identify and assess the risks of material misstatement in financial statements. The standard requires the auditor to understand the entity, its environment, and its internal controls and use that knowledge to identify and assess risks. There are changes to how this is done compared to the previous standard.

There will be additional work required on your audit compared to previous years. In your case, the impact will be in the following areas:

- A greater emphasis on identifying and understanding the IT applications and the other aspects of your IT environment that are subject to risks arising from the use of IT.
- Evaluating the design and implementation of the general IT controls that address the risks arising from the use of IT.
- Considering the new inherent risk factors and updating our risk assessment documentation where relevant to address these risk factors.
- Revisions to the matters we consider in evaluating your system of internal control.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is a greater emphasis on demonstrating a questioning mind and a critical assessment of audit evidence gathered when performing our risk assessment procedures.

## **Enhancing year-end processes**

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly, and we will work with management to achieve this through the use of a bringing forward the timing of audit procedures.

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on:

- year-to-date transactions for revenue, operating expenditure and payroll;
- valuation of investment properties;
- fair value assessment of property, plant and equipment; and
- impairment assessments for property, plant and equipment.

Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

### Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The City Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the City Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

### **Financial statements materiality**

For planning purposes we have set **overall group materiality** for the financial statements at \$1,049m based on budgeted property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall group materiality to the fair value of property, plant and equipment.



For this audit we have set a lower, **specific group materiality** of \$21.8m for all items not related to the fair value of property, plant and equipment.

We have set **overall parent materiality** for the financial statements at \$1,023m based on budgeted total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$21.3m for all items not related to the fair value of property, plant and equipment.

<b>Overall group materiality</b>	\$1,049,210,000
Specific group materiality	\$21,800,000
Group clearly trivial threshold	\$1,023,000
<b>Overall parent materiality</b>	\$1,022,980,000
Specific parent materiality	\$21,300,000
Parent clearly trivial threshold	\$1,065,000

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the other than those that are **clearly trivial**. We consider misstatements of less than \$1,090,000 to be clearly trivial for the **group** financial statements and misstatements of less \$1,065,000 to be clearly trivial for the **parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the on the reasons why the corrections will not be made.

**Misstatements**  
 Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

**Materiality for service performance information**

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the City Council’s performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the City Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Ref. in Annual Plan	Material measure	Materiality % of the reported result
2.2	<b>Waste reduction and energy conservation</b> WCC Group GHG emissions (tCo2-e) decreasing.	8%
2.3	<b>Water – Clean and safe</b> Compliance with Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 bacterial compliance criteria and Part 5 protozoal compliance criteria) (Mandatory measure).	0%
	<b>Water – Meeting customer expectations</b> Number of complaints about the drinking water's clarity, taste, odour, pressure or low, continuity of supply, and supplier responsiveness, expressed per 1000 connections (Mandatory measure).	5%
	<b>Water – Efficiency and sustainability</b> Percentage of real water loss from networked reticulation system (Mandatory measure).	5%
	<b>Water – Continuity of supply and resolution of faults</b> Median response time for resolution for urgent call outs (Mandatory measure).	5%
2.4	<b>Wastewater – Compliance and sustainability</b> Dry weather wastewater overflows, expressed per 1000 connections (Mandatory measure).	5%
	<b>Wastewater – Compliance and sustainability</b> (Mandatory measure) Compliance with the resource consents for discharge from the sewerage system, measured by the number of: <ul style="list-style-type: none"> <li>• abatement notices;</li> <li>• infringement notices;</li> <li>• enforcement orders; and</li> <li>• convictions received by the territorial authority in relation to those resource consents.</li> </ul>	0%

Ref. in Annual Plan	Material measure	Materiality % of the reported result
	<p><b>Wastewater – Meeting customer expectations</b></p> <p>The total number of complaints received by the territorial authority about any of the following:</p> <ul style="list-style-type: none"> <li>• sewage odour;</li> <li>• sewerage system faults;</li> <li>• sewerage system blockages;</li> <li>• the territorial authority’s response to issues with its sewerage system;</li> </ul> <p>expressed per 1000 connections to the territorial authority’s sewerage system (<i>Mandatory measure</i>).</p>	5%
	<p><b>Wastewater – Continuity of service and resolution of faults</b></p> <p>Median response time for wastewater overflows (<i>Mandatory measure</i>) (resolution time).</p>	5%
2.5	<p><b>Stormwater – Continuity of service and resolution of faults</b></p> <p>(<i>Mandatory measure</i>) Compliance with the resource consents for discharge from the stormwater system, measured by the number of:</p> <ul style="list-style-type: none"> <li>• abatement notices;</li> <li>• infringement notices;</li> <li>• enforcement orders; and</li> <li>• convictions.</li> </ul>	0%
	<p><b>Stormwater – Meeting customer expectations</b></p> <p>Number of complaints about stormwater system performance per 1000 connections (<i>Mandatory measure</i>).</p>	5%
5.2	<p><b>Community Support – Customer focus</b></p> <p>Tenant satisfaction (%) with services and facilities (includes neutral).</p>	5%
6.2	<p><b>Building and development control – Timeliness</b></p> <p>Building consents (%) issued within 20 working days.</p>	5%
	<p><b>Building and development control – Compliance</b></p> <p>Building Consent Authority (BCA) accreditation retention (biennial).</p>	0%
7.1	<p><b>Outcome measure - Economic</b></p> <p>Residents' perceptions that the transport system allows ease of access to the City.</p>	8%

### **Professional judgement and professional scepticism**

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

### **How we consider compliance with laws and regulations**

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

### **Wider public sector considerations**

A public sector audit also examines whether:

- the City Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the City Council or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the City Council



We will meet with management and the City Council's audit committee throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are "no surprises".

### Reports to the City Council



We will provide a draft of all reports to management for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to the City Council.

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Karen Young	Appointed Auditor
Chris Webby	Engagement Quality Review Director
Leticia Chettiar	Audit Manager
To be advised	Audit Manager
To be advised	Supervisor
Dieter Rohm	Director, Information Systems Audit and Assurance
Robyn Dearlove	Manager, Information Systems Audit and Assurance
Martin Richardson	Director, Audit Services/Specialist Audit and Assurance Services
Nicol Stevens	Associate Director, Specialist Audit and Assurance Services
Jason Biggins	Tax Director

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

## Timetable



Based on our discussions with the City Council, we have confirmed that our timetable is:

Matter	Date in 2023	Audit NZ	City Council
• First interim audit	1 – 19 May	✓	✓
• Second interim/pre-final	5 – 23 June		
• Final audit	18 September – 20 October	✓	✓
• Wrap up and reporting	23 – 27 October	✓	
<b>Financial statements</b>			
• Draft financial statements available	18 September		✓
• Provide feedback on financial statements	17 October	✓	
• Final financial statements agreed between us available	20 October		✓
<b>Performance information</b>			
• Draft statement of service provision available	18 September		✓
• Provide feedback on statement of performance provision information	17 October (except for the three waters reported results – depends on when the finalised audited results from Wellington Water are available)	✓	
• Final statement of performance provision agreed between us available	20 October		✓
<b>Annual report</b>			
• Full annual report available for audit (draft)	1 October		✓
• Feedback on annual report	17 October	✓	
• Final annual report (inclusive of all changes agreed between us) available	20 October		✓
• Verbal clearance on annual report	24 October	✓	

Matter	Date in 2023	Audit NZ	City Council
• Audit opinion provided in draft	24 October	✓	
• Representation letter issued to Council for signing by Mayor and Chief Executive	24 October	✓	
• Audit opinion issued	31 October	✓	
<b>Summary annual report</b>			
• Summary annual report available	13 November	✓	✓
• Audit opinion issued on Summary annual report	17 November	✓	
<b>Reporting to the Council</b>			
• Paper on the status of the audit and any significant issues arising from the interim/pre-final audit management report	10 July	✓	
• Final management report to the Council issued in draft for management's comments	30 November	✓	
<b>Reporting to Audit and Risk Management Subcommittee (ARS)</b>			
• Audit Plan 2023	31 January	✓	
• ARS Meeting post interim/pre-final audit management report	27 September	✓	✓

### **AuditDashboard**

In 2021 and 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfill requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring audits as part of the audit.

### **Working remotely**

Covid-19 restrictions and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. For clients able to work remotely, with access to systems and



electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To complete audit work off-site and fully obtain the benefits detailed above, you will need to:

- ensure that you can assess your systems remotely; and
- store supporting documents electronically and be able to easily retrieve these.

During the previous audit, we were able to perform the majority of our audit work at remotely. Based on our experience we found that the City Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2023 audit. This will include our continued use of Audit Dashboard to manage our information requests.

## Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

PO Box 99  
Wellington 6140  
Phone: 04 496 3099





AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

Level 2, 100 Molesworth Street  
Thorndon  
PO Box 99, Wellington 6140

31 January 2023

Tory Whanau  
Mayor  
Wellington City Council  
113 The Terrace  
Wellington 6011

Dear Tory

### Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including the Wellington City Council (the City Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the City Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023 to 30 June 2026.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the City Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and

plan and perform the annual audit to obtain reasonable assurance about whether the City Council's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

### **Your responsibilities**

Our audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
  - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that we may request from the City Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the City Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

### **Our responsibilities**

#### ***Carrying out the audit***

We are responsible for forming an independent opinion on whether the financial statements of the City Council:

- present fairly, in all material respects:
  - its financial position; and
  - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of the City Council:

- presents fairly, in all material respects, the performance for the financial year, including:
  - its performance achievements as compared with the intended levels of service for the financial year; and
  - its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the City Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the City Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the City Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

***Our independence***

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the City Council including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

***Reporting***

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the City Council from time to time. We will inform the Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

***Next steps***

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Manager of Auditor Appointments at the Office of the Auditor-General on 04 917 1500.



If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please contact me.

Yours sincerely

Karen Young  
Appointed Auditor  
On behalf of the Auditor-General

---

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: Tory Whanau  
Title: Mayor

## Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the financial statements and performance information</b>	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>• present fairly, in all material respects: <ul style="list-style-type: none"> <li>○ the financial position; and</li> <li>○ the financial performance and cash flows for the financial year; and</li> </ul> </li> <li>• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> <li>○ the performance achievements as compared with the intended levels of service for the financial year; and</li> <li>○ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and</li> </ul> </li> <li>• complies with generally accepted accounting practice in New Zealand</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error.</p> <p>Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>• the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>• the appropriateness of the content and measures in any performance information;</li> <li>• the adequacy of the disclosures in the financial statements and performance information; and</li> <li>• the overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>• the adoption of the going concern basis of accounting is appropriate;</li> <li>• all material transactions have been recorded and are reflected in the financial statements and performance information;</li> </ul>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> <li>• all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>• uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
<b>Responsibilities for the accounting records</b>	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>• correctly record and explain the transactions of the City Council;</li> <li>• enable you to monitor the resources, activities, and entities under your control;</li> <li>• enable the City Council’s financial position to be determined with reasonable accuracy at any time;</li> <li>• enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>• are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for accounting and internal control systems</b>	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the City Council) supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
<b>Responsibilities for preventing and detecting fraud and error</b>	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the City Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the City Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> <li>• report to you any significant weaknesses in internal control that come to our notice.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.
<b>Responsibilities for compliance with laws and regulations</b>	
<p>You are responsible for ensuring that the City Council has systems, policies, and procedures (appropriate to the size of the City Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the City Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance; and</li> <li>• the impact of non-compliance for the addressee of the audit report.</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
<b>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</b>	
<p>You should at all times take all practicable steps to ensure that members of Council and your employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members of Council and employees of the City Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
<b>Responsibilities for conflicts of interest and related parties</b>	
<p>You should have policies and procedures to ensure that members of Council and your employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether members of Council and your employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
<b>Responsibilities for publishing the audited financial statements on a website</b>	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the City Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

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## **Appendix 2: Health and safety of audit staff**

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required.

We also expect you to provide our audit staff with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



# HEALTH, SAFETY AND SECURITY PERFORMANCE REPORT

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee is to review the Council's health, safety and security performance for the period 1 October 2022 to 31 December 2022.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
  - People friendly, compact, safe and accessible capital city
  - Innovative, inclusive and creative city
  - Dynamic and sustainable economy
- Strategic alignment with priority objective areas from Long-term Plan 2021–2031**
- Functioning, resilient and reliable three waters infrastructure
  - Affordable, resilient and safe place to live
  - Safe, resilient and reliable core transport infrastructure network
  - Fit-for-purpose community, creative and cultural spaces
  - Accelerating zero-carbon and waste-free transition
  - Strong partnerships with mana whenua

### Relevant Previous decisions

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

### Risk

- Low       Medium       High       Extreme

Authors	Thomas Fowler, Principal Advisor Health & Safety Services Wendi Henderson, Health, Safety & Security Manager
Authoriser	Meredith Blackler, Chief People and Culture Officer

## **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

## **Whakarāpopoto | Executive Summary**

1. The Report provides information that aligns with the Officer due diligence responsibilities under the Health and Safety at Work Act 2015 (HSWA), specifically having:
  - a. Knowledge of work health and safety matters
  - b. An understanding of the nature of operations and the hazards and associated risks
  - c. Appropriate resources and processes to eliminate or minimise risk
  - d. Appropriate resources to receive and consider information
  - e. Verification of the provision and use of resources and processes
  - f. Processes for compliance with duties or obligations under the HSWA.
2. This report comprises qualitative commentary on activities that have occurred in the last four months, and are presented in three categories:
  - a. Risks
  - b. Relationships
  - c. Resources.
3. The dashboard reporting (attachment 1) provides quantitative leading and lagging indicators to measure health and safety performance within Council.
4. This style of reporting is based on the Business Leader's Health and Safety Forum: 'Monitoring what matters in Health and Safety' – a guide for CEOs. The Council is a member of the Business Leader's Forum.

## **Takenga mai | Background**

5. Not applicable

## **Kōrerorero | Discussion**

### **Health, Safety and Security Strategy**

6. The Health, Safety and Security business unit is producing a five-year internal strategy to guide the Council on its path towards having a proactive safety culture.
7. Work began developing this strategy in June 2022.
8. The third quarter of FY 22/23 was spent continuing the strategy research.
9. In October and November, a range of workshops were held with staff across the Council to gather insights on what the organisation needs to focus on to improve safety maturity.
10. Across 11 workshops there were 120 participants who together provided 856 pieces of feedback to be considered in the strategy.

11. Participants ranged from front-line operational staff through to the Executive Leadership Team. We have also gathered feedback from Elected Members.
12. Combined with external research of other local government agencies, and complex private industry organisations which was gathered in the quarter prior, we now have the information needed to produce the first draft of the strategy.
13. Across internal and external research – the following themes presented as consistent focus areas for the strategy:
  - a. Culture
  - b. Systems
  - c. Resources
14. The strategy is expected to be complete by July 2023.

### **Protective Security Requirements Framework**

15. In 2021, the Council adopted the Protective Security Requirements Framework – Central Government’s official expectations for managing personal, physical and information security.
16. The framework sets out standards across four increasing levels:
  - a. Informal (1)
  - b. Basic (2)
  - c. Managed (3)
  - d. Enhanced (4)
17. When adopting the framework, the Council agreed its intention would be to achieve a “managed” rating for all elements of the framework (of which there are 20) – it also agreed to an aspirational target of “enhanced” for the elements of culture and behaviour.
18. Assessments of the Council’s physical and information security are being undertaken to build a picture of what is required to achieve a ‘managed’ state. More will continue for the next few months before it is clear what work will be needed over the next three to five years.
19. Work has begun drafting the first annual report, which is due in March. The annual report outlines all the work done to date in the Council’s plan to achieve ‘managed’.

### **Risk**

#### **Critical Risk Reviews**

20. Council has identified 29 hazard categories present in its operations. Of those, nine have been identified as critical risks – the Nasty Nine. They are critical because they represent the greatest risk to the safety of our workers, tenants, contractors, volunteers, and the public.
21. Each business unit is responsible for managing its own critical risk register and putting in place appropriate controls to minimise the risk so far as reasonably practicable. This responsibility traditionally sat with business unit managers.
22. With additional resources, the HSS business unit has been able to develop a new process of verifying that there are appropriate controls in place to manage these critical risks in the different Council operating environments.
23. The new process broadens the level of involvement in control verification – ensuring worker participation from Health and Safety Representatives, workers responsible for

using the controls, and managers responsible for the tasks being undertaken, all supported by a HSS Business Partner providing expert advice.

24. This collaborative approach to risk management used in the pilot highlighted a willingness from the participants to learn more, and take shared accountability for minimising risk, and is now in the process of being rolled out across the organisation.
25. Shortly these critical risk reviews will be trackable in the new technology system (mentioned later in this report) and reported in the regular governance reports.

### **COVID-19**

26. The Council requires all positive COVID-19 cases in its workforce to be reported, this gives us the data to monitor how the pandemic is impacting our staff.
27. Following the sharp rise toward Christmas last year, active<sup>1</sup> COVID-19 cases have significantly dropped to consistently low levels. This is aligned to community data.



28. As expected, reinfection rates also continue to increase; with at least 35% of recorded cases this quarter being individuals who had previously contracted COVID-19 – compared to 20% in the previous reporting period. This is attributed to a diminishing level of immunity in the community, whether that be because of increased length of time between infections or time since last vaccination.

### **Relationships**

#### **Health, Safety and Security Good Sorts**

29. In 2022, the Health, Safety and Security business unit identified the need to redesign how the Council recognises positive health, safety and security behaviours and/or contributions.
30. There was already something in place – the Health and Safety Heroes programme – but there was minimal engagement or awareness amongst the organisation.
31. The 2022 ACC audit also made note of this programme being underused and recommended something be done to increase recognition activity.
32. In late 2022 a small project to understand and improve HSS recognition at the Council kicked off, with an objective to pilot an adjusted process with new direction by the end of the year.
33. Two successful pilots of the newly named Health, Safety and Security Good Sorts ran in November and December within the City Housing business unit, both with huge success and worker participation.

<sup>1</sup> The Council considers a COVID-19 case active for seven (7) days following the date of positive test.

34. The purpose of recognising Good Sorts is bringing attention to all the times people make an extra effort to display good health, safety and security behaviour or make improvements to safety practices. It is a crucial way we celebrate and identify role models within an organisation that is pushing to improve its safety maturity.
35. Following the success of the pilots, the HSS business unit is now formalising the process and folding it into its business as usual activity so it can be successfully deployed amongst the organisation.
36. Once the new health and safety information management system (MySafety) launches we will begin to report on recognition data.

## Resources


### The MySafety Project

37. The health, safety and security information management tool the Council is currently using is no longer fit for purpose.
38. Its lack of useability has impacted reporting behaviours and created inefficiencies in how the Council manages information and workflows related to health, safety, and security.
39. In the 2021 safety culture audit, it was recommended the existing tool be replaced with a more modern alternative.
40. That same year the Council begun a procurement process and sought proposals from the market to see what products were available.
41. After a robust procurement process, the Council confirmed a supplier and begun configuration of a new system, MySafety, in August 2022.
42. Configuration of MySafety was completed in December 2022. Preliminary testing with a working group of approximately 40 people indicated the tool meets the requirements of the Council.
43. Further testing and useability trials with a wider audience confirmed the application's ease of use and the HSS team is now in the final phase of the project – data migration and training.
44. Excluding any unforeseen delays, MySafety is expected to go live in March as originally planned.
45. Training will be made available to elected members who will now have access to report their own health, safety and security events.
46. March will be the phase 1 launch of MySafety, with ongoing development and feature releases planned for the next 12 months.

### Ngā mahinga e whai ake nei | Next actions

47. None

## Attachments

Attachment 1. Quarter 2 Health, Safety and Security Performance Dashboards (October to December) [↓](#) 

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## Health, Safety & Security Performance

### Reporting Period 1 October 2022 – 31 December 2022

Wellington City Council (WCC) has a responsibility to regularly monitor its health, safety and security (HSS) performance to ensure it is on track to meet both its related policy expectations and HSS Strategy. To monitor its performance, WCC will collect data and use a range of indicators as part of regular reporting protocols. These measures include a balance of leading and lagging indicators and are selected to outline improving, consistent or deteriorating H&S performance.

#### Section 1: Lead indicators

Lead indicators provide information about trends which may lead to an accident, injury, or disease. Insights from lead indicators help prioritise proactive HSS activity to further improve health and safety performance and reduce the probability of serious accidents.

##### 1.1 Key lead indicators

Metric	Q2	Prev	Change	FYTD	Prev	Diff
health and safety representatives (HSR)	148	146	+2	148	125	+23
Health and safety representatives trained	2	21	-19	23	51	-28
Health and safety leadership training delivered	16	0	+16	16	33	-33
Physical first aid training	32	13	+19	45	1	+44
Mental health first aid training	33	27	+6	60	9	+51
Resilience training	13	20	-7	33	60	-27
Failed random drug and alcohol tests	0	0	0	0	1	-1
Early intervention physio (Mirimiri) sessions	1	1	0	2	1	+1
Early intervention physio (European) sessions	5	13	-8	18	36	-18
Employee assistance programme hours	208.5	212	-3.5	420.5	722	-301.5

#### Insights

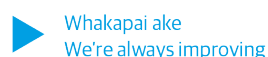
Lead indicators continue to trend in a positive direction. With the launch of MySafety there will more data points available to see other lead indicators.

As expected, training for mental and physical first aid has seen a marked increase in attendance now that the supplier is able to deliver without the disruption of COVID-19 – despite Q2 historically having lower training attendance than any other quarter. This is the only training in our catalogue that was bookable in December and January.

There are no concerning markers in the lead indicators when we look at performance measured against the prior financial year – we are either out-performing or tracking to achieve a similar result than previously.

##### 1.2 Critical risk observations

Officer group	Q2	Prev	Change	FYTD	FY21/22	Diff
Elected members	0	5	-5	5	1	+4
Executive leadership team	2	13	-11	15	20	-5



## Insights

Given the period Q2 covers, it's expected to see a small dip in observation numbers (because observations are not scheduled in December and January). An adjusted process for organising and co-ordinating critical risk observations has been confirmed to launch at the end of February and will see these numbers pick up.

### 1.3 Near miss reporting

Risk rating	Q2	Q1	Change	FYTD	FY21/22	Diff
Extreme	2	1	+1	3	0	+3
High	1	7	-6	8	15	-7
Medium	24	25	-1	49	100	-51
Low	160	138	+22	298	701	-403
Unassigned	42	40	+2	82	145	-63
<b>Total</b>	<b>229</b>	<b>211</b>	<b>+18</b>	<b>440</b>	<b>961</b>	<b>-521</b>

## Insights

Most trend information in the near miss reporting has been represented here as neutral – as it can be interpreted in multiple ways. What's important in this quarter is that there continues to be an increase in extreme near miss reporting, which we see as a positive indicator as it has highlighted an issue prior to it becoming a damage or harm causing event.

## Section 2: Lag indicators

**Lag indicators** measure loss events that have occurred. They quantify WCC's HSS performance in terms of past incident statistics. We use these indicators to measure the outcomes of WCC's management of HSS. Noting, they provide insufficient information to ensure the success of the health and safety management process since they promote reactive rather than proactive management.

### 2.1 Key lag indicators

Metric	Q2	Q1	Change	FYTD	FY21/22	Diff
Work related ACC injury claims	6	14	-8	20	58	-38
Claim costs to date	\$2,512	\$8,685	-\$6,146	\$11,197	\$30,024	-\$18,827
Number of workdays lost	8	40	-32	48	104	-56
Average delay in incident reporting (days)	1.52	3.34	-1.84	2.43	3.74	-1.31
Personal confrontation incidents	160	203	-43	298	813	-515
Bans issued	1	2	-1	3	24	-21
Trespass notices issued	0	1	-1	1	13	-12
Police reports	38	18	+20	56	121	-65

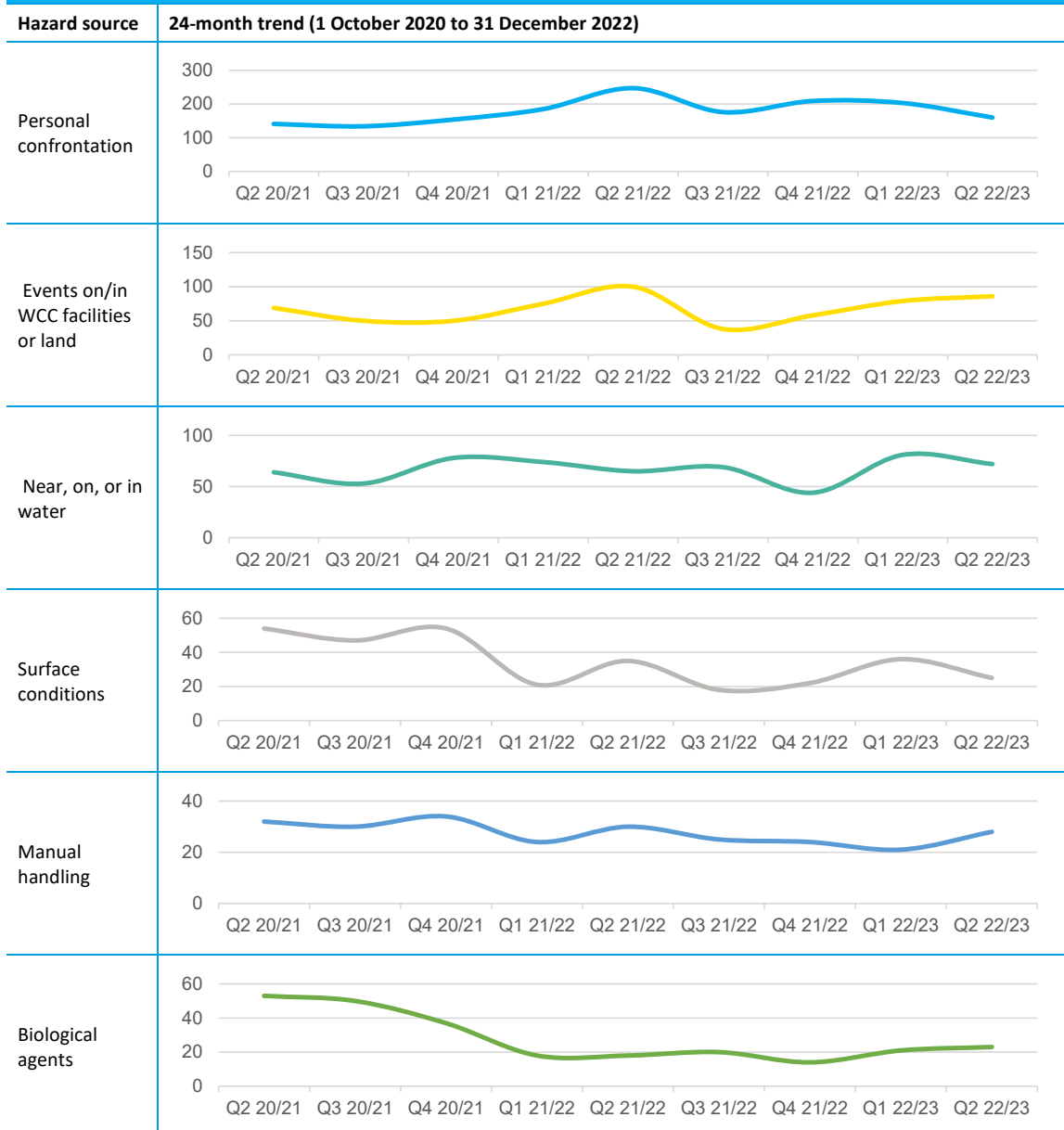
## Insights

Lag indicators also demonstrate positive or neutral trends across the board this quarter as expected when we have positive lead indicators.

## Health, Safety & Security Performance

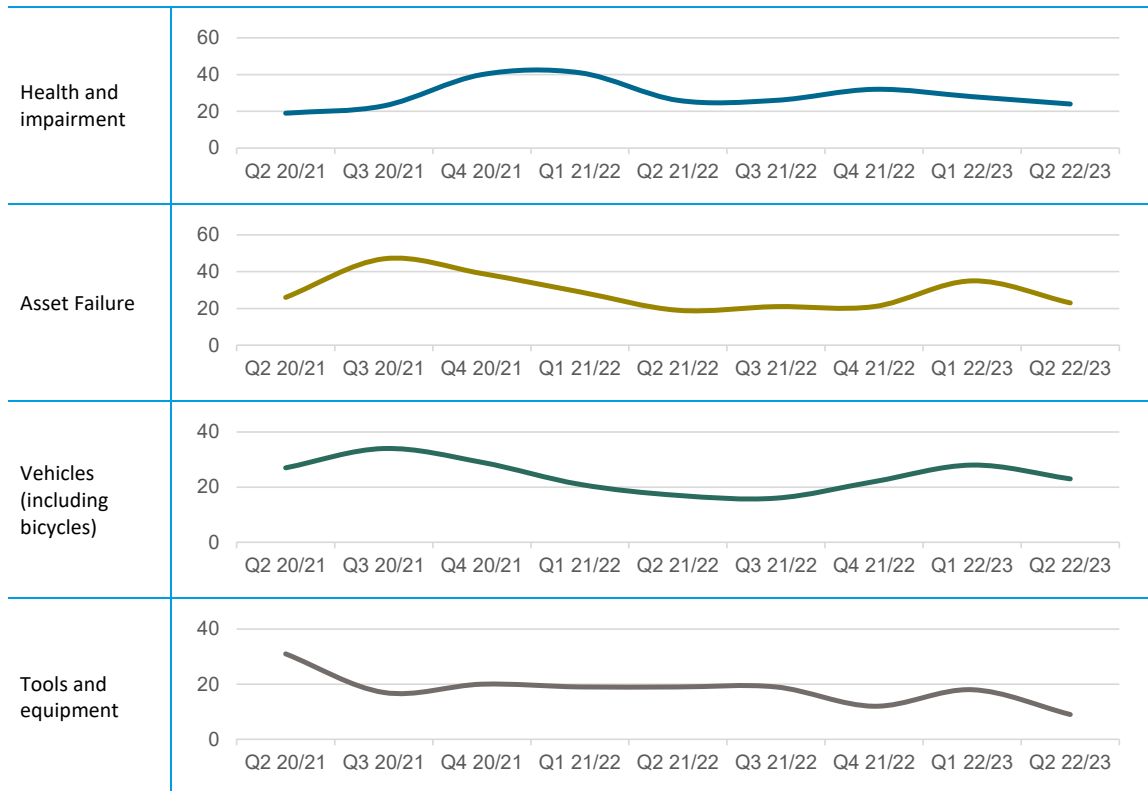
Worth celebrating is that the average reporting delay (from when an incident happens to when it's entered in our system) has dropped below 2 days for the first time in recent years. This is indicative of a shifting reporting culture in the organisation.

### 2.2 Risk trends





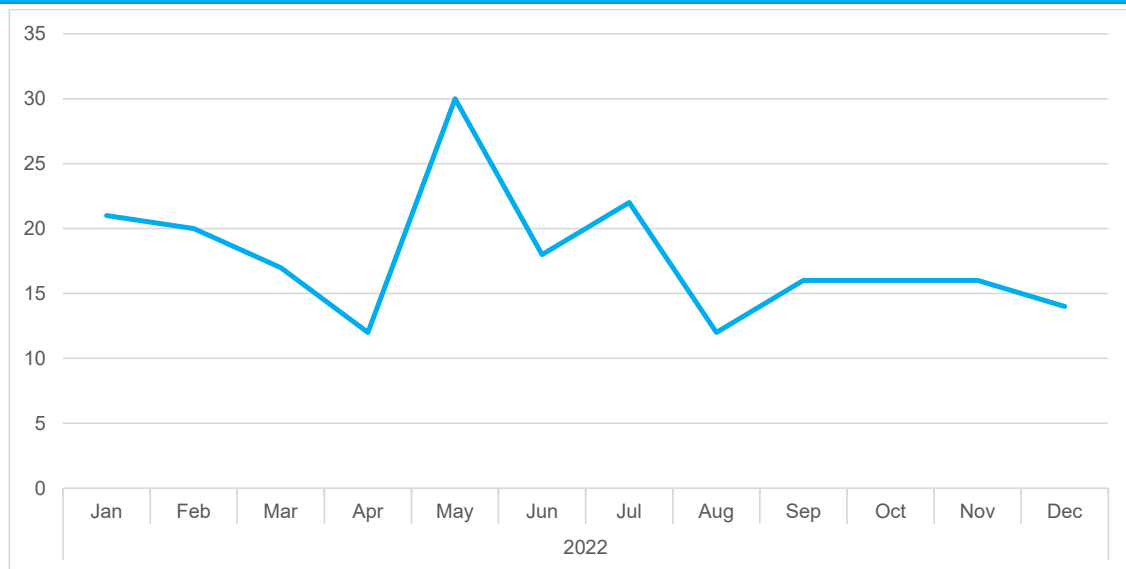
# Health, Safety & Security Performance



## Insights

Across the nasty nine there are no alarming trends; we continue to see either decreasing or stabilising numbers.

### 2.3 Trend of injuries requiring medical treatment

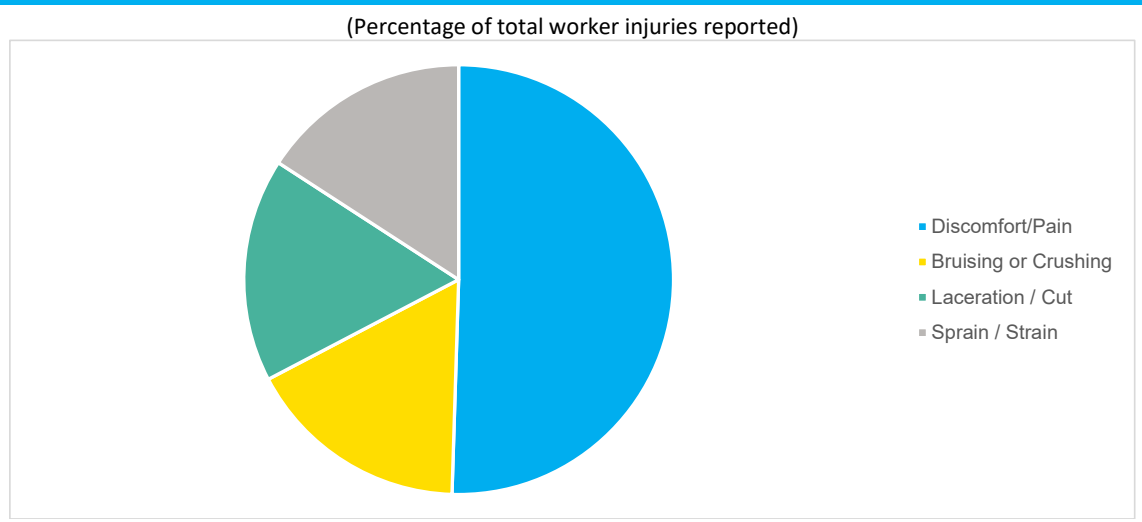


## Insights

## Health, Safety & Security Performance

Injuries have continued to remain below the peak witnessed in May, with the overall trend heading down. Our third-party injury management administrator has noted in regular meetings that the Council has a low number of injuries and we should celebrate that fact.

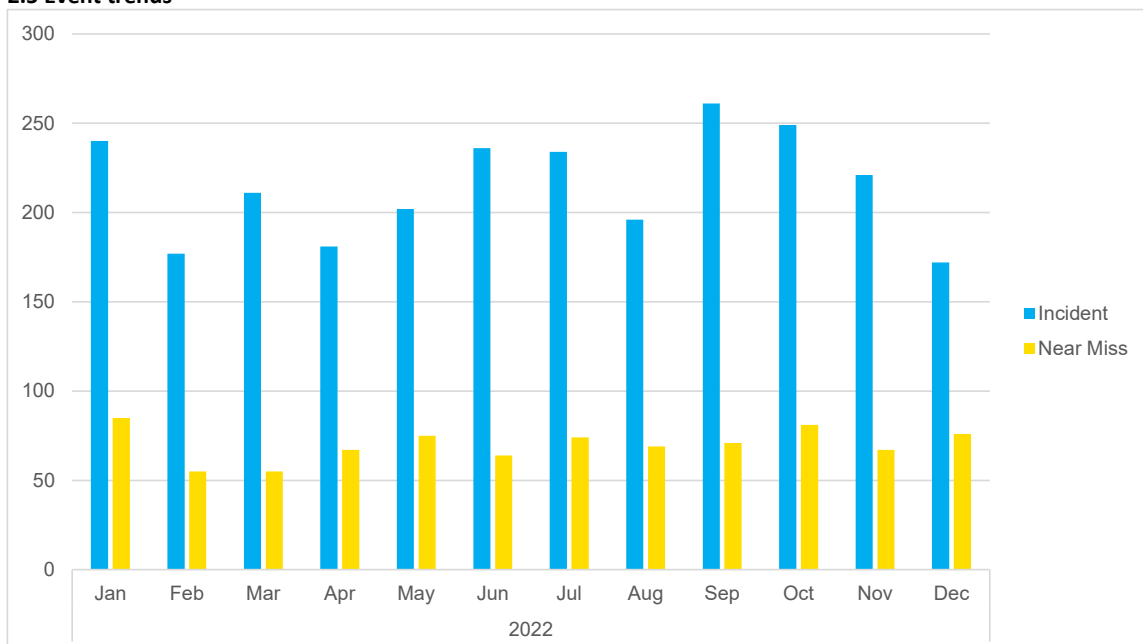
### 2.4 Top four injury types for the quarter



### Insights

Discomfort, bruising, sprains, and lacerations remain the top four (4) injury types for Council workers – with the percentage share of each remaining largely unchanged from the previous quarter.

### 2.5 Event trends



## Insights

There are no discernible trends in overall incident and near miss reporting. This is expected to change with the introduction of MySafety which will make it easier for everyone at the Council to make health and safety reports.



## Section 4: Critical and high risk events

Key for acronyms: KPI - Key Person Involved; MOP - Member of Public; PO - Parking officer; CSR – Customer Service Representative; Team Leader - TL

ID	Date	Group/Unit	Location	Description	Actions taken	Critical risk	Risk rating
1305198	27/10/2022	Contact Centre	Kai Ūpoko	An aggravated call was received in the Contact Centre regarding a recent parking ticket. The person calling threatened to hurt parking officers, but the CSR was able to calm the person down on the phone.	Debrief with the team leader before passing on details to the Parking Services team.	Personal confrontation	High



# INTRODUCTION TO THE WCC STRATEGIC RISKS FRAMEWORK AND STRATEGIC RISK REGISTER

## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides an overview of the Wellington City Council Strategic Risk Framework (the Framework) and current Strategic Risk Register (the Register). This report is provided to support the Committee in its governance role of ensuring risks to the Council are being identified and appropriately managed.
2. This paper also includes proposed updates to the Framework and Register. These updates were agreed by the Executive Leadership Team in December 2022 and are provided for noting. The updates include changes to the range of risks included in our Register and work to develop a WCC Risk Appetite Statement.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

### Relevant Previous decisions

Outline relevant previous decisions that pertain to the decision being considered in this paper.

### Significance

The decision is **rated low significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

3. There are no financial considerations for Unaunahi Māhirahira in this paper.

### Risk

- Low       Medium       High       Extreme

4. This paper is rated low risk to the Council. It describes our understanding, assessment, monitoring and reporting of Strategic Risks and demonstrates that the management of Strategic Risks is a priority at Wellington City Council.

Author	Kim Wright, Principal Advisor Risk Management
Authoriser	Richard Leverington, Manager Risk and Assurance Stephen McArthur, Chief Strategy & Governance Officer

### **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That Unaunahi Māhirahira | Audit and Risk Committee:

- 1) Receive the information.
- 2) Agree to the proposed changes to the Strategic Risk Register. Changes include the merging of some risk profiles and development of new risk profiles to reflect WCC's risk management priorities.
- 3) Agree that the approach for developing a risk appetite statement is appropriate.
- 4) Note that a risk appetite statement workshop will be scheduled for all WCC Councillors and the Executive Leadership Team.

### **Whakarāpopoto | Executive Summary**

1. This Committee is charged with ensuring the Wellington City Council is appropriately managing its risks (Attachments 1 framework overview). Strategic Risk reporting to this Committee is the primary method for reporting our all-of-Council arrangements for identifying and managing risks. This reporting provides an enterprise-wide view of the significant threats to the Council's ability to function, deliver our critical services and work towards our strategic outcomes (refer Enterprise Risk framework on *Diligent*). We report on the status of Strategic Risks at every Unaunahi Māhirahira Committee. As this is the first meeting of the new Committee the summary dashboard (Attachment 2) and all risk profiles (Attachments 3 public and Attachment 4, sensitive content) are provided. Following today's meeting we propose to continue the current practice for strategic risk status reporting, which is to provide the Committee with the summary status report each meeting and full risk profiles by exception (i.e., those significantly updated or changed).
2. This paper introduces Wellington City Council's Strategic Risks to the new members of the Committee. Since our last report in August 2022 there has been substantial progress in addressing our asset management planning risks and the outlook for our COVID-19 risks has changed. More details on these changes are provided in the summary dashboard (Attachment 2). The dashboard also highlights emerging risks or changing risk drivers for this period.
3. The Executive Leadership Team (ELT) reviewed the Register in December 2022 and agreed appropriate updates to reflect the current risk landscape. These updates include:
  - a. Merging three planning related risk profiles to create *Inadequate Strategic and Enterprise Planning* risk profile.
  - b. Creating a new risk profile for *Inadequate polices and controls*.
  - c. Creating a new risk profile for Inadequate implementation of Tākai Here and Tūpiki Ora.
  - d. Refocussing the Inadequate partnership practice risk profile to focus on risks to other (i.e., not mana whenua) strategic partnerships.



- e. Refocussing the Resource and supply constraints risk profile to focus on Workforce constraints and the changing nature of work
- f. refocussing the Inadequate adaptation to major change risk profile to capture our anticipation of and response to, global shocks as well as to changes in legislative frameworks
- g. minor changes to the standardised consequence table wording and the replacement of the four-by-four likelihood and consequences ratings system with a of a five-by-five assessment matrix.
- h. Attached are the following strategic risk artefacts: the 14 current risk profiles and summary dashboard that make up the Register; a presentation-format overview of our methodology; and the Framework reference documents.
- i. The ELT also agreed to propose development of WCC Risk Appetite Statements with elected members.

## **Takenga mai | Background**

4. Strategic Risks to Wellington City Council arise from internal and external threats and are significant at an enterprise level. They could affect the Council's ability to deliver on strategic outcomes, our ability to operate or be viable as an organisation and/or deliver essential and wellbeing services. Strategic risks encompass a broad range of consequences and require enterprise level attention and management. The Risk Management Team coordinates reporting on the status of our Strategic Risks to the Unaunahi Māhirarhira Audit and Risk Committee. This reporting provides the Committee with confidence that WCC has in place the leadership and systems to ensure these risks are being identified and managed. This Committee receives high level information on the status and management of Strategic Risks. More specific reporting on the various controls and treatments adopted throughout the Council that contribute to management of these risks, is provided via the appropriate committees.
5. Wellington City Council last refreshed its Enterprise Risk Framework in late 2021. The updated approach expanded the range of threats and consequences that make up the Strategic Risk Register (the Register). The current approach focusses on our role as a public service agency and includes 14 external and internal threats that give rise to strategic risks. It also includes impacts on Wellington City and its people, as impacts on our operating environment and our communities affect the Council's ability to achieve its goals.
6. The Framework is supported by standardised reference tables (ref Diligent). The Risk Register currently includes 14 risk profiles for specific threats. The profiles are high level summaries of the risk arising from each of these threats. Our risk profiles are published with the exception of Cyberattack and Malicious Attack which contain more sensitive information. Discussions of their contents take place in public excluded sessions. All risk profiles include:
  - a. A Maximum Credible Event (realistic worst case) assessment of the risk against the full range of possible consequences outlined in the Framework reference tables. The assessment describes our inherent risk with current treatments and our residual/target risk with additional treatments in place.
  - b. A summary of the most significant treatments in place or planned for future implementation, and risk treatment gaps and opportunities.
  - c. A summary of the relevant reporting to other Committees on the risks summarised in the profile and links to key papers covering mitigations or other risk treatments.
  - d. A summary of the external trends and influences that are driving the risk and typically outside Council's influence but important to note for context.
  - e. Some risk profiles cover major external threats and our response to these. In these profiles we describe the extent of our influence on the risk and note that

Council does have clear responsibilities, but our risk management options for these threats are understandably limited to what is within our remit and influence. These threats are included due to our regulatory and non-regulatory roles and because these risks could affect our ability to function and deliver on our strategic outcomes and everyday services.

- f. When the updated Framework and Register was formally adopted in February 2022, the Subcommittee was advised that in a year’s time there would be a review to ensure these were operating as expected and still fit-for-purpose.
- g. Wellington City Council does not currently have a risk appetite statement, which ideally should underpin its Framework and Register. Such statements put in writing an organisation’s willingness to tolerate risk in order to achieve strategic objectives. Risk appetite statements indicate an organisation’s maturity in understanding and managing risks and provide a guide for how we manage both strategic and operational risks.

**Kōrerorero | Discussion – Strategic Risk Register and Framework**

- 7. In December 2022 the Risk Management Team worked with ELT to identify appropriate updates and amendments to the current Framework and Register, so these could be provided for review and approval to this Committee in February 2023. These changes and the rationale behind them are shown in Tables 1 and 2 and paragraphs 12-19:

*Table 1: Summary of current Strategic Risk register Profiles and proposed changes*

<b>Current Profile Name: External threats</b>	<b>Keep and periodically update</b>	<b>Merge into new profile</b>	<b>Refocus or rename</b>
COVID-19 Outbreak (1)			✓
Cyberattack	✓		
M7.5+ Earthquake and Tsunami	✓		
Malicious attack	✓		
Other Hazard event	✓		
Resource and supply shortage (2)			✓
<b>Current Profile Name: Internal threats</b>	<b>Keep and periodically update</b>	<b>Merge into new profile</b>	<b>Refocus or rename</b>
Fraud	✓		
Inadequate adaptation to major change (3)			✓
Inadequate asset management planning (4)		✓	
Inadequate climate change response	✓		
Inadequate financial planning and practice (4)		✓	
Inadequate harm prevention	✓		
Inadequate partnership practice (5)			✓
Inadequate planning and prioritisation (4)		✓	

*Table 2: Proposed new or refocussed profiles - referencing numbered profiles above*

<b>New profiles (proposed)</b>	<b>Source</b>
Pandemic including COVID-19 response	Refocus of 1
Workforce constraints and changing nature of work	Refocus of 2

inadequate anticipation and adaptation to major change	Refocus of 3
Inadequate strategic planning	Merge of 4s
Inadequate implementation of Tūpiki ora and Tākai Here	New; some material from 5
Inadequate policies or controls	New

8. The three planning related risk profiles highlight the challenges the Council faces to effectively budget, plan and prioritise across varied and complex portfolios during a challenging economic and social period globally and locally. These risk profiles collectively cover risks arising from inadequate budgeting, planning prioritisation, project management, and asset management and life cycle planning. However, there is considerable crossover between the risk ratings, the drivers and the consequence and the treatments for these risks. Also, for all of these profiles, the link to strategic outcomes and LTP priorities could be clearer; the core strategic challenge is having a clear enterprise-wide view of all strategic initiatives and risks to the planning and decision-making to deliver these. ELT proposes that an Inadequate Strategic and Enterprise Planning risk profile will cover the risks to integrated planning for strategic outcomes and priorities.
9. A separate risk profile for Inconsistent application of policies and controls is proposed. Policies and controls are in place to protect Council and ensure good practice. This profile will cover risks to how we function and deliver on outcomes in a way that is effective, efficient and protects Council. For example, inadequate adherence to procurement policies, or inadequate application of project management software and frameworks can be costly and inefficient. Similarly inadequate controls in our systems and how we equip staff to use them, could result in legal non-compliance in our role as employer or regulator.
10. Mana whenua are key partners for Council and this relationship is prioritised in the current LTP. This importance of the relationship is demonstrated through the signing of Tākai Here, and the co-development of Tūpiki Ora and its associated action plan. Currently mana whenua partnership risks are considered alongside all other strategic partnership risks in the Inadequate partnership practice risk profile. A dedicated risk profile to capture the progress and challenges of meeting the goals and outcomes of Tākai Here and Tūpiki Ora is proposed. This will elevate the importance of our mana whenua relationship and commitment to māori outcomes
11. The current Inadequate partnership practice risk profile reflects the importance of partnerships to delivery of strategic outcomes and our many services. It includes a broad range of partnerships, and the risk is relatively low compared to other risks in the Register. The Inadequate partnership practice risk profile will remain on the Register due to the importance of partnerships for delivering on LTP priorities and key strategies but will focus on strategic partnerships risks, excluding our mana whenua partnerships.
12. The current Resource and supply chain risk profile covers supply of essential resources and workforce constraints. We propose this risk profile is refocussed, because while there are still global supply chain issues affecting resources, ELT have identified that workforce capacity constraints are the priority for this threat. The combination of border closures, pandemic impacts on health, changes to the nature of work and pressured market mean that a Workforce constraints and the changing nature of work risk profile is proposed to replace the Resource and supply risk profile.

- 
13. The Inadequate adaptation of major change risk profile currently focusses strongly on responding to changes in legislation or other national level frameworks (e.g., Three Waters reform). In order to reflect wider trends and influences that Council should anticipate, prepare for and respond to, we propose broadening this risk profile. This will allow us to summarise the key steps Council is taking to anticipate and mitigate significant shocks such as a global recession or disruptive technologies as well as risks arising from legislation and framework changes.
  14. We are now in the third year of the COVID-19 pandemic. New Zealand has been affected by multiple historic epidemic/pandemic events with the most significant being the Influenza pandemic of the early 20th Century and the current COVID-19 pandemic. We propose this risk profile is broadened to Pandemic including ongoing pandemic COVID-19 response to provide a wider view of our arrangements for future pandemics as well as the ongoing management of the evolving COVID-19 pandemic.
  15. We also propose minor changes to the way we assess and describe risks (ref Diligent – updated reference tables, changes highlighted). Risk ratings are a useful way to summarise in a relative way the severity and urgency of risks. We do this at WCC with four-by-four likelihood and consequence scales. We propose moving to a five-by-five scale to align with other scales in use in Council frameworks. The additions to the scale include a “no impact” rating for consequences and a “very rare” likelihood for events that have much lower return periods or probabilities of occurrence (e.g., Major Earthquake). We will review all risk ratings against the new scale should you approve the change but would not expect significant shifts in ratings due to this update.

### **Kōrerorero | Discussion – Development of a WCC Risk Appetite Statement**

16. A risk appetite statement puts in writing an organisation’s willingness to tolerate risk in order to achieve strategic objectives. Risk appetite statements indicate an organisation’s maturity in understanding and managing risks and provide a guide for decision making on how we manage both strategic and operational risks. Risk appetite is currently one of the weakest rated aspects of risk management maturity at WCC.
17. Risk Appetite Statements typically cover the organisation’s tolerance of risks based on the consequences elements in an organisation’s risk framework, such as staff health and safety, or finances. Statements may include definitive and/or quantitative descriptions:
  - a. “We will not tolerate any activity that deliberately breaches legislative obligations”, or more nuanced and qualitative descriptions
  - b. “To deliver on strategic or LTP priorities we will tolerate some variation around capex budgets and delivery dates for key strategic projects but have extremely low appetite for variations in operational budgets”.
18. The ELT endorses development of a set of risk appetite statements that includes both clear we will/will not tolerate descriptors as well as more qualitative commentary. They are also clear that the statement must be co-developed with elected members and with input from the members of this Committee. This is because in their governance role as decision makers, elected members have the mandate and accountability for which risks the Council will take on. We would expect the statement to be refreshed at the same frequency as the election cycle, as it will be a non-mandatory, high-level document supporting the current Council’s priorities.
19. A practical example of how a risk appetite statement relates to decision-making is to consider its use applied to past Council governance and ELT operational decision-making. For example, consider the decisions made for staff health and safety, levels

of service and community wellbeing provided during the peak of COVID impacts on Wellington. WCC was willing to tolerate:

- a. impacts on our operating budgets to support community economic wellbeing via rates support to businesses (i.e., flexible operating budget appetite),
- b. and impacts on public via temporary closure or reduction of hours at sites that deliver non-critical services (flexible/limited appetite for reduction in non-critical services).

20. WCC was not willing to tolerate:

- a. health and safety risks to staff (no appetite for avoidable H&S risks).

While these decisions were made without having a risk appetite statement in place, having one available as a reference should assist elected members and ELT when weighing competing options for future decisions. It will also provide a prompt for a rationale or additional considerations to be noted if decisions are made that fall outside agreed tolerance levels. Rationale would also be expected when decisions are made to approve options that are considerably more conservative (lower risk/reduced benefit) than the agreed tolerance levels.

21. The Risk Management team seeks the approval of this Committee to work with the Committee, elected and mana whenua members and ELT to develop a risk appetite statement for WCC. Note such a statements will be a non-mandatory tool to assist decision-making by governors and officials. It will summarise the current Council's priorities when considering options, pursuing opportunities and managing risk. The proposed approach to development of a risk appetite statement is:
22. Run a workshop with the above invitees and WCC subject matter experts in mid-March to:
  - a. Introduce the purpose and structure of risk appetite statements - showing examples from other councils/agencies.
  - b. Introduce the Strategic Risk Register consequence elements – we will develop one or more risk tolerance descriptor for each consequence element.
  - c. Gather the collective view on tolerance and appetite to determine whether there is a consensus or majority view.
23. The Risk Management team will use the results of the workshop to develop a suite to draft risk appetite statements for review and endorsement.
24. The draft will be presented to this Committee for review
25. The final draft will be provided to the full Council for approval.
26. The WCC Risk Appetite Statement will be adopted into the Framework and promoted throughout WCC.

### **Alignment with Council's strategies and policies**

27. The proposed changes to the range of threats covered in the Register and minor adjustments to the Framework reference Table consequence descriptions have been proposed to demonstrate stronger alignment of the Strategic Risks to priorities and strategies.

### **Engagement and Consultation**

28. Risk appetite statements set the culture of an organisation regarding what risks the organisation is willing to take in order to achieve its outcomes and which risks are to be reduced or avoided. Strategic outcomes decisions made at the governance level by elected members. It is important that all elected members are encouraged to participate in risk appetite briefings and/or workshops alongside the Unaunahi Māhirahira Committee members so our risk appetite statements reflect the priorities and appetites of the current Council.

### Implications for Māori

29. There are no direct implication for Māori from this paper. However, the proposed *Inadequate application of Tākai Here and Tūpiki Ora* risk profile will summarise the work underway across Council to reduce risks to delivery and implementation against the shared outcomes and goals they describe. These documents are fundamental to delivery of Council's LTP priority 'strong partnership with mana whenua'.

### Financial implications

30. There are no financial implications from this paper. However, measures to address financial risks from threats to the Council are summarised at a high level in risk profiles.

### Legal considerations

31. There are no legal considerations. However, measures to address legal risks from threats to the Council are summarised at a high level in risk profiles.

### Risks and mitigations

32. This paper summarises the Council's Strategic Risks Framework and Register, how our risks are identified and assessed and proposals to keep this information current.

### Disability and accessibility impact

33. There are no disability or accessibility considerations for this paper.

### Climate Change impact and considerations

34. There are no climate change implications or considerations for this paper. However, the *Inadequate climate change response* risk profile summarises the work underway across Council to reduce risks to delivery and implementation against the outcomes of Te Atakura - First to Zero.

### Communications Plan

35. This paper does not require a communications plan.




### Health and Safety Impact considered


36. There are no health and safety impacts associated with this paper. However, the *Inadequate harm prevention* risk profile summarises the work underway across Council reduce health and safety risks to WCC people.

### Ngā mahinga e whai ake nei | Next actions

37. The Risk Management Team will continue to maintain and update the Strategic Risk Register, based on the feedback from this Committee and continue to provide strategic risks status updates to this Committee.
38. The Risk Management team will prepare the Risk Appetite Statements workshop (dependent on approval from this Committee to proceed).

### Attachments

- |               |   |         |
|---------------|---|---------|
| Attachment 1. | WCC Risk management framework - Jan 2023 <a href="#">↓</a>         | Page 92 |
| Attachment 2. | Strategic Risks Summary dashboard February 2023 <a href="#">↓</a>  | Page 95 |
| Attachment 3. | WCC Strategic Risk Profiles - Collated <a href="#">↓</a>             | Page 97 |

Attachment 4. WCC sensitive Strategic Risk Profiles collated - Jan 2023  
(separately enclosed) - **Confidential** 

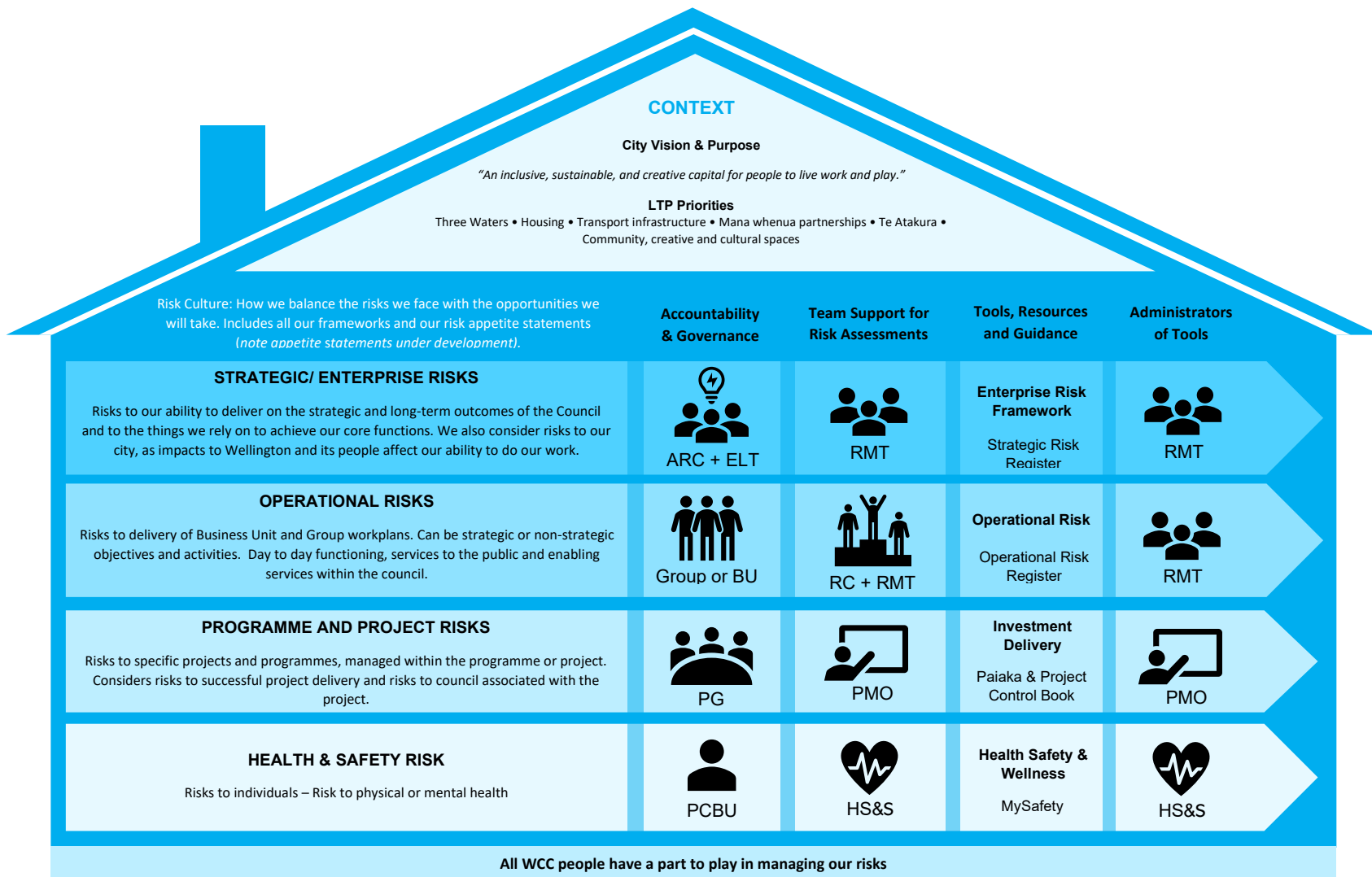
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## How Risk Management Works at WCC

**WHY MANAGE RISKS?** We manage risks that could prevent WCC from successfully functioning, and delivering on our vision, and priorities





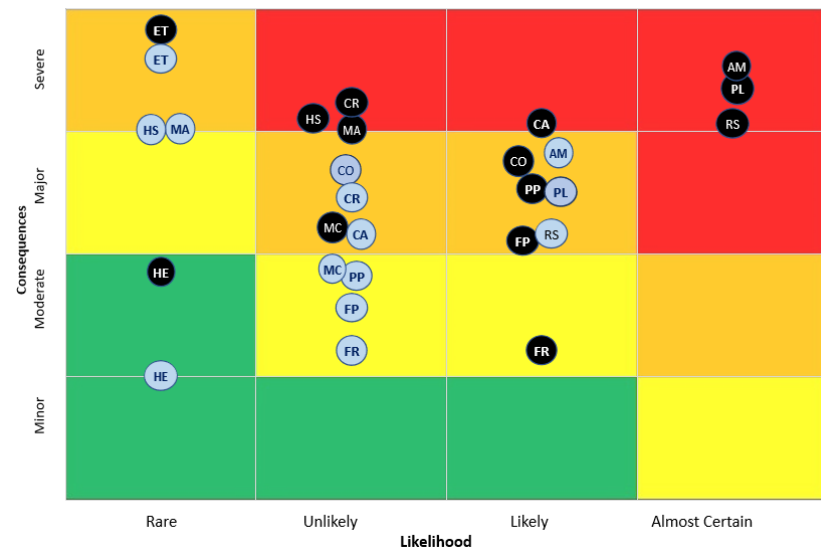
ARC - Audit & Risk Committee     
 ELT - Executive Leadership Team     
 PCBU- Person conducting a business or undertaking     
 RC - Risk Champions  
 BU - Business Unit     
 HS&S - Health, Safety & Security     
 PG - Project Governance     
 PMO - Project management Office     
 RMT - Risk Management Team



Ratings as of August 2022	EXTERNAL THREATS						INTERNAL THREATS							
	Cyber-attack (CA)	Covid-19 outbreak (CO) (estimated change)	Resource & supply constraints (RS)	Malicious attack (MA)	Other hazard emergency (HE)	Earthquake and tsunami (ET)	Inadequate partnering practice (PP)	Inadequate adaptation to major change (MC)	Inadequate response to climate change (CR)	Inadequate planning & prioritisation (PL)	Fraud (FR)	Inadequate financial practice (FP)	Inadequate harm prevention (HS)	Inadequate Asset Management Planning (AM)
Overall Risk Rating (max credible - inherent)	Extreme/High	High ↓	Extreme	Extreme/High	Low	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High	Extreme/High
Likelihood	Likely	Likely ↓	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely	Likely ↓
Overall Consequences Rating	Severe	Major ↓	Severe	Severe	Moderate	Severe	Major	Major	Severe	Severe	Moderate	Major	Severe/Major	Severe
Target Risk rating (max credible - residual)	High	High	High	High	Low	Rare	Medium	Medium	High	High	Medium	Medium	High/medium	High
Target likelihood	Unlikely	Unlikely ↓	Likely	Rare	Rare	Rare	Unlikely	Unlikely	Unlikely	Likely	Unlikely	Unlikely	Rare	Unlikely ↓
Target consequences	Major	Major	Major	Severe/major	Minor/Moderate	Severe/Major	moderate	Moderate	Major	Major	Moderate	Moderate	Severe/Major	Major
Change in reporting period (overall risk)	↔	↓	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↓

Risk summary

INHERENT AND RESIDUAL RISK RATINGS



- EXTERNAL THREATS**  
 CA = Cyberattack  
 CO = COVID-19 outbreak  
 RS = Resource and Supply constraints  
 MA = Malicious attack  
 HE = Other hazard emergency  
 ET = Earthquake and Tsunami

- INTERNAL THREATS**  
 PP = Inadequate partnering practice  
 MC = Inadequate adaptation to major change  
 CR = Inadequate climate change response  
 PL = Inadequate planning and prioritisation  
 FR = Fraud  
 FP = Inadequate financial planning and practice  
 HS = Inadequate Harm Preventions (H&S)

Current (inherent) risk rating ?  
 Target (residual) risk levels ?



Notes on the heatmap

The heatmap shows the Maximum Credible Event scenario inherent and residual risk ratings for all threats. It provides a high-level summary of the worst-case outcome if our risks are not adequately managed. Note that each threat has a range of scenarios that can eventuate so we assess the worst case, but in most cases our risk management treatments target what is achievable, affordable and practical. The Council will always hold some level of risk due to the complexity and scale of the services we provide. Strategic risks are by their nature complex and challenging and mitigation progress may take multiple years. The heatmap indicates the relative severity and likelihood of our maximum credible scenarios but there is a richer body of information that sits behind these assessments, in particular impacts on the various elements that contributing to the overall consequence ratings. This heatmap should be considered alongside the consequences ratings summary on p2.

Summary of key updates to Risk Profiles since August 2022

**COVID-19:** Council experienced a surge in cases, including spread within teams in Q2. While in some Units multiple members of teams were affected, there was not the significant impact on service delivery and sick leave absenteeism as in Q3 and Q4 of 2021-22. The severity of COVID-19 impacts on Council staff H&S, finances, and services during the recent outbreaks decreased. The changes indicated above and in the heatmap are indicative, noting the risk scenario will be re-evaluated in Q3, considering current uncertainty around COVID-19 evolution and impacts and possibility of other pandemic outbreaks in Wellington. The indicative Likelihood change reflects the probability of significant change resulting in our worst-case scenario – we consider we have possibly already weathered the worst of this outbreak but there is still a chance the situation escalates in severity so without a comprehensive reassessment we adjust the likelihood to likely.

**Inadequate Asset Management Planning:** Considerable progress has been made to improve the asset management framework and to improve policy and practice. This includes greater alignment with strategic outcomes, increased focus on risk-informed decision-making for the full life cycle of assets, and better data to make maintenance and renewal planning more efficient. This risk profile will be merged with the *Inadequate financial planning and practice* and *Inadequate planning and prioritisation* risk profiles to form a strategic planning focussed risk profile. Before this merger it is important to acknowledge the substantial progress that has been made to lower our future asset management planning risk.

Reviewed January 2023

**Inherent risk levels and consequences ratings summary - Maximum credible scenarios with no additional risk management in place**

	EXTERNAL THREATS						INTERNAL THREATS							
Ratings as of April 2022	Cyber-attack (CA)	Covid-19 outbreak (CO) <i>(will change after new assessment)</i>	Resource & supply constraints (RS)	Malicious attack (MA)	Other hazard emergency (HE)	Earthquake and tsunami (ET)	Inadequate partnering practice (PP)	Inadequate adaptation to major change (MC)	Inadequate response to climate change (CR)	Inadequate planning & prioritisation (PL)	Fraud (FR)	Inadequate financial practice (FP)	Inadequate harm prevention (HS)	Inadequate asset management planning (AM)
<b>Overall Risk Rating (max credible – inherent)</b>	Extreme/High	Extreme	Extreme	Extreme/High	Low	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High	Extreme
<b>Likelihood</b>	Likely	Almost certain	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely	Almost certain
<b>Overall Consequences Rating</b>	Severe	Severe	Severe	Severe	Moderate	Severe	Major	Major	Severe	Severe	Moderate	Major	Severe/Major	Severe
Democracy and governance	Moderate	Moderate	Minor	Moderate	Minor	Major	Moderate	Minor	Minor	Minor	Minor	Minor	Minor	Minor
Partnerships and relationships	Minor	Minor	Moderate	Minor	Minor	Moderate	Major	Moderate	Major	Moderate	Minor	Minor	Moderate	Moderate
Critical service delivery	Moderate	Moderate	Moderate	Minor	Minor	Severe	Minor	Minor	Severe	Moderate	Minor	Minor	Minor	Major ↓
Wellbeing services delivery	Moderate	Major	Moderate	Moderate	Minor	Major	Minor	Minor	Moderate	Moderate	Minor	Minor	Minor	Moderate
Community wellbeing	Moderate	Severe	Minor	Moderate	Moderate	Severe	Minor	Minor	Major	Minor	Minor	Minor	Moderate	Severe
Priority Investment projects & programmes	Moderate	Severe	Severe	Minor	Minor	Severe	Major	Moderate	Major	Severe	Minor	Major	Moderate	Moderate ↓
Environment	Minor	Moderate	Moderate	Minor	Minor	Major	Minor	Moderate	Moderate	Moderate	Minor	Minor	Minor	Moderate ↓
Reputation and trust	Major	Moderate	Moderate	Minor	Moderate	Moderate	Major	Moderate	Major	Severe	Moderate	Moderate	Major	Major
Health & Safety	Moderate	Major	Moderate	Severe	Major	Severe	Moderate	Major	Moderate	Major	Moderate	Minor	Severe	Moderate
Capability and capacity	Minor	Major	Moderate	Major	Minor	Major	Minor	Minor	Moderate	Major	Minor	Minor	Moderate	Minor
Our critical assets	Minor	Moderate	Moderate	Minor	Minor	Severe	Minor	Minor	Moderate	Moderate	Minor	Minor	Minor	Major
Our finances	Moderate	Severe	Major	Moderate	Minor	Severe	Minor	Moderate	Moderate	Major	Minor	Moderate	Minor	Moderate ↓
Data, information and tools	Severe	Minor	Minor	Minor	Minor	Major	Minor	Moderate	Minor	Minor	Minor	Minor	Minor	Minor ↓
Legal regulatory and compliance	Major	Minor	Minor	Moderate	Moderate	Moderate	Moderate	Minor	Major	Moderate	Minor	Minor	Major	Moderate

This table indicates key vulnerabilities or consequence areas of focus for reducing strategic risks to our organisation. Our Priority Investment projects and programmes are shown as most vulnerable to a range of threats, followed by the physical and mental wellbeing (Health & Safety) of WCC staff.

**Emerging Risks**

**Emerging Risks or items of note for Unaunahi Mahirahira**

**Continuing social cohesion challenges, increase in inappropriate online communications:** The WCC election period has passed but ongoing threats and/or abuse directed at elected members and officers continue, particularly attacks via social media and threatening or offensive emails. There has been considerable national publicity regarding online behaviour towards women in high profile positions. WCC leaders continue to monitor the impacts of inappropriate communications to staff and elected members and manage the consequences using a range of tools including direct mentoring and support for staff, filtering problematic correspondence or in extreme cases, blocking offenders.

**National policy framework uncertainty**

The change in Prime Ministership and the new PM’s indication of government priorities, combined with the national election in October 2023 increases the uncertainty for our long-term planning/strategic environment. We continue to prepare for the three waters transition but in the context of some implementation aspects yet to be detailed (e.g. how the No Worse Off funding arrangements will work in practice). A change of government in October could mean a change of policy settings for three waters, the RMA reforms or other keys frameworks. We address this through the *Inadequate adaptation to major change* risk profile which will be updated in the Q3-Q4 period but note the current uncertainty.

**Earthquake prone buildings (EQB)**

Some EQBs in Wellington are reaching their remediation deadlines this year, many will reach theirs in the next few years. Approximately 320 EPBs have an expiry date less than 4.5 years away, and about 280 EPBs have deadlines expiring after 2027. Given that seismic strengthening projects require engineering assessment, planning, and funding for physical works, there is concern regarding these EPBs being remediated in the required time – especially those that have less than five years to complete the seismic work. Officers are developing risk-based response options for Council in our role as regulator for EQBs that have not been remediated by their deadline date.

Reviewed January 2023

## **WCC Risk Profiles: collated**

### External Threats

- **COVID-19 Outbreak**
- **M7.5+ Earthquake and Tsunami**
- **Other hazard event**
- **Resource and supply shortage**

### Internal threats

- **Fraud**
- **Inadequate adaptation to major change**
- **Inadequate asset management planning**
- **Inadequate climate change response**
- **Inadequate financial planning and practice**
- **Inadequate harm prevention**
- **Inadequate partnership practice**
- **Inadequate planning and prioritisation**

**Note: The Cyberattack and Malicious attack risk profiles contain more sensitive information and are provided in a separate document**

COVID-19 OUTBREAK

An outbreak of infectious COVID-19 pandemic disease, in Wellington and wider New Zealand

Reviewed: December 2022

Reporting and accountability

Governance

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira Audit and Risk Committee
- Reporting on requirements for health, safety and wellbeing of staff to Unaunahi Māhirahira Audit and Risk Committee
- Reporting on impacts of COVID-19 on Council finances and performance, and Council's financial responses to COVID-19 impacts to Kōrau Tōtōpū Long-term Plan, Finance and Performance committee
- Reporting on impacts of COVID-19 on delivery of critical services and Priority Investment Capital projects to Kōrau Tūāpapa Environment and Infrastructure Committee

Executive

- ELT oversee implementation of all relevant government guidance and regulations across the organisation
- COVID-19 scenario and impact planning advice provided to ELT in September 2021. Impacts of COVID-19 on Council finances, staff wellbeing, long-term and BAU workplans, provided to ELT as appropriate by relevant Managers

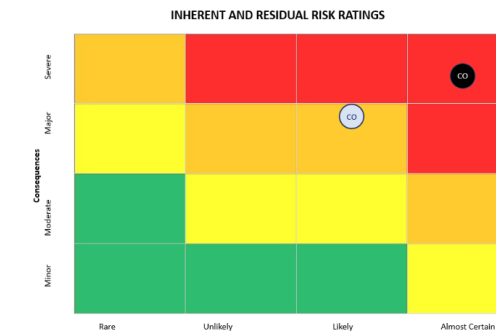
Risk tracking and outlook – exception reporting

- This risk profile was reviewed by ELT December 2022.
- The forecasted Wellington outbreak scenario has been realised. The COVID-19 outbreak accelerated in Wellington in February 2022. Since then, the City has experienced significant impacts, with thousands of positive cases and many more isolating. The numbers affected have included hundreds of Council staff, impacting the scale and availability of some services. The illegal occupation of Parliament Grounds and surrounding streets by 'anti-mandate' protesters exacerbated the financial impacts on CBD businesses, and the wellbeing impacts on school, residents, government sector and business communities, near parliament. WCC played a key role in supporting Police as the lead agency, to manage the impacts of the occupation and continues to support restoration and recovery. The pandemic is ongoing and the likelihood of further major outbreaks in Wellington due to virus mutation is not known although overseas evidence would suggest Winter months are more likely to see a rise in cases again.

Risk treatments in place

- Physical distancing, mask wearing (surgical or N95), capacity limits, and hygiene protocols in place to reduce chance of transmission at WCC sites
- Digital democracy systems established for Council Committees and public participation to continue remotely
- A comprehensive range of COVID-19 resources, factsheets, and guidance developed to support all staff to understand and comply with requirements
- Pandemic Response Team Established in 2020 to provide specialised advice to ELT and coordinate WCC response – able to be stood up as required
- WCC Civil Defence Emergency Management role and responsibilities in partnership with central government local government and welfare service agencies to support affected communities
- Financial support to affected Wellington businesses outlined in COVID-19 Response plan (Feb 2022)
- COVID-19 operational losses taken as debt to smooth impacts
- COVID-19 vaccine pass requirements and vaccination policy for all sites and high-risk roles introduced: decision Dec 2021, in effect February 2022 and removed post-consultation in April 2022 in line with Government health guidance, requirements.
- Designation of Priority council services (to support staff and public health and safety, and to enable these functions to implement their business continuity plans) and designation of critical services (government defined those roles unable to work from home to deliver key functions)
- Development of Rapid Antigen Test (RAT) policy and procurement of RATs for use by critical staff
- Pandemic Response Plan financial relief/support package adopted in February 2022.

Risk Analysis – September 2021



Shows Wellington ongoing outbreak scenario – target risk level has not changed. We are working to decrease likelihood and severity of future impacts

Inherent risk rating	●	Extreme
Target (residual) risk rating	○	High
Likelihood		Likely
Consequence		Severe
Confidence in assessment		Confident

Maximum credible scenario (inherent risk): Major Wellington outbreak with many (unmanageable) casualties. **Note – we have conducted an informal review of this risk but it will be fully reassessed in Q3-Q4. Until this assessment occurs the rating on this risk profile and consequences summary below will remain unchanged. The indicative expected change in ratings is shown on the summary dashboard (February 2023).**

Risk rating key			
Extreme	High	Medium	Low

Consequences	Wellington outbreak	Rationale
Democracy and governance	Moderate	Council has continued to function with online meetings. Public participation at Council meetings via online representation. Ongoing outbreak is not expected to disrupt October local body elections
Partnerships and relationships	Minor	Increased virtual interaction. Expectation of underwriting partners. Relationships with MBIE, TPk will become more important than those in Civil Defence network. Tendency to work in silos
Critical service delivery	Moderate	Some impact on emergency response to outages and waste collection services
Wellbeing services delivery	Major	Continuing impacts expected on service delivery. Parks Sports and Recreation already impacted with rolling closures of facilities due to staffing challenges. Impacts on contractor delivery such as recycling due to staff shortages relating to COVID-19.
Community wellbeing	Severe	Support coming directly from govt agencies rather than via CDEM network. Difficulty delivering support if staff are unwell. Resilience stretched further. New categories at risk - newly unemployed, those who haven't engaged with social agencies.
Priority investment projects and programmes	Severe	COVID-19 continues to exacerbate global supply chain issues. We expect challenges to continue with internal project and programme management capability and external capacity of key construction partners. Main impacts will be on budget and delivery date of priority investment projects.
Environment	Moderate	Recycling and PPE sent to landfill.
Reputation and trust	Moderate	No significant impact. Possibly some community and councillors' expectations for us to take measures that we don't have the mechanism or mandate to implement.
Health & Safety	Major	Expected continued physical illness from new cases of COVID-19 (second wave or new variants), and seasonal colds and flu, as well as emerging cases of staff experiencing long-COVID symptoms. Physical and mental impacts as a result of illness, caring for others, repeat cases, prolonged working from home or hybrid working, and additional work duties due to staff absences or new tasks related to managing COVID-19 impacts. Increase in personal confrontation
Capability and capacity	Major	Continuing absences due to illness, caring for others. Also capability and capacity impacts from "the great resignation", that is high staff turnover and recruitment challenges. Redirecting staff to dedicated COVID-19 response work can result in lower capacity for BAU – especially teams in People and Culture. We expect our contractors and external business partners to also have continuing capacity challenges.
Our critical assets	Moderate	Potential to respond to a big event e.g., big sewerage break, slip, coastal erosion - would be a different response such as close road rather than repair
Our finances	Severe	As per Auckland containment scenario, plus pay out for underwriting events. Rates freeze/delayed payments would impact on cashflow, move to business ratepayers expecting support.
Data, information and tools	Minor	Equipment has been borrowed from EOC in Aug 21. Data attacks amplified at national level during AL3 and AL4. Data security issues where staff working remotely. Data streams are interrupted and difficult to forecast.
Legal regulatory and compliance	Minor	Likely improvement in responses to consenting but delays in inspections. Little warning of changes to Health Orders which are complex to implement.

Risk treatments planned or in progress and due dates
<ul style="list-style-type: none"> <li>Staff wellbeing, capability and capacity management ongoing in response to staff unavailability due to positive cases and close contact isolation requirements. Service delivery will continue to be prioritised or re-scaled as required on a case-by-case basis.</li> </ul>
Gaps, issues or opportunities for improvements in treatment
<ul style="list-style-type: none"> <li>Long-term recovery planning WCC specific and with regional partners</li> <li>Strategic review all of significant projects and programmes to identify opportunities for prioritisation/coordination</li> <li>New <b>opportunity</b> to mitigate risk – WCC is now an accredited employer and able to recruit from overseas</li> <li><b>Gap</b> in understanding underpinning planning – WCC still unclear on what will trigger a move to green (COVID Protection Framework)</li> <li><b>Gap</b> in planning - a dedicated and more diversely sourced COVID-19 response team to reduce impact on People and Culture</li> </ul>
References
<p><b>Relevant legislation</b></p> <p>Health Act 1956          COVID-19 Public Health Response Act 2020          COVID-19 Public Health Response (Alert Level Requirements) Order (No 11) 2021          Privacy Act 2020          Health and Safety at Work Act 2015</p> <p><b>WCC Polices and Strategies</b></p> <p>Strategic Safety, Security and Wellbeing plan 2021          Rapid Antigen Test Policy March 2022          COVID-19 Vaccination Policy 2021</p> <p><b>WCC procedures, resources for managers and staff</b></p> <p>Factsheet: Tahiwi and Kai Ūpoko at Delta AL2          Factsheet: Returning to Kai Ūpoko          Factsheet: Worker Contact Flowchart          De-escalation and response during contact tracing procedures          Returning to Workplace Assessment – level 3          Questions and answers for managing COVID-19. Date updated: 6 April 2022          Questions and Answers for People Managers Alert Level 3: Novel Coronavirus or COVID-19 Date updated: 26 August 2021          Questions and Answers for People Managers Alert Level 4: Novel Coronavirus or COVID-19 Date updated: 18 August 2021          Wellbeing resources          Working at home resources          WCC COVID-19 RAT Policy</p> <p><b>Relevant reports to other council committees</b></p> <p>Pandemic Response Plan paper (support for businesses) <a href="#">24 February 2022 Council Meeting</a></p>

**Additional commentary**

**Links to other threats and risks**

COVID-19 impacts on border traffic and international shipping is a significant contributor to current global supply chain issues. Continued working from home arrangements during Alert Levels 3 and 4 (lockdown) and following that under the COVID Protection Framework, has created more challenging conditions for planning and prioritisation across the organisation. COVID-19 is an exacerbator of the risk related to poor planning and prioritisation, as it demands rapid change, high level response and can supersede or delay more strategic long-term planning and work.

**Underlying trends and influencers of the risk**

Personal confrontation due to lower social cohesion and stressed community members remains a heightened risk for staff in public facing roles, with COVID-19 rules and requirements a trigger for some members of the public, as well as a COVID-19 being a source of anxiety for the general population. This has decreased from February but could rise again as government health protocols changed or services are reduced

Government has transitioned to the COVID Protection Framework (traffic light system) which centres on the capacity of our health system to guide restrictions and requirements. Vaccination mandates have been removed for all but a few highest exposure roles. As regions reach target vaccination levels, the likelihood of widespread lockdowns decreases.

Urbanisation and increased used of sustainable public transport options while benefiting our climate change risk management, increase transmission risks of infectious diseases. The future of work transitions to a more digital operational model means much of the Council’s work and democratic processes can continue remotely as long as our digital services are functioning.

our digital services are functioning.



**MAGNITUDE 7.5+ EARTHQUAKE AND TSUNAMI**

**A major earthquake (Wellington Fault or Hikurangi) and resulting tsunami affecting all Of Wellington with strong shaking, debris-laden coastal inundation, 100s of landslides, ground deformation and liquefaction of soft soils. Many aftershocks.**

**Reviewed: December 2022**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on resilience of our Kōrau Mātinitini Social, Cultural, and Economic Committee (social resilience); Kōrau Tūāpapa Environment and Infrastructure Committee (built environment resilience)
- Reporting on operational arrangements to plan and prepare for, respond to, and recover from emergencies to the Wellington Civil Defence Emergency Management Group (Regional arrangements) and to Pūroro Rangaranga (City arrangements)
- Reporting on the controls of land subject to natural hazards Kōrau Tūāpapa Environment and Infrastructure Committee
- Business continuity reporting

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed in December 2022. Key additions include the in-progress development of an all-of-council Insurance Roadmap

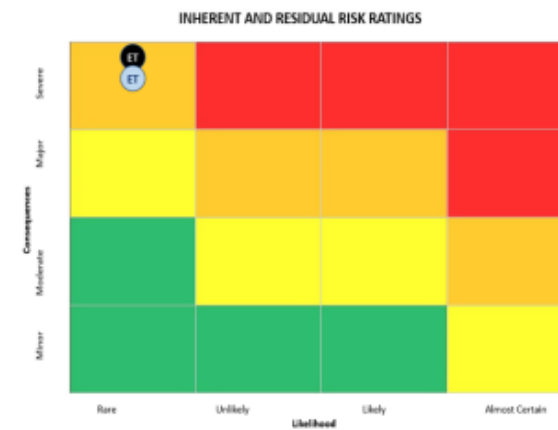
**Risk treatments in place**

- Planning for the four Rs (reduction, readiness, response and recovery) with Wellington Civil Defence Emergency Management CDEM) Group partners (other councils and emergency services)
- Emergency response roles and arrangements with national and regional partners. Likely national lead, WCC staff supporting regional response and recovery capabilities
- Tsunami evacuation zones, public education and official warnings
- WCC staff trained for emergency response roles (e.g., Emergency Operations Centre, building inspections, cordons)
- Business continuity planning at Unit level to support critical council functions and restoration of essential services and capture dependencies
- Support for affected communities through CDEM welfare arrangements
- Consenting of buildings and structures as per the Building Act
- Earthquake Prone Buildings register and notices to building owners
- Insurance – for WCC owned buildings, and Treasury underwriting of our infrastructure insurance

**Risk treatments planned or in progress and due dates**

- Council incorporating seismic resilience (e.g., base isolation, resilient materials) into our new structures and infrastructures and remediating or retiring structures less than 67% NBS
- Rules controlling land use subject to natural hazards via the District Plan – fault hazard zones, liquefaction hazard, tsunami inundation hazard – District plan under public consultation November 2021
- Council’s administration and enforcement of remediation of earthquake prone buildings in Wellington City (ongoing)
- Business continuity planning for Council sites and functions (ongoing)
- Participation in regional and national CDEM planning, exercises and arrangements for response and recovery LERP, WREP, WENIRP
- Training of WCC staff in emergency response roles (ongoing)
- Tsunami evacuation modelling for pedestrian speed and volume under way with GNS Science to identify opportunities for evacuation planning improvements
- Development of an Insurance Roadmap for all of WCC led by the Treasury team underway. This includes considerations of availability, affordability and risk appetite for all insurances

**Risk Analysis**



<b>Inherent risk rating</b>	●	Extreme
<b>Target (residual) risk rating</b>	○	High
<b>Likelihood</b>		Almost certain
<b>Consequence</b>		Severe
<b>Confidence in assessment</b>		Confident

**Maximum credible scenario (inherent risk):** A major earthquake and tsunami impacting Wellington – Hikurangi or Wellington Fault source. Extreme shaking and land deformation triggers 100’s of landslides. Widespread damage, self-evacuation required for tsunami as insufficient time for official tsunami warnings to be issued. Hundreds of aftershocks.

Extreme	High	Medium	Low
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Consequences	Current	Rationale
Democracy and governance	Major	Wellington is the seat of government; likely central government will lead all response and recovery/establish new entities as happened in CHCh with CERA and SKIRT for restoration of infrastructure and city development. Could override our long-term plans and strategies
Partnerships and relationships	Moderate	Likely to be strengthened with many response agencies although some central government relationships could be strained if council feels it is losing autonomy.
Critical service delivery	Severe	Significant damage to roads, three waters, port, and airport - emergency restoration days to weeks -full restoration and recovery time months to years for some utilities – likely disruption to services for all of Wellington
Wellbeing services delivery	Major	Many community facilities closed due to damage or BCP priorities. Open spaces, parks etc still available for recreation. Community civil defence emergency management welfare support required for many areas
Community wellbeing	Severe	Fatalities (100’s) and many injuries (1000’s) expected - this will depend on efficiency of tsunami self-evacuation as well as earthquake structural damage. Widespread psychological harm exacerbated by aftershocks. Damage/loss of homes, work and school disrupted
Priority investment projects and programmes	Severe	Construction set-backs and/or progress halted on many projects - aftershocks and possible future ground deformation will delay restart of projects. Intense competition for construction resources and contractors due to emergency and medium-term recovery requirements
Environment	Major	Many landslides, coastal debris, sediment, and chemical contaminant in harbour (tsunami debris and runoff) broken pipes releasing sewage
Reputation and trust	Moderate	Media likely to focus on emergency information and impact stories - they will be a key partner. People working together with council in our emergency role to support one another
Health & Safety	Severe	WCC staff will be among affected people, including possible fatalities and injuries among staff and/or their whanau and damaged homes etc. Many will also have response roles which can be psychologically challenging
Capability and capacity	Major	WCC staff affected by earthquake and many likely redeployed into response/different roles. Staff leave Wellington due to stress/family reasons etc
Our critical assets	Severe	Destruction of coastal infrastructure, assets on soft soils and area of deformation/landslides damaged. Our parks and reserves experience some damage but will be recoverable with time
Our finances	Severe	Damage will likely exceed insurance, on our assets, restart on partially complete projects means paying twice for work, cost of restoration or rebuild, debt levels increase
Data, information and tools	Major	Digital services unavailable due to electricity and internet outages. Restoration of inground cables will take weeks to months - workarounds required to access cloud-based data and services
Legal regulatory and compliance	Moderate	May affect some regulatory services such as consenting, but unlikely to be high demand in immediate weeks following event. Special powers available under the CDEM Act to support emergency works



### Gaps, issues or opportunities for improvements in treatment

- Strategic/Enterprise business continuity planning – to complement Unit by Unit business continuity planning – to agree all of Council priorities for resourcing and restoration in case of a major event affecting our sites and our digital systems
- Regular (annual) reporting on all Units' business continuity planning to ensure currency is maintained
- CBD is now Wellington's biggest suburb in terms of population. The viability of sheltering in place in the CBD is being reviewed – work ongoing with key CDEM partners

### References

#### Relevant legislation

Civil Defence Emergency Management Act 2002  
Building Act 2004  
Resource Management Act 1991  
Local Government Act 2002

#### WCC Polices, Strategies and Plans

Wellington Civil Defence Emergency Management Group Plan  
Draft district plan (2021)  
Wellington Earthquake National Initial Response Plan (WENIRP) 2018  
Wellington Region Earthquake Plan (WREP) 2018

#### WCC procedures and frameworks

Wellington Resilience Strategy 2017

#### Relevant reports to other council committees

To be updated as appropriate

### Additional commentary

#### Links to other threats and risks

The COVID-19 and Other hazard event threats involve similar consequences on people's physical and psychological health and safety. Many of the hazard arrangements in place for managing smaller hazard events apply to these other emergency types, including the management of land via district plan rules to reduce risk and emergency readiness, response arrangements

#### Underlying trends and influencers of the risk

Urban intensification increases our exposure to shaking near the Wellington Fault but provides opportunity for reducing the vulnerability of our structures through new design, and modern materials.

**OTHER HAZARD EVENT**

A natural hazard, biosecurity or hazardous substance event that does not require a coordinated response by WCC but does not trigger activation of the Wellington Regional Emergency Management response function

**Reviewed:  
December 2022**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on resilience of our City to Kōrau Mātinitini Social, Cultural, and Economic Committee (social resilience); Pūroro Waihanga Infrastructure Committee (built environment resilience)
- Reporting on operational arrangements to plan and prepare for, respond to, and recover from emergencies to the Wellington Civil Defence Emergency Management Group (Regional arrangements) and to Pūroro Rangaranga (City arrangements)
- Reporting on the controls of land subject to natural hazards Kōrau Tūāpapa Environment and Infrastructure Committee

**Executive**

- Exception reporting as appropriate when events occur

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed in December 2022 with the Emergency Management team. Work has commenced to review the pathways, processes and response structures for events that escalate from incidents to those requiring a more coordinated cross-functional response.
- This Maximum Credible Risk Scenario Assessment will be changed to reflect the increase in natural hazard related events experienced in 2022, particularly widespread rainfall induced urban landslides

**Risk treatments in place**

- Public direct notification to WCC of hazard incidents via helpline/fixit
- Crisis management team with ELT and subject matter experts able to be stood up as required
- Operational response to 'make safe' the hazardous area – contractors and WCC staff
- Civil Defence Emergency Management (CDEM) arrangements to escalate response and coordination as required
- Staff training for emergency response roles
- Community resilience initiatives undertaken with our CDEM partners and local neighbourhoods
- Significant weather events notification to WCC teams working in areas likely to be affected
- Smaller events e.g. coastal inundation and evacuations at Breaker Bay typically managed under (enhanced) BAU structures

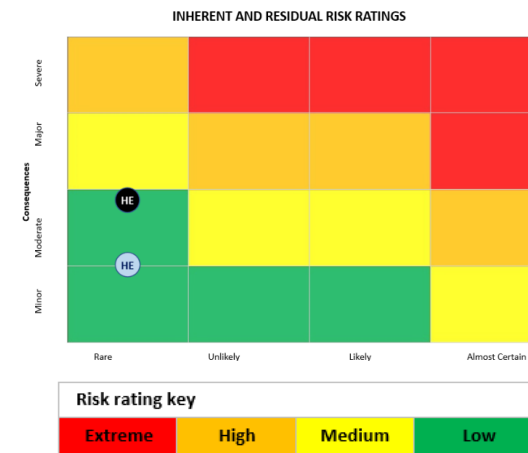
**Risk treatments planned or in progress and due dates**

- District Plan policies and rules for development areas subject to natural hazards, particularly for flood and coastal hazards. Draft District Plan policies for managing the residual risk to people and the environment from hazardous substances. Proposed District Plan notified for public consultation in July 2022
- Situational awareness plan under development that covers responses to escalating incidents led by EMBC
- Work focussing on reviewing processes, roles and responsibilities and the WCC, WREMO roles and responsibilities for escalating and differently scaled events has commenced. This work includes cross-council representation from the Emergency Management, Welfare Response, Business Continuity and Risk Management teams.
- Proposed District Plan policies and rules for development areas subject to natural hazards, particularly for flood and coastal hazards. Draft District Plan policies for managing the residual risk to people and the environment from hazardous substances

**Gaps, issues or opportunities for improvements in treatment**

- Wellington City is highly urbanised, a major commercial and a governmental hub. Hazard events that occur in the CBD could easily escalate and requiring a multi-agency coordinated response, that is a civil defence emergency management (CDEM) response.

**Risk Analysis**



Inherent risk rating	●	Low
Target (residual) risk rating	●	Low
Likelihood		Rare
Consequence:		Moderate
Confidence in assessment		Confident

**Maximum credible event (inherent):** The scenario applied covered a hazardous substance leak at a WCC location with staff and public affected. Other scenarios of relevance include localised flooding (coastal or overland), destructive urban landslide or other hazard event that does not initiate a regional response. The scenario assumes WCC is lead through crisis and emergency response procedures without full civil defence emergency management activation. **Note this risk will be reassessed using a natural hazards event scenario in Q3 2022.**

Consequences	Current	Rationale
Democracy and governance	Minor	Minor impact on governance
Partnerships and relationships	Minor	No significant impact expected
Critical service delivery	Minor	No direct impact
Wellbeing services delivery	Minor	Site specific. One community impacted for a short space of time. Other services across the City will be open
Community wellbeing	Moderate	Significant impacts on small percentage of community. People injured and/or witness others getting injured. Welfare support might be required.
Priority Investment projects and programmes	Minor	No direct impact
Environment	Minor	No direct impact
Reputation and trust	Moderate	Depending on how Council responds to event to support affected people, or if hazardous substance event
Health & Safety	Major	Not likely to harm people from multiple Business Units. Depending on nature of hazard could be a notifiable event
Capability and capacity	Minor	No direct impact
Our critical assets	Minor	No direct impact
Our finances	Minor	No direct impact
Data, information and tools	Minor	No direct impact
Legal regulatory and compliance	Major	Possible investigation, could involve a compliance inquiry (e.g., from Worksafe)

- We do not currently have a clear process for escalating from a WCC-led crisis management response to a coordinated WCC Civil Defence Emergency Management response with a local controller and functional roles using trained WCC volunteers. For larger events there is clarity that regional or national CDEM will lead.

## References

### Relevant legislation

Civil Defence Emergency Management Act 2002  
 Building Act 2004  
 Resource Management Act 1991  
 Local Government Act 2002

### Regional Strategies and plans

Wellington Civil Defence Emergency Management Group Plan  
 Draft district plan (2021)

### WCC Policies and Strategies

Wellington Resilience Strategy 2017

### WCC procedures

We follow the Coordinated Incident Management System (CIMS)

### Relevant reports to other council committees

### Additional commentary

#### Links to other threats and risks

The *COVID-19* and *Earthquake and tsunami* threats are on a larger scale but involve similar consequences on people's physical and psychological health and safety. Many of the hazard arrangements in place for managing earthquake risk in particular apply to other natural hazard events, including the management of land via district plan rules to reduce risk and emergency readiness, response arrangements.

#### Underlying trends and influencers of the risk

Climate change is an exacerbating factor in many natural hazard risks relevant to this threat. Coastal erosion/inundation and storm surge, landslides and overland flow flooding are all influenced by our changing climate.

**RESOURCE AND SUPPLY SHORTAGE**

**Inability to secure critical people with essential skills, resources or materials. Current risk drivers include global supply chain disruption and a highly competitive labour market**

**Reviewed: December 2021**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on managing the challenges of this risk to the Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee and Kōrau Tūāpapa Environment and Infrastructure Committee
- Reporting on tracking against specific KPIs and budgets relevant to delivery of our long-term priorities and BAU services to Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee
- Regular reporting on status of Priority Investments against set criteria to Kōrau Tūāpapa Environment and Infrastructure Committee facilitated by the Project Management Office – due to start in December 2021

**Executive**

Regular reporting on status of Priority Investments against set criteria to ELT facilitated by the Project Management Office (commenced October 2021 for progress up to Aug 2021)

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed by ELT December 2022.

**Risk treatments in place**

- Investment Delivery Framework (IDF) provides standardised approach to managing projects (including risks), promotes planning from the outset
- Business Unit planning assist in forecasting resource levels required at individual BU level.
- Some projects have procured materials well in advance of when they are required to avoid supply chain disruption.
- Supplier procurement transfers risk and mitigates this to some extent, especially in the maintenance space where we have long term supplier contracts.
- Investment Delivery Framework (IDF) provides standardised approach to managing projects (including risks), promotes planning from the outset

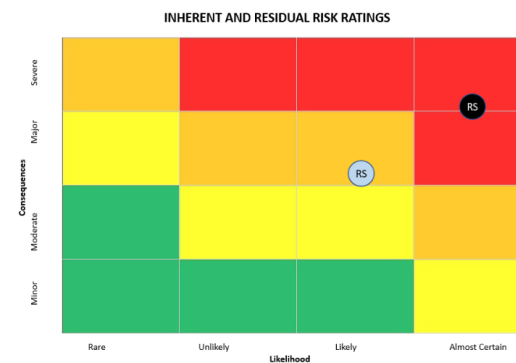
**Risk treatments planned or in progress and due dates**

- Review and adjust procurement approach proposed including seeking to partner with key suppliers
- Build internal resource and capability to plan and deliver our work including projects
- Talent attraction plan to recruit staff for critical roles and innovative methods to contract professional services under development
- Guidance and tools for managing project resources to be in place by end FY21/22. Will support workforce planning
- Business Cases will be required for all new priority projects. Use of the IDF framework to manage all new projects starting with the Priority Investment level of projects
- Centralised project master list to be in place by end FY21/22end of 2022. Will support cross-council prioritisation, critical path evaluation and dependency mapping
- Establish project pipeline to provide confidence to suppliers
- Establish prioritisation framework to ensure we know where to apply limited resources if we cannot secure more as well as ensuring when new work comes in, we know what to de-prioritise from the plan
- Early procurement and storage of materials
- Project management improvements as well as a Project management tool will assist with better resource forecasting

**Gaps, issues or opportunities for improvements in treatment**

- Portfolio planning (looking across all work in progress and not yet in progress) to determine future constraints e.g., workforce, resources, dependencies to meet expectations for delivery – there is no all of council view currently available

**Risk Analysis**



<b>Inherent Risk rating</b>	●	Extreme
<b>Target (residual) risk rating</b>	●	Extreme/High
<b>Likelihood</b>		Almost certain
<b>Consequence</b>		Severe
<b>Confidence in assessment</b>		Confident

**Maximum credible scenario (inherent risk):** This is already an issue and has the potential to reach critical levels if the pressures continue to escalate. This scenario includes inability to recruit essential specialised staff and contractors and inability to access critical materials and resources to undertake our work.



Consequences	Current	Rationale
Democracy and governance	Minor	Will not stop decision making
Partnerships and relationships	Moderate	We might be comparatively more difficult to work with
Critical service delivery	Moderate	If maintenance activities are deferred this could impact water and transport services and lead to higher costs
Wellbeing services delivery	Moderate	Some impacts e.g., delays in equipment such as heat pumps for housing upgrades
Community wellbeing	Minor	No significant impacts expected
Priority investment projects and programmes	Severe	Construction materials, professional services and contractors are essential for our capital projects
Environment	Moderate	Labour and contractor shortages may make it challenging to include stronger environmental considerations in procurement
Reputation and trust	Moderate	We may not be able to deliver what we said we would, and this may erode public trust
Health & Safety	Moderate	There is pressure to deliver, and this may result in a high toll for internal and external resource
Capability and capacity	Moderate	Domestic labour market is highly competitive, and the workforces is relatively mobile
Our critical assets	Moderate	Planned maintenance may be deferred – leads to higher costs in the long run
Our finances	Major	We may have to pay more in order to deliver to schedule
Data, information and tools	Minor	Contractor resources may be prioritised to maintenance and construction, so there may be less resource available for essential data collection
Legal regulatory and compliance	Minor	No significant issues expected

- Many of the drivers of this risk are global and/or national and WCC has fewer treatments available to reduce the risk compared to risks from the inadequate planning and prioritisation threat. We can try to reduce the likelihood of shortages through stockpiling materials and innovative recruitment and procurement or reduce consequences by reducing demand through prioritisation and deferment of work.

## References

### Relevant legislation

Local Government Act 2002

Local Government (Financial Reporting and Prudence) Regulations 2014

### WCC Polices, Strategies and Plans

This risk profile is concerned with the policies and strategies to enable better internal planning, prioritisation and delivery for all of our work, including that which contributed to our City-wide strategic outcomes and also our day-to-day services and functioning. The policies and strategies that focus on improved performance and internal planning are:

- Working better together
- Procurement Strategy and Policy 2021
- Business Units plans

### WCC procedures and frameworks

Investment Delivery Framework (comprehensive project management tools and guidance)

### Relevant reports to other council committees

18 November 2021 - paper to the Pūrora Tahua Finance, and Performance Committee [Recommended response to construction market pressures](#) - recommendations for the risks to major projects; reprioritisation, defer lower priority projects, increase capability

### Additional commentary

#### Links to other threats and risks

Risks from this threat are exacerbated by inadequate planning and prioritisation as well and exacerbated by COVID-19 impact on global shipping, as well as inadequate financial planning and practice. Many of the controls or treatments will be interrelated.

#### Underlying trends and influencers of the risk

Major national initiatives (e.g., Three waters reform) further increase competition for resources and materials

**FRAUD OR CORRUPT PRACTICE**      **Illegal financial practice and/or corruption resulting in financial gain to one or more involved staff members. Fraudulent practice continuing undetected over many months.**      **Reviewed: December 2022**

**Reporting and accountability**

- Governance**
- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
  - Reporting on number of protected disclosures and investigations to Unaunahi Māhirahira (Audit and Risk Committee)
- Executive**
- Reporting on the outcome of specific investigations

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed by ELT December 2022.
- No change to the risk outlook is expected over the next 6 months. Longer term goal is to reduce likelihood

**Risk treatments in place**

- Fostering a culture of integrity that is linked to our four core Values for how we work
- Protected Disclosure policy and processes, internal and external ‘Speak Up’ channels and annual reminders through Fraud Awareness Week
- One-up rule approval for all expenditure that benefit or be seen to benefit the individual concerned
- Conflict of interest declaration for significant procurement and regulatory decisions
- Gifts and hospitality received register for staff and elected members
- CCTV in place for data capture and as a disincentive to criminal behaviour
- Investigations by the Assurance & Business Integrity team when required
- Controls monitoring for P-card and completeness of gifts declaration by the Assurance & Business Integrity team

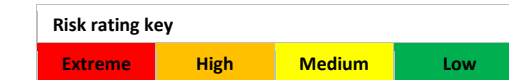
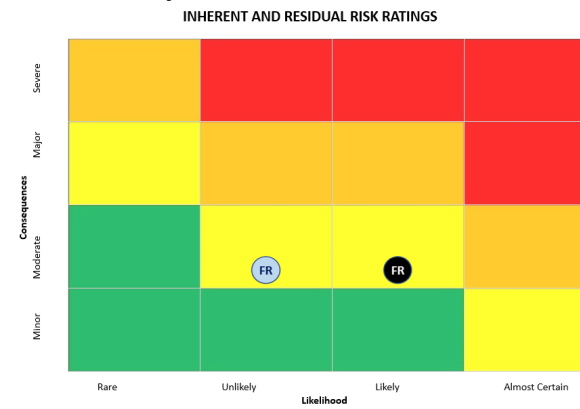
**Risk treatments planned or in progress and due dates**

- New Financial Control team will further enhance the internal control environment to meet obligations and safeguard assets. This new structure has been confirmed and is effective since January 2022. Once the Finance System Upgrade is implemented, process improvements and better controls are priority.
- Finance system upgrade is in progress covering improvements to internal controls through simpler user access permission and rights, reduced manual processing and better reporting to inform decisions. Tentative timeframes:
  - Go live date on 12 Set 2022
  - Phase 1 implementation: Jul to Dec 22
  - Phase 2 implementation: Jan to Jun 23
  - On-going change management: Jul 23 onwards

**Gaps, issues or opportunities for improvements in treatment**

- There is different conflict of interest processes to meet the varied needs and functions of the Council e.g. significant procurement process, building consent authorities function. There is opportunity to improve visibility of whether these processes are working consistently and how they relate to each other. Findings from the Office of the Auditor General notes that multiple conflict of interest processes create greater risks. <https://oag.parliament.nz/2021/conflicts-councils/conflicts-councils.htm>

**Risk Analysis**



<b>Inherent risk rating</b>	●	Medium
<b>Target (residual) risk rating</b>	○	Medium
<b>Likelihood</b>		Likely
<b>Consequence</b>		Moderate
<b>Confidence in assessment</b>		Confident

**Maximum credible scenario (inherent risk):** This scenario assumes ongoing corrupt and illegal financial practice by a staff member that is undetected by those with oversight of the fraudulent activity. Such behaviour is more likely to go undetected over a long period at the lower level as large budgets and reconciliation undergo greater scrutiny, e.g., external audit.

Consequences	Current	Rationale
Democracy and governance	Minor	May lower trust but should not stop people from participating in democratic processes
Partnerships and relationships	Minor	No change to partnerships at the organisational level
Critical service delivery	Minor	No direct impact
Wellbeing services delivery	Minor	No direct impact (but depends on where the money comes from)
Community wellbeing	Minor	No direct impact
Priority investment projects and programmes	Minor	Will not stop us from delivering. If it's by the Project Manager, it could delay the project e.g., re-procurement. Still minor i.e., one project impacted for the short term
Environment	Minor	No direct impact
Reputation and trust	Moderate	Some impact depending on the amount of money involved and nature of the crime
Health & Safety	Moderate	Could impact staff if the fraudster is well known worker. Impact morale and team
Capability and capacity	Minor	No direct impact
Our critical assets	Minor	No direct impact
Our finances	Minor	Financial losses expected to be minor relative to the overall budget
Data, information and tools	Minor	No direct impact
Legal regulatory and compliance	Minor	Minimal legal / regulatory consequences

## References

### Relevant legislation

Crimes Act 1961  
Protected Disclosures Act 2000

### WCC Polices and Strategies

Code of conduct  
Protected disclosures policy  
Purchasing card procedures

### WCC procedures

WCC security staff operational procedures and training  
Protected disclosure procedures  
Fraud investigation procedures  
Security training and procedures for WCC officer working on sites with public access  
Reporting of all malicious and security incidents in Risk Manager

### Relevant reports to other council committees

### Additional commentary

#### Links to other threats and risks

Lack of clear policy, strategies, processes, and internal controls required for robust budgeting, debt management, tracking of costs against significant projects, programmes and cost centres.

#### Underlying trends and influencers of the risk

Theft of cash and inventory is the most common reported types of fraud in the local government sector ([Office of the Auditor General fraud reporting](#))



**INADEQUATE ADAPTATION TO MAJOR CHANGE**

**Council resists or does not understand and adapt to major change. Examples of major changes on our horizon include three waters reform, local government reform and changes to the RMA**

**Reviewed: December 2021**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on changes to our roles and responsibilities as part of three waters reform to Kōrau Tūāpapa Environment and Infrastructure Committee and Te Kaunihera o Pōneke Council
- Reporting on changes to our role in planning and regulation (RMA reform) for RMA, built environment and natural environment matters to Kōrau Tūāpapa Environment and Infrastructure Committee

**Executive**

- Regular reporting and discussion of changes in our responsibilities relating to central government decisions on COVID-19 response arrangements from ELT leads on COVID-19 planning

**Risk tracking and outlook – exception reporting**

- This threat is new to the WCC risk register as a standalone threat to be assessed – no change
- In November 2021 ELT conducted a risk assessment failure to adapt to major change to identify opportunities for reducing the risk associated with this threat. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

**Risk treatments in place**

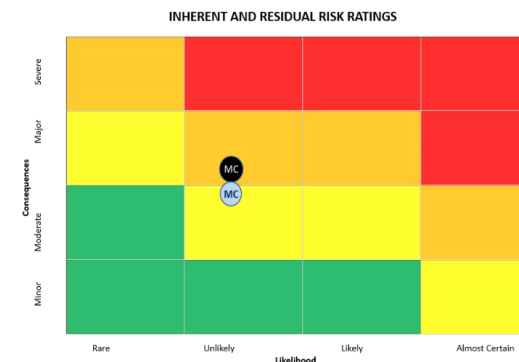
- Adoption of relevant policies and rules into our planning documents (Annual Plans and Long-Term Plans) to reflect legislative and non-statutory changes put in place by central government
- Research and planning to understand the implications of major changes by the Strategy, Policy and Research Unit
- WCC submissions on major reforms to central government or other local authorities
- through the Pūroro Āmua planning and Environment Committee
- Development of policies, bylaws, action plans and strategies to implement major changes into council systems
- Council representation on key governance groups that will be engaged or affected by major changes (e.g. Wellington Water)
- During adoption of the Spatial Plan, WCC considered to the recent announcement of a new government Bill - the proposed resource Management Enabling Housing Supply and Other Matters Amendment Bill

**Risk treatments planned or in progress and due dates**

- The Council has statutory requirements to meet the National policy Statement on Urban Development (NPS-UD), which require updates to our District Plan. We must meet implement the NPS-UD by August 2022
- Following reform of the RMA into proposed *Climate Adaptation Act, Natural and Built Environment Act and Spatial Planning Act* we will need to review and update the District Plan accordingly. We have a transition period of 5 to 10 years to implement any new Resource Management Act reform requirements

**Gaps, issues or opportunities for improvements in treatment**

**Risk Analysis**



<b>Inherent risk rating</b>	●	High
<b>Target (residual) risk rating</b>	○	Medium
<b>Likelihood</b>		Unlikely
<b>Consequence:</b>		Major
<b>Confidence in assessment</b>		Confident

**Maximum credible scenario (inherent risk):** Major changes to our roles and responsibilities are generally signalled well ahead. The risk is that we fail to scope and implement the full suite of changes required, or that we resist required change.

**Risk rating key**

Extreme	High	Medium	Low
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Consequences	Current	Rationale
Democracy and governance	Minor	RMA and water reform would be national political decisions - no impact on public participation or democracy
Partnerships and relationships	Moderate	Relationships may be impacted due to differing political positions and response of affected partners. We need to make key decisions/ or work together for common interests. Skills in resolving issues where there are diverse views, are needed
Critical service delivery	Minor	Service delivery on the ground is less likely to be directly affected by significant change driven by Central Government
Wellbeing services delivery	Minor	Focus might shift to WCC being a 'broker' in delivery rather than a provider e.g., Pōneke Promise
Community wellbeing	Minor	WCC is not directly accountable for impacts on Wellingtonians' wellbeing linked to legislation changes. Funding, facilitation, and our regulation responsibilities are more likely to impact on our reputation rather than community wellbeing
Priority Investment projects and programmes	Moderate	Momentum impacted. RMA changes may divert resources from local to regional planning. It's possible that there may not be an appetite for committing financial resource to significant investment in water immediately prior to three water reform thus leading to deferring decisions.
Environment	Moderate	If we aren't able to participate in regional planning processes it may affect environmental health. Sub-optimal solutions if we don't have a voice at the table
Reputation and trust	Moderate	Ultimately if Govt. loses confidence in Council, our ability to influence change would be diminished. Our track record demonstrates that we are effective in challenging times
Health & Safety	Major	Cumulative impact of big changes and uncertainty. Covid, big events, ambitious LTP will affect staff wellbeing. If we aren't responding well or being led through change, staff will be impacted
Capability and capacity	Minor	Resources may get diverted away from key projects and programmes to work on big change. RMA planning may move from local to regional diverting resource. Recruitment and retention challenges could increase
Our critical assets	Minor	Change is happening in part due to central government perception of how the local government sector has managed their assets. We have already committed to 40% increase in three waters investment
Our finances	Moderate	Govt could withhold financial incentives or access to funds if we don't respond well to change.
Data, information and tools	Moderate	One programme for the future of local government is to enable greater sharing, less duplication. If we don't respond well, we won't enable data to be transferred into new systems
Legal regulatory and compliance	Minor	Could lead to judicial reviews if new processes or requirements aren't implemented



## References

### Relevant legislation

Local government Act 2002  
Resource Management Act 1991

### WCC Plans, Policies and Strategies

Annual Plan 2020-21  
Long-Term Plan 2021-31

### Relevant reports to other council committees

Approval of Submission to Select Committee Inquiry on the Exposure Draft of the Natural and Built Environments Bill to Pūroro Āmua Planning and Environment Committee [4 August 2021](#)  
Government Reform: Three Waters [Council 30 September 2021](#)  
Mayoral Taskforce on Three Waters Reform update to Pūroro Waihanga [11 November 2021](#)

### Additional commentary

#### Links to other threats and risks

Successful adaptation to major external changes requires effective planning and prioritisation, to ensure we meet our regulatory obligations.

#### Underlying trends and influencers of the risk

Central government is driving a significant reform programme that for key legislation and/or our roles and responsibilities. This includes a review of Local Government, Three Waters reform and the development of three new Acts to replace the RMA: the Natural and Built environments Act, the Strategic Planning Act and the Climate Adaptation Act.

**INADEQUATE ASSET MANAGEMENT PLANNING**

**Inadequate all-of-life and forecasting planning for, and management of our key assets. Management of our key assets is insufficiently aligned with strategic outcomes and is not coordinated across the organisation.**

**Reviewed: January 2023**

**Reporting and accountability**

- Governance
- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
  - Reporting on asset management planning (general) and asset-specific reporting on waste, transport, three waters, and council properties to Kōrau Tūapapa Environment and Infrastructure Committee
  - Reporting on City Housing, community facilities, venues, CCO and Parks, Sports and recreation Assets to Kōrau Mātinini Social, Cultural and Economic Committee
  - Reporting on status of financial and non-financial performance for asset management to Kōrau Tōtōpū Long-term Plan, Finance and performance Committee

**Risk tracking and outlook – exception reporting**

- This threat and its associated risks was reviewed in January 2023.
- Significant progress has been made in the maturity of approach and systems for asset management planning. It is proposed that this risk profile be merged with the other two 'planning' profiles for future reporting.

**Risk treatments in place**

- Asset Management Centre of Excellence established to lead maturity and practice uplift
- Asset Management Policy and Framework aligned with strategic objectives and Long-term Plan has been developed – will be signed off in 2022-23 financial year
- New asset management process aligned with international best practice (International Infrastructure Management Manual) introduced
- Data maturity improvements to support improved forecasting for maintenance and renewal
- Investment Delivery Framework (IDF) in place for major upgrade, growth-led and large renewal capital projects; includes assessment of benefits, risks, planning and implementation of assets.
- Procurement Strategy and procurement Policy in place to support best practice and alignment with strategic outcomes
- Asset Management Partnership arrangements (including funding e.g. Waka Kotahi, planning and development Let's get Welly Moving, or asset repair and renewal Wellington Water Ltd)
- Quarterly reporting on KPIs for the critical and on-critical services provided by our key assets
- Individual Asset Management Plans using standardised template developed for transport networks and structures, cemeteries, City Housing, open spaces and recreation facilities, the waterfront and marinas

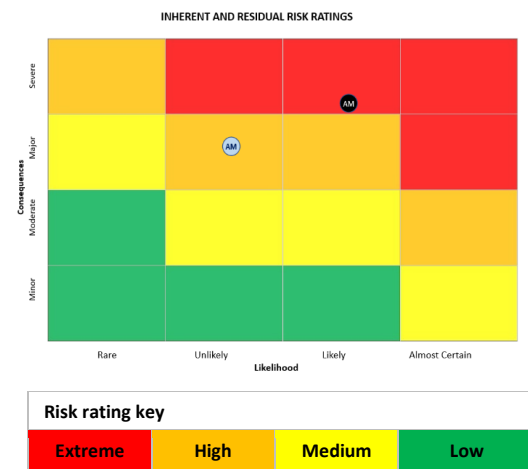
**Risk treatments planned or in progress and due dates**

- Community Housing Provider (CHP) establishment in progress to enable sustainable funding of community housing assets.
- Work in progress to align WCC Asset Management Framework with international best practice (International Infrastructure Management Manual)
- Asset Management Plans for highest criticality assets will be created using transparent decision-making framework which clearly links risk, service level to plans and associated budgets for development of the 2023-24 LTP.
- Business Cases will be required for all new priority projects. Use of the IDF framework to manage all new, upgrade and large renewal asset builds

**Gaps, issues or opportunities for improvements in treatment**

- Gaps in data on some critical assets such as parts of three waters network make maintenance and renewal planning more difficult – no comprehensive all-of-life asset management plan in place for three waters networks

**Risk Analysis**



Inherent risk rating	●	Extreme
Target (residual) risk rating	○	High
Likelihood		Likely
Consequence		Severe

**Maximum credible scenario (inherent risk):** The likelihood will remain *likely* until a comprehensive asset management plan for three waters is developed. The introduction of an all-of-council asset management policy and planning process for the full lifecycle of our critical and strategic assets, has improved our risk outlook but will require embedding across the organisation. There is still some risk we continue to reactively fund and govern our assets or be constrained by legacy arrangements (This results in quality and service levels deteriorating for some assets, possible continued failure, disruptions, or poor performance.

Consequences	Current	Rationale
Democracy and governance	Minor	Without effective asset management, our governance role for key assets could be removed e.g., water or housing assets. However overall impact on democratic systems and participation is minor. <b>No change</b>
Partnerships and relationships	Moderate	Transport and Water partnerships still essential for asset maintenance and delivery but overall Council's partnerships are solid.
Critical service delivery	Major	Lack of effective asset management could lead to asset failure which will impact service delivery from those assets. <b>Recent maturity work has improved our planning and forecasting for maintenance on all council assets due to comprehensive condition assessments under way</b>
Wellbeing services delivery	Moderate	These services can generally continue independent of specific assets (e.g. library services relocation) but some inconvenience disruption could occur
Community wellbeing	Severe	Asset failure could result in significant health and safety incidents – e.g. retaining walls, roads, building failures. <b>No change (recent multiple landslide events and road improvements for pedestrians and cyclists are still in progress)</b>
Priority investment projects and programmes	Moderate	<b>All Priority investments will be managed through IDF in Paiaka – greater rigour around asset planning and implementation through support from Asset Mgmt Planning team</b>
Environment	Moderate	High impact – for example if our southern landfill assets are not managed appropriately there could be environmental impacts. Poor replacement and renewal plans for property assets could result in poor environmental outcomes. Another example would be seawall failure. <b>Planning for waste and sludge plant advanced since profile developed</b>
Reputation and trust	Major	Asset failure for critical assets could impact on the trust in our ability to look after the assets for which we are receiving funding from ratepayers.
Health & Safety	Moderate	We have high compliance for asset safety in place. Past incidents have not been due to asset condition.
Capability and capacity	Minor	Not expected to impact staff capability or capacity.
Our critical assets	Major	We are now better at planning ahead – past issues based on inadequate data for lifecycle planning are still a challenge. Co-funding and planning (e.g., transport) has reduced risk. <b>More rigour has been introduced through alignment with IMMS process, and an asset management policy and framework. Greater rigour around planning and decision-making. Future financial impacts less likely to be driven by inadequate asset planning, except for legacy issues.</b>
Our finances	Moderate	<b>Not likely to affect data, quality of asset data has improved recently and will continue to improve using the new framework.</b>
Data, information and tools	Minor	Lack of transparency in asset planning means that have little visibility of legal risks – <b>practice has improved in procurement, asset management and project management</b>
Legal regulatory and compliance	Moderate	

- An independent Asset Management Maturity review identified that in general our transport asset planning is more mature and comprehensive than for other asset types (Aecom 2021). Overall our operational and financial planning processes are rated as relatively lower maturity with asset risk management and capital works planning relatively higher maturity factors within WCC.
- Recognition and staff development for Asset Management as a core competency at WCC – building AM expertise

## References

### Relevant legislation

Local Government Act 2002  
 Civil Defence Emergency Management Act 2002 (section 60)  
 Local Government (Financial Reporting and Prudence) Regulations 2014  
 Building Act 2004

### WCC Polices, Strategies and Plans

Long term Plan 2021-2031  
 Transport Procurement Strategic Plan 2020-2023  
 Financial and Infrastructure Strategy 2021-2051

### WCC procedures and frameworks

Investment Delivery Framework (comprehensive project management tools and guidance to support comprehensive asset management planning)  
 Asset Management Plan templates – summary overview of budget, levels of service and risks

### Independent reports and reviews

AECOM 2021: WCC Asset Management Maturity Assessment Findings

### Relevant reporting to other council committees

Pūrora Maherehere Annual Plan/Long-term Plan Committee 2022/23 Draft Annual Plan and budget  
 Pūrora Tahua Finance and Performance Committee [17 March 2022](#), WWL Opex budget  
 Pūrora Waihanga Infrastructure Committee [23 March 2022](#) WWL wastewater performance

### Additional commentary

#### Links to other threats and risks

Risks from this threat are aligned with those for the Inadequate Planning and Prioritisation threat, as they both represent inadequate all-of-council policies. Systems. Standards or coordination. If inadequate planning leads to degradation of physical assets they are more susceptible to natural hazard risks such as earthquake damage. Likewise inadequate planning could increase risk to our assets from climate change impacts.

#### Underlying trends and influencers of the risk

Government reforms and reviews have the potential to significantly influence how we own and manage assets in the future. Population growth coupled with current housing availability and affordability challenges are driving intensification and the need for appropriate supporting horizontal infrastructure (transport, three waters) and to consider climate change future hazard areas. Insurance costs related to seismic and climate-influenced risks are increasing. Resource and supply costs are adding to budgeting challenges for major asset construction and delivery. Significant increase in costs in service delivery from contractors in all asset construction and maintenance. As contracts are renewed, we are seeing these significantly increase costs. Improvements in data maturity and asset management practice will provide greater assurance of future costs.

**INADEQUATE WCC CLIMATE CHANGE RESPONSE**

**The impact on our Council and Our City up until 2040, if the Council fails respond to climate change impacts through the mitigation and adaptation actions outlined in Te Atakura**

**Reviewed: December 2022**

**Reporting and accountability**

**Governance**

Reporting on the Council’s contribution to climate change mitigation and adaptation, acknowledging that Council’s leadership and action will have a materially significant contribution to climate emissions reduction in the region, through Council’s own reduction and our actions driving wider emissions reduction by partners and the public. Similarly, Council’s climate adaptation leadership and action to reduce risks of the unavoidable impacts of climate change, will have a direct impact on resilience of the region.

- Reporting on overall strategic risk rating status to Unauahi Māhirahira (Audit and Risk Committee)
- Reporting on our overall climate change response and resilience to Kōrau Tūāpapa Environment and Infrastructure Committee
- Reporting on incorporation of climate change considerations into land use planning rules and policies in our District Plan to Kōrau Tūāpapa Environment and Infrastructure Committee
- Reporting on significant transport and waste infrastructure initiatives that will create mitigation or adaptation benefits to Kōrau Tūāpapa Environment and Infrastructure Committee

**Risk tracking and outlook – exception reporting**

- Reviewed by ELT in December 2022. This risk profile was reviewed with the Climate Change Response team in May 2022, key updates to note are progress on decisions for Sludge minimisation, a preferred option chosen for LGWM in July 2022, and in progress regional climate change hazard risk assessment.

**Risk treatments in place**

WCC declaration of ecological and climate emergency in 2019

Te Atakura First to Zero sets out goals for Wellington:

- Reduce city emissions by 57% by 2030, and to net zero by 2050
- Reduce the Council emissions to net zero by 2050
- Support Wellington City to adapt to the impacts of climate change

WCC will meet these goals through our own mitigation and adaptation initiatives, through partnerships such as Let’s Get Wellington Moving (LGWM), and by supporting and influencing others to play their own mitigation and adaptation parts. This profile focusses on initiatives led by WCC or in which we are partners

**Mitigation:**

- Tracking and reporting on our City’s and our Council’s greenhouse gas emissions
- Forest protection (1,300 ha) and tree planting (over 1.7M) for carbon sequestration; Green star rating for Tākina Convention centre; Streetlight replacement to LED
- LGWM “Option 1” agreed by partners as preferred option in July 2022 – will reduce transport emissions

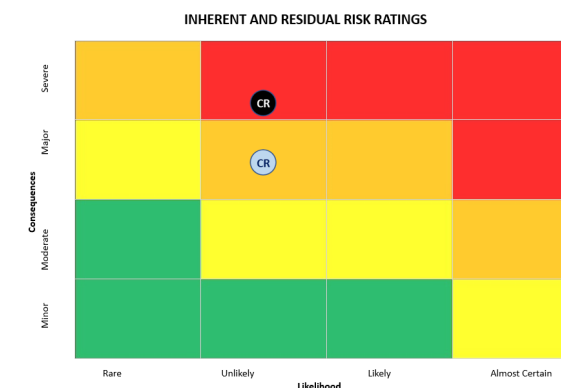
**Adaptation:**

- Improvements to stormwater infrastructure; maintenance of seawalls; better access to information about future risks; community engagement

**Risk treatments planned or in progress and due dates**

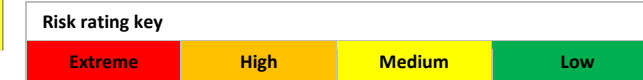
- Regional Climate Change Impact Assessment and risk mapping –this work covers climate change influenced risks to our region with partner councils due late 2022
- Wellington City Council Adaptation Plan V1 – due for release 2024
- Landfill waste reduction by one third – made possible by Sludge minimisation project which is targeting – Business case approved in June 2022, commissioning by 2026. Waste Minimisation initiatives to be pursued via our Waste Minimisation Plan and Strategic Waste review work

**Risk Analysis**



<b>Inherent risk rating</b>	● Extreme
<b>Target (residual) risk rating</b>	○ High
<b>Likelihood</b>	Unlikely
<b>Consequence</b>	Severe
<b>Confidence in assessment</b>	Confident

**Risk assessment scenario (inherent risk):** This scenario considers the contribution of WCC’s climate change mitigation and adaptation to the overall risk from climate change. We consider the impacts on Council and the City up until 2040, of our failure to implement planned mitigation and adaption.



Consequences	Current	Rationale
Democracy and governance	Minor	Democracy will continue to function - Failing to deliver on Te Atakura might increase public participation.
Partnerships and relationships	Major	Would lead to disappointment - Mana whenua in particular.
Critical service delivery	Severe	Long term impact on lifeline utilities - storm water below sea level. We have direct responsibility over critical services - although changes to three waters may reduce influence.
Wellbeing services delivery	Moderate	Many of our recreational and cultural assets are low lying or coastal. Drought impact on parks and gardens. Funds might be diverted to e.g., fixing pipes rather than wellbeing
Community wellbeing	Major	Uninsurable properties. Coastal retreat could impact by 2030. Third prong to reforms may require councils to implement regulatory frameworks on retreat. Trigger events in Australia have led to property titles being withdrawn. Psychological concern despite long-standing planning restrictions.
Priority investment projects and programmes	Major	Discounting storm events or accepting the risk will lead to bad decisions. Long-term costs need to be baked in now. If Te Atakura is factored into MOB and CAB development, then the Te Ngākau car park and the City to Sea bridge would also need to be removed and sea wall strengthened. This would slow delivery and increase cost in short term. A development strategy for the whole precinct might allow cohesive solutions. However, it might not be financially viable.
Environment	Moderate	In next 20 years. Mitigation is the key here. Difficult to attributable percentage of impact to Council activities 10% +20% by central govt + 30% by individuals and businesses. We also have an influencing role. Actions we take in next 8 years will impact on 100-year timeframe.
Reputation and trust	Major	Competing media stories – e.g. bucket fountain, Mittens get more publicity than slower burning Te Atakura.
Health & Safety	Moderate	More frequent extreme climate events may increase health and safety risk to residents and staff – e.g. Owhiro Bay Storm surges.
Capability and capacity	Moderate	Commitment to Te Atakura does affect Council's ability to recruit and retain but it's not the only factor.
Our critical assets	Moderate	We need to plan with adaptation in mind.
Our finances	Moderate	Cost of not adapting is higher than doing it later - higher maintenance and replacement interruption when you have lost roads. Retrofitting costs more. Insurance costs will increase. National ETS costs are going up, but these are centrally. We won't be using natural gas - more likely to increase cost.
Data, information and tools	Minor	No impact expected.
Legal regulatory and compliance	Major	Depends on new law to replace RMA new climate change act in development. If we don't implement Te Atakura, likely to be in legal breach of some parts of the Act.

- Decrease in Council's energy consumption: transition from natural gas, energy performance ratings for buildings
- LGWM package including Mass Rapid Transit and City Streets
- Council bike network plan
- Requiring broader carbon reduction outcomes from procurement so that projects can be delivered with our Te Atakura goals in mind
- Establishment of concrete recycling facilities at Kiwi Point Quarry
- Development of an Environmentally Sustainable Design (ESD) policy for new council buildings and transport infrastructure, with the primary objective on reducing carbon by end 2022. Minimum green building standard in place for all new Council buildings from July 2021
- Digital Twin of the city under development – to be used for modelling and communicating climate change influence on hazards and sea-level and fosters community engagement on climate resilience
- Our flooding and coastal inundation maps include climate change predictions for future hazards
- Te Atakura's adaptation workstream (including the WCC Adaptation Approach) will be critical to reducing risks to Council and community resulting from many natural hazards including flooding, slips, coastal inundation, coastal erosion.

#### Gaps, issues or opportunities for improvements in treatment

- New opportunities for mitigation and adaptation are likely to arise as the RMA reforms are completed including new Climate Adaptation Act and the National Adaptation Plan is finalised

#### References

##### Relevant legislation

Resource Management Act 1991  
 Local Government Act 2002  
 Civil Defence Emergency Management Act 2002  
 National Adaptation Plan (draft released May 2022)  
 Proposed Climate Adaptation Act (in development)

##### WCC Polices and Strategies

Te Atakura first to Zero

##### WCC internal initiatives

WCC Climate Action Champions community

##### Relevant reports to other council committees

Sludge minimisation next steps report to Pūroro Waihanga Infrastructure Committee on [23 June 2021](#)  
 Strategic Waste review Update to Pūroro Waihanga Infrastructure Committee [14 October 2021](#)  
 Fossil Free Central City report to Pūroro Āmua [10 November 2021](#)  
 Establishment of Environmental and Accessibility (for buildings) Performance Fund report to Annual Plan/Long-Term Plan Committee [8 March 2022](#)

[Briefing on Climate Change Adaptation](#) 17 May 2022

#### Additional commentary

##### Links to other threats and risks

Medium-term climate impacts including temperature increases, sea level rise, storm surge and flooding are largely unavoidable regardless of the Council's emissions reduction efforts due to the historical accumulation of greenhouse gases that have accumulated in the atmosphere at the global level. The faster global emissions can be reduced, the less we will need to adapt.

Climate change is an exacerbator of meteorological and climatological threats that could give rise to natural hazard emergencies. Tsunami consequences are also exacerbated by sea level rise. If we fail to implement Te Atakura actions, such the adaptation plan, we will increase our risk and exposure to natural hazards. Success in delivering Te Atakura relies on good planning, strong partnerships, and advocacy, therefore this threat is also linked to the Inadequate Partnership Practice threat.

##### Underlying trends and influencers of the risk

Climate change is in itself a global trend, disrupting and influencing societal and geopolitical dynamics. Technologies, including clean energy, will offer new opportunities for responding to climate change. As the impact has already occurred and the effects we are experiencing now and until 2040 are largely irreversible based on past emissions. These opportunities will not have any meaningful impact for some time.



**INADEQUATE FINANCIAL PLANNING AND PRACTICE**

**Lack of clear policy, strategies, processes, and internal controls required for robust budgeting, debt management, tracking of costs against significant projects, programmes and cost centres. Failure to forecast and mitigate significant financial shocks.**

**Reviewed: December 2022**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on our financial performance and risks to Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee
- Reporting on Annual Plan and Long-Term Plan budgets to Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee

**Executive**

- Financial performance is presented to ELT every week by the Finance and Business Group

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed by ELT December 2022.

**Risk treatments in place**

- Financial management policies and procedures for WCC staff
- Financial modelling and budgeting expertise within the Finance and Business Group
- Business Unit budgets
- Financial Accounting Transactional Services team follow up with staff to rectify incomplete or unclear expense reports
- Assurance and Business Integrity team audits of control systems and financial processes for managing cash and invoicing
- Debt management via Liability Management Policy

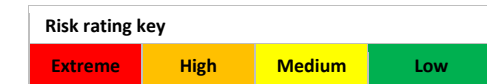
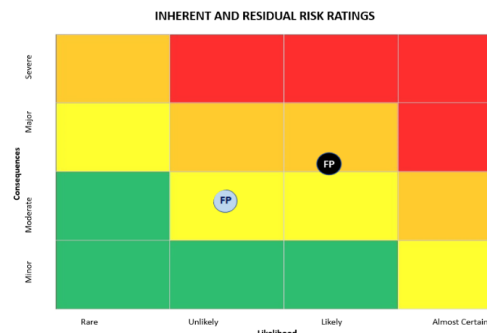
**Risk treatments planned or in progress and due dates**

- New and/or expanded teams, capability and functions being established in the Finance and Business Group to enhance controls and financial risk management and strategic thinking.
- Capital and Project Accounting Team is being created. It will be responsible for the Revaluation process, fixed asset accounting, and improving our project accounting
- New financial operations team to support more effective and efficient transactional services
- New risk-based procurement approach under development
- All of WCC Insurance Roadmap under development, draft due for delivery to Kāwai Māhirahira ARS on 14 September 2022. Goal is to incrementally improve our insurance landscape through tools available (not only increased coverage).
- TechOne finance upgrade (TOFU) to increase functionality of financial system (in progress)
- Accurate assessment of our “no worse off” position post Three Waters reform.

**Gaps, issues or opportunities for improvements in treatment**

- Standard end-to-end cost sizing tools for programmes and projects are not available to all Units. This includes tools for workforce resource cost estimation among other costs.
- Current coding of expenses is by Business Unit. This means expenses cannot be easily attributed to cross-Unit projects or programmes.
- Access to full coverage we need to be fully insured restricted in the Wellington market

**Risk Analysis**



Inherent risk rating	●	High/Medium
Target (residual) risk rating	○	Medium
Likelihood		Likely
Consequence:		Major/Moderate
Confidence in assessment		Confident

**Maximum credible event (inherent risk):** This scenario focuses on Council wide operating and capital expenditure that falls below the material threshold for external audit. Failure to adequately model and forecast realistic costs and budget changes across multiple units, inadequate financial expertise and practice among budget holders and inability to track costs to specific programmes and projects. This is a cumulative stress that if unmanaged will continue to increase.

Consequences	Current	Rationale
Democracy and governance	Minor	Decisions could be based on inadequate data. Poorly informed decisions will reflect badly on Council. This could attract potential councillors' decisions to stand for Council – will not affect major spending decisions as those are fully audited
Partnerships and relationships	Minor	If Council is not paying its bills on time, suppliers may choose not to do business with us. Potential for scope creep going undetected. Verging on moderate
Critical service delivery	Minor	Minor disruptions – examples such as funding for heat pumps, balconies for City Housing. People generally already receive a good standard of service
Wellbeing services delivery	Minor	May cost us more. Monthly and quarterly financial reviews mean that we are on top of managing performance and forecasting.
Community wellbeing	Minor	Asset management driven. If Council hadn't considered the Infrastructure Funding and Finance Act for funding sludge and other big investment decisions, it would have impacted affordability of sludge and other activities
Priority investment projects and programmes	Major	With inadequate financial management capability across Council, we could overlook components such as downstream whole of life cost when making big decisions. However, this would not result in a failure to deliver
Environment	Minor	No impact expected as a result of inadequate planning
Reputation and trust	Moderate	Decisions made based on inadequate financial data will impact trust and confidence of elected members and the public and the public may disengage.
Health & Safety	Minor	No significant impact
Capability and capacity	Minor	No significant impact
Our critical assets	Minor	Deferred maintenance - partly a result of inadequate financial management. Water leaks are not a direct result of financial management, but finance is closely entwined with asset management
Our finances	Moderate	We are within +/- 4% of operating expenditure each year. Capital expenditure underspend is generally a consequence of delivery planning and prioritisation - not financial planning.
Data, information and tools	Minor	No impact as a result of inadequate planning
Legal regulatory and compliance	Minor	Not paying someone on time or award of contract could lead to judicial review and challenge on process.

## References

### Relevant legislation

Local Government Act 2002  
Local Government (Financing) Act

### WCC Polices and Strategies

Asset management plans  
Revenue and Financing Policy  
Tax policy  
Capital and Operating Expenditure Policy  
Purchasing Card Policy  
Delegations Policy (under review)  
Liability Management Policy  
Investment Policy  
Liquidity Policy

### WCC procedures

Revenue and Financing Process for 2015-25 LTP  
WCC Fees database

### Relevant reports to other council committees

18 November 2021 - paper to the Pūrora Tahua Finance and Performance Committee [Recommended response to construction market pressures](#)  
- recommendations for the risks to major projects; reprioritisation, defer lower priority projects, more agile procurement approach, increase project management capability. Will assist with financial management.

25 August 2022 Paper on application of Infrastructure Funding and Finance Act 2020 to enable alternative funding sources for (Priority Investment) Sludge Project.

### Additional commentary

#### Links to other threats and risks

This threat is strongly aligned with the inadequate planning and prioritisation threat, with similar but reduce consequences. It is also relevant to the Fraud threat, as inadequate financial practice and oversight reduces the chance of detecting illegal financial practice.

#### Underlying trends and influencers of the risk

Inflationary conditions and fluctuating interest rates create uncertainty in forecasting and budgeting. Resilience driven insurance coverage in Wellington Region restricts availability of purchasable insurance. Wellington is considered high hazard risk region. Climate change influence on our hazardscape is also constraining insurance availability, and this is driving risk mitigation rather than transfer.

Introduction of Three Waters has significant financial consequences if we fail to mitigate the impacts of change in debt to revenue, as water rates revenue source is novated to another entity.

**INADEQUATE HARM PREVENTION**

**Inadequate measures to provide a safe and healthy workplace, and/or to take available and practicable measures available to WCC to support the health and safety of the people of Wellington**

**Reviewed: December 2022**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on Officer due diligence responsibilities under the Health and Safety at Work Act 2015 to Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee
- Reporting on physical security improvements to council owned/operated buildings to appropriate committees primarily Kōrau Mātinitini Social, Cultural, and Economic Committee which covers social housing, libraries and other culture and community sites, and recreational sites
- Reporting on progress to implement our Pōneke Promise commitments to Kōrau Mātinitini | Social, Cultural, and Economic Committee

**Executive**

- Reporting on progress to improve operational processes to Chief People and Culture Officer
- Monthly reporting on status of Priority Investments projects and programmes includes update on Pōneke Promise

**Risk tracking and outlook – exception reporting**

- This profile was reviewed in August 2022, significant additions to note are the work in progress to test and implement the chosen replacement for the *Risk Manager* incident reporting software and the expansion of capability and capacity in the Health, Safety and Security. The go live date for the new H&S software is scheduled for March 2023

**Risk treatments in place**

**Workforce Health and Safety**

- Comprehensive suite of training modules for staff working with machinery, vehicles and in hazardous locations
- Comprehensive suite of training modules for resilience, wellbeing and supporting mental health
- Risk Manager software for reporting health and safety incidents and near misses
- Comprehensive communications, guidance and resources for COVID-19, including encouragement for vaccination, and risk-based assessments to determine which roles are covered by vaccination mandates
- Kōrero Mai staff survey and resulting changes
- Unions represented/consulted in key decisions affecting staff health and wellbeing
- Security maturity review programme underway with Council-wide threat and risk assessment; part of a full three-year work programme
- New structure of Health, Safety and Security team expanding capability and capacity
- Replacement for *Risk Manager* selected.

**Public Health and Safety**

- Pōneke Promise improving public spaces and increasing community spaces e.g., Te Wāhi Āwhina
- Downtown CCTV network for data collection and real time monitoring for rapid response by emergency services

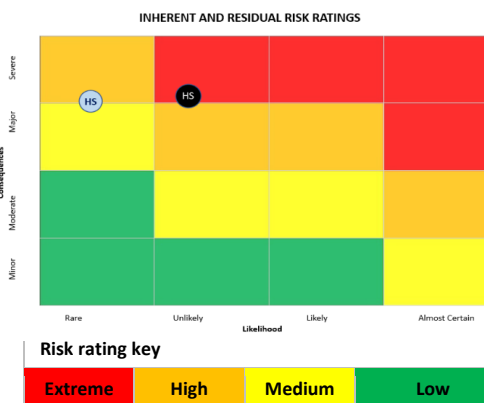
**Risk treatments planned or in progress and due dates**

- COVID-19 Protection Framework guidance for staff and operational site requirements ongoing and in-development to protect staff and public under new “traffic light” system
- Replacement for Risk Manager system to improve functionality, report generation and trend analysis in progress Steering Group and working group being established to oversee testing and implementation
- Pōneke Promise improving public spaces e.g.: improved lighting, toilet relocation

**Gaps, issues or opportunities for improvements in treatment**

- Our replacement for Risk Manager should support more detailed near miss and harm incident trend analysis, so we can use the data for identifying greater opportunities

**Risk Analysis**



<b>Inherent Risk rating</b>	●	Extreme/High
<b>Target (residual) risk rating</b>	○	High/Medium
<b>Likelihood</b>		Unlikely
<b>Consequence:</b>		Severe
<b>Confidence in assessment</b>		Confident

**Maximum credible event (inherent):** This scenario WCC fails to implement available and practicable health and safety initiatives to protect staff, contractors and the public from harm. The risk assessment recognises that while WCC plays a role in public health and safety, we are not solely responsible for reducing public harm; there are limits on our influence. We have greater influence and responsibility to the health and safety of our staff and contractors.

Consequences	Current	Rationale
Democracy and governance	Minor	No impacts expected
Partnerships and relationships	Moderate	If inadequate action is linked to us not delivering parts of strategic partnership work such as the Pōneke Promise, could temporarily impact relationships with key partners
Critical service delivery	Minor	No impacts expected
Wellbeing services delivery	Minor	No significant impact on overall service delivery
Community wellbeing	Moderate	No significant impact on overall service delivery. If key projects we are part of are not fully implemented (e.g. Pōneke Promise), it would reduce our contribution to community harm prevention
Priority Investment projects and programmes	Moderate	No significant impact on priority investment projects (mostly capital works)
Environment	Minor	No impacts expected
Reputation and trust	Major	Harm could be to our own staff/contractor or to a member of the public. If it appears we have not taken all necessary actions to keep people safe that are within our power, we are likely to receive considerable negative media attention while any investigations are ongoing
Health & Safety	Severe	Some staff work in roles and locations that are hazardous, likewise some of our initiatives are important for assisting with harm prevention in public places where violent incidents can occur. Serious or fatal injuries are possible in these situations.
Capability and capacity	Moderate	If we are not seen to be a good employer that prioritises staff wellbeing, we may have trouble retaining and recruiting staff
Our critical assets	Minor	No significant impacts expected
Our finances	Minor	No significant impacts expected
Data, information and tools	Minor	No significant impacts expected
Legal regulatory and compliance	Major	We must comply with the Health and Safety at Work Act. We could be investigated and/or prosecuted by Worksafe if it appears we have not fulfilled our legal H&S obligations



- Risk Management team and Health Safety and Security team are working on improving better data sharing on risks and opportunities for improving strategic risk reporting for health and safety

## References

### Relevant legislation

Health and Safety at Work Act 2015  
 Crimes Act 1961  
 Trespass Act 1980

### Joint Strategies and Initiatives

Poneke Promise 2021 in partnership with Greater Wellington, Hospitality sector, Retail sector, NZ Police, Chamber of Commerce, Wellington City Mission

### WCC Policies and Strategies

Strategic Safety, Security and Wellbeing plan 2021  
 Draft Physical Security Protocol (under development)  
 Wellbeing strategy  
 Being well at WCC – part of inclusion strategy covers inclusion diversity and wellbeing – support for all staff to build resilience

### WCC procedures

Reporting of all health and safety and near miss incidents in Risk Manager

### Relevant reports to other council committees

- Reporting on Poneke Promise safety initiatives to Pūroro Rangaranga Social, Cultural and Economic Committee [2 September 2021](#)
- Reporting on Officer due diligence responsibilities under the Health and Safety at Work Act 2015 to Pūroro Taha Finance and Performance committee [18 November 2021](#)

### Additional commentary

#### Links to other threats and risks

The COVID-19 threat and the impact on staff wellbeing has intensified the WCC leadership's focus on staff wellbeing and resilience. Reduction of potential for physical and or mental harm to staff and contractors aligns with general risk management improvements and procedures to security and safety of WCC worksites to protect staff and contractors from a range of malicious and non-malicious threats through measures such as confrontation training, evacuation procedures and building design improvements.

#### Underlying trends and influencers of the risk

The ongoing COVID-19 global pandemic is a source of societal stress, including to the people of Wellington, our staff and contractors.

**INADEQUATE PARTNERSHIP PRACTICE**

**Lack of established relationships, clear policy, communications, records, points of contact and internal alignment when dealing with key central government, mana whenua, CCO partners, community organisations and key commercial partners**

**Reviewed: December 2022**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on Māori strategic development, Māori partnerships and on City economic development to Kōrau Mātinitini Social, Cultural, and Economic Committee
- Reporting on risks associated with Priority Investment projects and strategies, delivered in partnership (e.g., Wellington Water and LGWM) provided to Kōrau Tūāpapa Environment and Infrastructure Committee
- Reporting on planning and environmental risks relevant to areas where we work closely with central government e.g., social housing, RMA planning, climate change
- Reporting on the performance and risks associated with our CCOs to Pūroa Tuhua finance and Performance committee

**Executive**

- Chief Māori Officer – direct peer-to-peer reporting at ELT on mana whenua partnerships
- Monthly PMO Priority Investment reporting
- Housing Action Plan from Build Wellington

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed in December 2022. Key progress to note: the adoption of the co-designed Māori Strategy Tūpiki Ora, and the signing of the Tākai Here partnership agreement with mana whenua. A new Economic wellbeing and CCO team in the Strategy & Governance Group has increased our capability and capacity for partnerships work with Wellington enterprises including our CCOs.

**Risk treatments in place**

- Mana whenua (Ngāti Toa Rangatira) representation on Council committees and subcommittees
- WCC is represented on Governance committees of LGWM and Wellington Water
- Co-designed Tūpiki Ora Māori Strategy, principles, vision, outcomes and waypoints for Māori wellbeing launched May 2022
- Tākai Here agreement signed in May 2022 with Te Rūnanga o Toa Rangatira, Taranaki Whānui ki Te Upoko o Te Ika and Te Rūnanganui o Te Āti Awa
- New structure for Mataaho Aronui agreed in September 2021 with new teams to be established: Māori Partnerships, Māori Success
- Joint initiative partnerships for key social, environmental, economic or cultural wellbeing: e.g., Poneke Promise, Lets' Get Wellington Moving
- Priority Investment reporting monthly to ELT covers – key commercial partnerships for capital build
- Economic wellbeing and CCO team established in January 2022 to strengthen strategic relationships

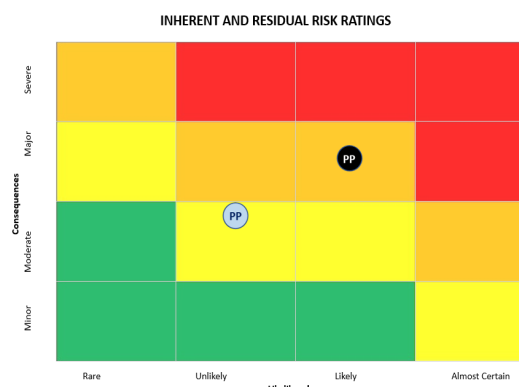
**Risk treatments planned or in progress and due dates**

- Mataaho Aronui Unit enhanced capability and capacity including new Māori Partnerships team (4FTE)
- New procurement approach based on partnerships with key suppliers
- ELT Stakeholder Engagement Plan under development

**Gaps, issues or opportunities for improvements in treatment**

- A database of all commercial and non-commercial MOUs
- Comprehensive Stakeholder identification and engagement plan yet to be completed

**Risk Analysis**



<b>Inherent risk rating</b>	●	High
<b>Target (residual) risk rating</b>	○	Medium
<b>Likelihood</b>		Likely
<b>Consequence</b>		Major
<b>Confidence in assessment</b>		Confident

**Risk assessment scenario (inherent risk):** This scenario involves a building stress rather than a discrete event. It describes continued and escalated inadequate partnering practice with our key partners, whereby we operate in a disjointed, misaligned and inconsistent way. We have no clear partnership approach or understanding, i.e., no central “key partners” database

Risk rating key			
Extreme	High	Medium	Low

Consequences	Current	Rationale
Democracy and governance	Moderate	If we aren't seen as good partners, it could reduce confidence in our ability to deliver on partner-dependent projects and LTP priorities
Partnerships and relationships	Major	We are dependent on our key partners – if we lose trust we are perceived as poor partners. Once lost, it's very hard to regain trust and strong relationships
Critical service delivery	Minor	Speed with which issues get resolved is based in part on the strength of relationships.
Wellbeing services delivery	Minor	WCC provides most wellbeing services with some reliance on third parties, including WoW and WellingtonNZ. Openings and translations rely on mana whenua and it's harder if we don't have good relationships.
Community wellbeing	Minor	Rapid community services response after the recent fire in City Housing is symptomatic of strong partnerships in this area. Iwi continue to deliver services independent of relationship with Council. Relationship strengthened by cross-agency work on Poneke promise, COVID-19 response, Parliament occupation (Feb 2022).
Priority Investment projects and programmes	Major	Inadequate partnerships compound the problem of some suppliers being reluctant to bid for work. Some relationships with suppliers are strong, others have fluctuated.
Environment	Minor	Minor in terms of what Council partnerships can influence. CE has established key positions to mitigate this risk. Any impact would be localised
Reputation and trust	Major	Public narrative on WCC can undermine partnerships, even if perception only can still affect our reputation and public trust
Health & Safety	Moderate	Partnership issues related to difficult projects can impact staff wellbeing.
Capability and capacity	Minor	Poor partnerships could affect our ability to recruit but not main recruitment challenge at the moment
Our critical assets	Minor	Addressing water issues may lead to a loss of control if ownership of assets is transferred. Budget is the underlying driver - it is not due to inadequate partnering.
Our finances	Minor	Not related to partnerships
Data, information and tools	Minor	We collect and share with both central and local government partners
Legal regulatory and compliance	Moderate	RMA or Treaty partners, threat of judicial review more likely where partnerships are not strong.

## References

### Relevant legislation

Local Government Act 2002  
Resource Management Act 1991

### Guiding documents

Treaty of Waitangi 1840  
Tākai Here agreement (May 2022)  
Tūpiki Ora Māori Strategy (May 2022)  
MOUs with central government agencies and departments  
MOUs with community groups

### WCC Policies and Strategies

Tō mātau aronga kiritaki: ka pēhea tā mātau whakahoahoa, whakarato, whakapaipai ratonga.  
Our customer approach: How we design, deliver, and improve services updated August 2021  
Procurement Policy and Strategy  
Economic Wellbeing Strategy June 2022

### WCC procedures

Tikanga incorporated into WCC BAU and events to build internal capability

### Relevant reports to other council committees

### Additional commentary

#### Links to other threats and risks

Response to large external shock events such as earthquakes, COVID-19 and other hazard events rely heavily on strong partnerships for us to continue delivery of services to Wellington. Major changes such as legislative change are likely to require new ways of operating with existing partners or the development of new partnerships (e.g., proposed Climate Change Adaptation Act)

#### Underlying trends and influencers of the risk

Recognition that nationwide challenges (e.g., fit for the future three waters infrastructure) and global issues (climate change) require cross-jurisdictional structures and partnerships.

**INADEQUATE PLANNING AND PRIORITISATION**

Inadequate planning, scoping and prioritisation resulting in an inability to plan for the resources, workforce and dependencies required to deliver our quantum of strategic projects and programmes and our business-as-usual work.

**Reviewed: December 2022**

**Reporting and accountability**

**Governance**

- Reporting on overall strategic risk rating status to Unaunahi Māhirahira (Audit and Risk Committee)
- Reporting on planning and delivery efficiency (status, budgets etc) for key work to the Pūroro Maherehere Annual Plan/Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee (LTP strategic initiatives), Kōrau Mātinini Social, Cultural, and Economic Committee (social, cultural and economic initiatives) Kōrau Tūāpapa Environment and Infrastructure Committee (spatial and environment initiatives), and (transport and infrastructure initiatives)
- Reporting on tracking against specific KPIs and budgets relevant to delivery of our long-term priorities and BAU services to Kōrau Tōtōpū Long-term Plan, Finance, and Performance Committee
- Regular reporting on status of Priority Investments against set criteria to Kōrau Tūāpapa Environment and Infrastructure Committee facilitated by the Project Management Office – due to start in December 2021

**Executive**

- Regular reporting on status of Priority Investments against set criteria to ELT facilitated by the Project Management Office

**Risk tracking and outlook – exception reporting**

- This risk profile was reviewed by the Project Management Office in July 2022. Implementation of Paiaka (Project portfolio management tool) underway, and project governance training is being provided to key staff to build PM maturity
- Multiple initiatives are underway to build maturity in our planning and prioritisation, particularly for Project Management, and Asset Management Planning. As of August 2022 these initiatives are still under way and therefore it is not appropriate to re-evaluate the risk level at this time.

**Risk treatments in place**

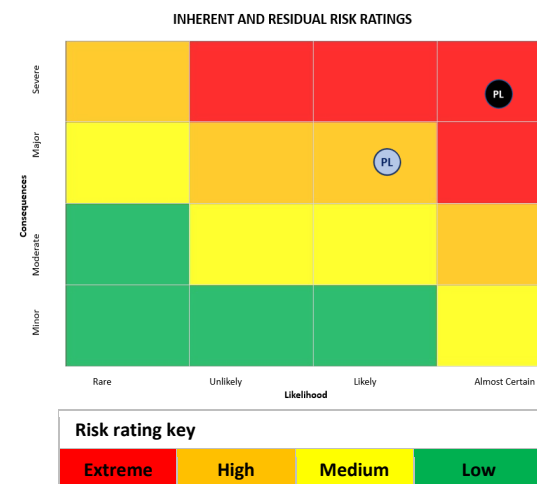
- Project Management Office to raise maturity and improve functions across WCC and for the WCC project profession
- Investment Delivery Framework (IDF) provides standardised approach to managing projects (including risks), promotes planning from the outset
- Project governance and steering arrangements to provide oversight for key initiatives that include multiple projects and areas of council e.g., Cycleways, Housing
- Mandated reporting on Priority Investments (PIs) to ELT supports standardised data capture of all PIs
- Project Governance and PM fundamentals training commenced July 2022 delivered by external providers
- Internal audit of PMO progress against P3M3 recommendations completed in August 2022

**Risk treatments planned or in progress and due dates**

- Business Unit Plans formalised into a standard template to provide centrally all-of-Council data for analysis on alignment of work with long-term priorities, risks to Units' delivery, dependencies and constraints – not fully populated, this information will grow in maturity over the years
- Paiaka (Project portfolio management tool) and IDF will be strongly recommended for all WCC projects by end FY21/22. Will promote better interdependency mapping and cost estimation
- Paiaka will include project assurance, standardised data collection and reporting, workforce planning, complements lifecycle planning in IDF
- Specific project financing function has been created in the Finance team to improve financial management of projects established but new structures/processes not yet in place
- Investigating different delivery models for significant programmes of work such as the bike network plan

**Gaps, issues or opportunities for improvements in treatment**

**Risk Analysis**



<b>Inherent risk rating</b>	●	Extreme
<b>Target (residual) risk rating</b>	○	High
<b>Likelihood</b>		Almost certain
<b>Consequence</b>		Severe
<b>Confidence in assessment</b>		Confident

**Maximum credible scenario (inherent risk):** unable to identify which work takes priority, the degree of criticality of programmes and projects, unable to fully scope all requirements and dependencies. New work added without accounting for existing work. This is an issue now; the MCE risk is continued inadequate planning and prioritisation, more work accumulated, coupled with failure to mitigate the existing risk.

Consequences	Current	Rationale
Democracy and governance	Minor	Elected member agendas are busy/heavy workload for governance as we drive key decisions through. Currently we can still make key decisions
Partnerships and relationships	Moderate	If we lose control or oversight, then the impact could be more than minor
Critical service delivery	Moderate	Bigger impact with three waters where we are still accountable
Wellbeing services delivery	Moderate	We will struggle to keep up. We might not deliver but partners play a key role
Community wellbeing	Minor	Wellbeing of community is not expected to be impacted
Priority investment projects and programmes	Severe	Could be severe if specific projects are affected. Some delays for projects have been outside our control and not a result of inadequate planning. E.g., pandemic, supply chain restraints. Significant programme of work planned
Environment	Moderate	Potential environmental consequences. Dependent on which projects are affected. Sludge project inadequate delivery could result in localised damage
Reputation and trust	Severe	Sustained media coverage, loss of confidence, central government attention
Health & Safety	Major	Major drop in staff morale and wellbeing. Psychological health of staff. Would impact multiple business units, not just a few. Would contribute to staff turnover
Capability and capacity	Major	Noticeable gaps in capability/capacity. Might be hard to get contractors as well
Our critical assets	Moderate	Three waters assets already impacted. In general, other assets could take a dip in condition /value and function
Our finances	Major	Value for money might be impacted. What might be perceived as a budget overrun may be better certainty/understanding of the costs. Carry forward of capital works budget (up to 40%) may impact the next year's planning as well, we need to explain variance
Data, information and tools	Minor	No direct impact. Unless specific and critical IT projects are impacted
Legal regulatory and compliance	Moderate	Corrective actions could result in some areas. Possible judicial reviews. 'Matter of emphasis' from external auditors

- Criteria for designation of “priority Investments”. Centralised priority investments master in place should support cross-council prioritisation, critical path evaluation and dependency mapping
- Currently not all projects are mandated to provide standardised status reports for centralised reporting – the status of some projects remains unclear
- Portfolio planning (looking across all work in progress and not yet in progress) to determine future constraints e.g., workforce requirements, resources, dependencies to meet expectations for delivery of the full quantum of work not yet available
- Options for future initiative and priorities (e.g., LTP options) modelling planning focuses primarily on financial deliverability, limited focus on other constraints such as workforce or supply chain

## References

### Relevant legislation

Local Government Act 2002

Local Government (Financial Reporting and Prudence) Regulations 2014

### WCC Polices, Strategies and Plans

This risk profile is concerned with the policies and strategies to enable better internal planning, prioritisation and delivery for all of our work, including that which contributed to our City-wide strategic outcomes and also our day-to-day services and functioning. The policies and strategies that focus on improved performance and internal planning are:

- Working better together
- Procurement Strategy 2021. Updated Procurement policy and Procurement procedures with mandatory procurement approach out for internal consultation in August 2022
- Business Units plans

### WCC procedures and frameworks

Investment Delivery Framework (comprehensive project management tools and guidance)

### Relevant reports to other council committees

- 18 November 2021 - paper to Pūrora Tahua Finance, and Performance Committee [Recommended response to construction market pressures](#)  
- recommendations for the risks to major projects; reprioritisation, defer lower priority projects, more agile procurement approach, increase project management capability
- 23 June 2022 – approval of [Proposed District Plan](#) for public notification at Pūrora Āmua planning and Environment Committee
- 30 June 2022 – [adoption of 2022/23 Annual Plan](#)

### Additional commentary

#### Links to other threats and risks

Risks from this threat are exacerbated by supply and resource constraints and lockdowns and risks due to COVID-19, as well as inadequate financial planning and practice. Many of the controls or treatments will be interrelated.

#### Underlying trends and influencers of the risk

WCC has an ambitious delivery programme to meet our future priorities coupled with a growing population, major legislative reforms ahead that will likely change our role and responsibilities. Inflationary and market forces are exacerbating budget challenges.



# 2022 INSURANCE UPDATE

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides an update on the 2022/23 insurance renewals process and Insurance Roadmap workstreams.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy

### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

### Relevant Previous decisions

Kāwai Māhirahira | Audit and Risk Subcommittee 14 September 2022 received the Insurance roadmap report and endorsed the workplan set out in that report, instructing officers to report back to the committee on a regular basis outlining progress against the workplan.

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

2. Financial considerations have been discussed throughout the paper and in the attached reports.

### Risk

- Low       Medium       High       Extreme

3. Risk decisions have been included within the report but are also discussed in the *Introduction to the WCC Strategic Risks Framework and Strategic Risk Register* item on the agenda for the committee. That item includes discussion on developing a risk appetite with the council to understand and respond appropriately in future development of the workstreams relating to insurance and other risks.

Authors	Andie Thompson, Insurance and Process Officer Darren Cowan, Advisor Treasury & Funding Sarah Houston-Eastergaard, Treasurer Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer Paul Conder, Chief Financial Officer



## **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information outlined in this paper
2. Note the workplan updates
3. Note officers will engage further on the risk appetite relating to insurance workstreams via the Introduction to the WCC Strategic Risks Framework and Strategic Risk Register on the agenda of this meeting of Unaunahi Māhirahira | Audit and Risk Committee.

## **Whakarāpopoto | Executive Summary**

4. Council's insurance function exists to ensure risk transfer activities are undertaken in an efficient and effective manner, with consideration of Council's overall financial risk tolerance and position. The programme of insurance covers WCC and its subsidiaries, such as CCO's. Some CCO's purchase their own cover where this is more appropriate.
5. Overall, Council's insured position is stable. Insurance remains expensive and challenging to come by, with capacity on offer to the Wellington market restricted by our unique risk profile and capacity of insurance on offer particularly in the context of a very expensive year due to a number of large-scale natural hazard and weather-related events across the globe.
6. Generally, the 2022/23 insurance programme renewal was successful, without too much erosion of capacity across all policies within budget (YTD).
7. There may be some signs of stabilising rates in the markets, however, at the time of writing the full impact of some major events have not been fully assessed and markets may react unfavourably to these.
8. Officers have put together the Insurance Roadmap, with implementation of the four workstreams to be worked on throughout 2023 and beyond. The implementation of the full Insurance Roadmap should put Council in an improved insurance position, with greater understanding of the risks faced and greater flexibility enabling Council to adapt to changes in the market and other emergent risks.

## **Takenga mai | Background**

9. Council holds 14 insurance policies which cover a wide range of risks that Council are exposed to through its day-to-day operation. Under the broad categories of Material Damage, Liability and other policies.
10. Our material damage policies are intended to cover catastrophic losses, as such, they have high deductibles. Any day-to-day losses are covered by the Insurance Reserve fund, discussed in paragraph 69-71. These policies are also loss limited (a maximum pay out regardless of damage is set), this limit is set based on the expected losses to the portfolio, the availability of capacity in the market, the associated premiums and budgetary constraints.
11. Any losses which fall outside of the insured limit are covered by Council's balance sheet. A level of headroom is held within debt ratio limits to maintain an appropriate level of debt capacity should it be required to cover these losses.



12. Officers work with our brokers to place these policies in both the local and international markets. These policies have over 50 different insurers covering different portions of the policies. A number of these are London based markets, due to the lack of capacity in local markets, and expected improved outcomes from diversifying risk transfer into international markets.
13. During the 2022 calendar year, renewals of the WCC insurance policies were carried out. This paper provides a summary of the renewals that have taken place and discusses WCC's insurance position.
14. At the September 2022 Audit and Risk Committee, officers presented the Insurance Roadmap to the committee. This paper provides an update on the progress officers have made on the workplan. A copy of the Insurance Roadmap is provided as an attachment.
15. In the *Introduction to the WCC Strategic Risks Framework and Strategic Risk Register* paper also presented at this committee, the Insurance team have worked with officers in the Risk Management team on preliminary work to develop risk appetite statements for Wellington City Council. This next steps of this work are for the Committee, Council and senior officers to consider the risk appetite the Council is willing to adopt in relation to the insurance program and other key risks. Further detail on this will be discussed in the wider risk appetite conversation in that agenda item.

## **Kōrerorero | Discussion**

### **Insurance Renewals**

#### **Material Damage Insurance – market update**

16. Following five years of challenging markets, 2022 was the first year that WCC has seen any indication that insurance markets may ease. Insurance pricing, overall, has not decreased, with valuation increases driving an overall uplift in the cost to Council. There is also some additional capacity available at acceptable pricing predominantly through new markets.
17. Insurers, however, are having to price in the impact of increasing instances of large-scale natural hazard and weather-related events, along with well understood inflationary impacts driving larger claims, meaning the market levelling effects of increased capital from new markets and improved insurer performance may be eroded resulting in ongoing rate increases.
18. For context, global natural catastrophe insured losses are estimated at US\$132bn for 2022, well above the 10-year rolling average of US\$81bn. The most significant event being Hurricane Ian (September 2022), estimated at an insured loss of \$50bn-US\$65bn, the second costliest event on record. Global events impact on re-insurance markets, affecting the rates offered on cover. After high impact years the markets look to re-coup losses, by increasing consumer rates.
19. The recently completed reinsurance renewals for insurers at 1 January 2023 resulted in the hardest reinsurance treaty negotiations seen in a generation and as such there is expected pressure on insurance purchasers for 2023 as insurers are unable to absorb these costs. Expectations are that Natural Hazard rates may increase by 7.5% - 15% depending on capacity required.

#### **Material Damage Insurance – placements**

20. Council policy is currently to insure against a Probable Maximal Loss (PML) based on a 1 in 1000-year event. Current estimates show that approximately 60% of our losses in this scenario will be covered by third party funding (purchased insurance and central government schemes).

21. Across the board revaluations have driven an increase in asset values, causing an increase in insurance premiums.
22. The **aboveground policy** covers the majority of WCC's physical assets which sit above the ground level, such as libraries, pools, roading infrastructure and wastewater treatment plants. This is a comprehensive cover policy including all perils.
23. Asset values and the sum insured increased due to the 2021 property revaluation. Additional capacity was purchased in the 2022/23 renewal, resulting in an overall dollar value increase to the premium for the policy in addition to the rate increase of 35%, noting that the sums insured increased by 40%, this is a decrease on the premium rate per dollar of cover.
24. The **belowground policy** includes belowground infrastructure, namely the majority of Council's 3-waters assets but excludes wastewater treatment plants. This policy covers only natural disaster perils (e.g. earthquake, landslip, flood, tsunami), with other perils (e.g., fire) excluded.
25. Initially, the policy was renewed based on the 2020 revaluation, resulting in a reasonable uplift in rate of 8%. Since then, the 2022 asset revaluation has been completed. Officers are currently negotiating the premium increase resulting from the sum insured increase with insurers and the expected additional premium is ~\$2.6m.
26. In a natural disaster event WCC operates under the assumption that Central Government would contribute ~60% of all losses to 3-waters assets, with 40% of the limit covered by purchased insurance cover. Based on the Civil Defence and Emergency Management Act 2022.
27. The major driver for the overall increase on this policy is the revaluation.
28. The **housing policy** specifically covers assets used in Council's social housing programme. They are residential properties of varying types. Asset values and the sum insured increased due to the 2021 property revaluation.
29. The valuation driven increase in premium has been offset by legislative changes that led to an increase of the EQC funding to \$0.3m per unit (from \$0.15m) on 1 October 2022. The policy was structured to maximise the benefit of EQC changes, resulting in savings of approximately \$1m across the portfolio.
30. The **waterfront policy** is a legacy policy, resulting from the incorporation of Wellington Waterfront Limited into Council. This policy covers all waterfront assets, including wharves, buildings upon wharves, public art and open space.
31. Asset values and the sum insured increased due to the 2021 property revaluation. The premium increased in line with the uplift in asset values but was offset by a reduction in capacity, resulting in an immaterial increase to the premium and an increase to Council's un-insured exposure.
32. This policy performs poorly in the market, due to its portfolio make-up and associated risk. Over the last four years we have seen steep increases in premium rates and a retraction of capacity. Officers will investigate alternate strategies through the Insurance Roadmap workstream to address the inherent risks to this portfolio.

### **Liability Insurance – market update**

33. An increasingly litigious environment in New Zealand has placed upward pressure on liability policy premiums – including Professional Indemnity, General Liability, Statutory Liability, Employers Liability, Trustees Liability and Crime policies. These policies have demonstrated

a similar trend to the Material Damage policies with rate increases and capacity constraints in the global market, lagged by a year or two.

34. In the meantime, being able to aptly demonstrate risk management for liability risks, through holding medium deductibles and low volumes of claims, has contained WCC premium increases to around 5-10% per annum.
35. Restructuring of our largest policies (General Liability and Professional Indemnity), has allowed risk to be spread across multiple markets, solidifying our certainty of cover. This opportunity was created by local market capacity constraints in 2020, forcing WCC to enter international markets to fulfil our insurance requirements.

### **Liability Insurance – Placements**

36. The liability policy renewals were successful this year with minor to medium uplift in premiums. Overall, premiums increased by 9% on these policies.
37. These policies cover WCC's potential financial liabilities which arise from our operations. This includes our liability for damage to third party assets, liability arising from our advice and decisions, our legal liabilities and protection from theft and fraud.
38. The London placed excess Professional Indemnity and General Liability policy (above \$15m) renewed late (1 December 2022). Regular renewal on 1 November 2022 was disrupted by a last-minute retraction of cover from an existing market. There was a need to renegotiate the cover of this policy with the markets.
39. Renegotiation resulted in the addition of a new market and a restructure of cover proportions in existing markets. The requirement for renegotiation also resulted in a 1-month extension of the 2021/22 policy, to allow time for the renegotiation The 2022/23 policy is an 11-month policy to ensure renewal dates remain aligned.
40. While the Trustees Liability policy did not experience a premium uplift, Council was required to agree to a higher deductible. This was increased from \$5,000 to \$10,000. Renewal on the previous deductible terms was declined by the market.
41. Council does not currently hold a cyber insurance policy. This is due to a lack of maturity and interest in the local market. During the major 2023 renewal, officers will engage with London based underwriters on how best to manage for this risk, which may lead to WCC's purchase of a cyber insurance policy. Any potential policy would need to meet criteria such as, value for money, appropriate response times and increased access to response services.

### **Other Policy Placements**

42. Other minor policies that cover various other risks include Motor Vehicle, Travel, Marine Hull and Rotation Timber policies.
43. The Motor Vehicle policy has an exceptional claims record, in part due to the deductible for this policy being high enough that vehicle knocks tend to be excluded. This resulted in a reduction in premium despite the insured value of vehicles increasing.
44. The Overseas Travel policy was reduced to a minimum cover over the period affected by COVID-19, this policy was re-instated to previous levels during the 2022 renewal.
45. The Rotation Timber policy previously covered both the standing timber stock and the carbon credits attributed to that stock. As a result of exceptional wildfire losses over the last few years, cover was offered by the market on an 'either or' basis. WCC has insured only the standing stock of forests which are still planned to be logged. The market declined to cover some blocks entirely from the policy, resulting in a reduction in premium. The risk of loss of carbon credits due to unexpected loss of forest is currently covered by council holding associated carbon credits.

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## Renewal Expenditure

46. Annual Renewal of all policies for their respective 2022/23 periods has come in under budget at \$20,179,913 year to date. Compared to a total budget of \$22,872,353. Insurance premiums are pre-paid for their respective 12-month periods, from the balance sheet. The premium costs are then allocated monthly across all business units which benefit from the placement. This acts to smooth the insurance spend and allow close alignment of costs to a budget year. Due to the renewal date of the main material damage policies (31 May), these policies are allocated to the following financial year. The upcoming renewals will utilise the 23/24 budget allocation, consistent with prior years.
47. Still outstanding and to be confirmed is the required uplift on the belowground policy. This policy has experienced an uplift of approximately 135% in insured values. This uplift in values is related to inflationary pressures, increased construction costs and a historic under reporting of demolition and inflation (escalation costs) values on top of the insured replacement values. There will also be an additional premium applied to the aboveground policy when the Tākina project is completed and added to the policy.
48. The current estimate for this increased premium is approximately \$2.6m, exhausting the budget for the year ending June 2023.
49. Given the long lead time to placing insurance policies and the extensive amount of work required to complete this process, the insurance team is currently working on the renewal for the 23/24 insurance year (beginning 31 May). We will provide an update on this process at the next Unaunahi Māhirahira | Audit and Risk Committee, should there be an appetite for this detail, on 10 May 2023.

## Insurance Roadmap Update

50. In 2015 WCC launched its first Insurance Management Strategy, which set out a strategy to increase the amount of insurance WCC could buy. Since then the markets have changed and hardened significantly making the 2015 strategy insufficient to cover the risks faced by WCC.
51. Officers commissioned work to improve WCC's insurance position in the face of challenging markets and increasing risks. This resulted in the Insurance Roadmap, which was endorsed at the September 2022 meeting. The Insurance Roadmap sets out a workplan including four workstreams.
52. During the 2023 year, officers expect to fully engage in the Governance and Purchasing decision workstreams of the Insurance Roadmap. Refer to the 14 September 2022 Unaunahi Māhirahira | Audit and Risk Committee paper for full detail on the workplan and workstreams included in the Insurance Roadmap.
53. A full list of the actions to be carried out can be found within the Roadmap appendix, as substantially presented to the ARC in September. The report and Roadmap can be found as appendices to this paper.
54. We discuss below the more significant workstreams we will seek to progress over the next 12 – 18 months

## **Significant Future Actions**

### **Loss Modelling**

55. All Council modelling and Probable Maximum Loss assumptions are currently based on an old version of the National Seismic Hazard Model 2011.
56. Recently GNS released a new National Seismic Hazard Model (NSHM), the updated model increased the assumed risk in the Wellington area to a 10% chance that the peak ground acceleration (pga) will exceed 0.82g in the next 50 years. This was up from 0.32g in the 2010 model. This model was released to the market without sufficient time for WCC to use this in the current renewal process. Insurers are likely to consider the high-level outputs of this model as an increased risk to the WCC portfolio.
57. For the 2023 renewal cycle we will commission a high-level update of the PML assumptions, considering the new NSHM and updated valuations across Council's asset portfolio. This work will not involve detailed modelling but will instead apply generic expertise to the previous work to ensure we meet the deadlines for the upcoming renewal. This approach has been discussed with insurers to ensure it will be an acceptable to the insurance market for the 2023 renewal process.
58. With the benefit of time, for the 2024 renewal cycle a detailed modelling of the portfolio will be completed and new PML's generated.

### **Policy Consolidation**

59. The recent split of the "main material damage" policy into the aboveground and belowground policies saved approximately \$2m in the first year and offset premium increases due to increased sums insured. This was possible as the two new policies better aligned with the market's preferences and allowed new markets to participate in the placement, leading to increased price competition and additional capacity availability.
60. There may be future opportunities to further align the policies to market preferences to better the insurance renewal results while maintaining premium rates and managing to Council Budgets. The assets included in the schedules of the waterfront and aboveground policies may be able to be better arranged. For example, the waterfront policy insures all central wharf assets, however, wharves outside the central area are insured on the aboveground policy. Combining the two portfolios is advised against at this time, due to market capacity constraints.
61. The increasingly hard market has placed pressure on those CCO's which currently insure their own assets. As Council already includes the assets of some CCO's in its global policies it may be appropriate to consider inclusion of additional CCO assets in the coming years. This will depend on the type and quantum of assets and their alignment to the relevant schedule.

### **Parametric Insurance**

62. Holding a parametric policy to supplement our existing policies would provide certainty in the immediate aftermath of an event. Parametric policies provide a claim payment within 30 days, greatly reducing the time to finalise a claim, and providing an almost immediate injection. This would enable Council to respond to an event more efficiently and with more agility than could be achieved via a traditional insurance product.
63. Nationwide and regionally this type of policy is starting to be implemented. One particular benefit is the surety of cashflow post event.
64. With a parametric in place, Council could consider increasing the deductibles on its material damage policies. With the parametric policy backing up the reserve fund.

- 
65. We note that parametric solutions are relatively new and novel in the New Zealand insurance market and officers will look to assess the risk appetite developed by Council to inform the appetite for this form of structure and direct this workstream in due course.

### **Alternative Risk Financing**

66. With an increased reserve fund amount Council could consider a number of additional risk financing measures to shield itself from fluctuations in the insurance markets. These options would include a formal funding vehicle, which could include a protected cell or captive 'insurer'.
67. We could also explore other options for self-insurance, including investing the fund to enable the money to attract a return supplementing the impost on ratepayers where this is deemed appropriate.
68. Officers will look to assess the risk appetite developed by Council to inform the appetite for this and direct this workstream in due course. This piece of work will be initiated in this financial year but officers acknowledge this could span the next financial year also as the conversation and workplan evolves.



### **Insurance Reserve Fund Performance**

69. The insurance reserve fund was set up to fulfil two purposes.
- Cover the Material Damage excesses in case of a major event.
  - Cover the day-to-day under excess losses, for claims which would be covered by our purchased insurance policies.
70. Annually, a rates-funded contribution of \$1.5m is added to the fund. The fund is then drawn on to cover under-excess losses throughout the year. Any remaining funding is rolled into the balance for the following year.
71. The value of the rates funded contribution will be revisited over the period of the insurance roadmap work program and a recommendation to adjust these settings when the timing is appropriate.

### **Ngā mahinga e whai ake nei | Next actions**

72. The insurance team will report to the next Unaunahi Māhirahira | Audit and Risk Committee in May to provide an update on the 2023/24 Material Damage policy renewal process.
73. Further development of the risk appetite workstream will be developed with the Council via a workshop in March, in conjunction with the Risk Management team.

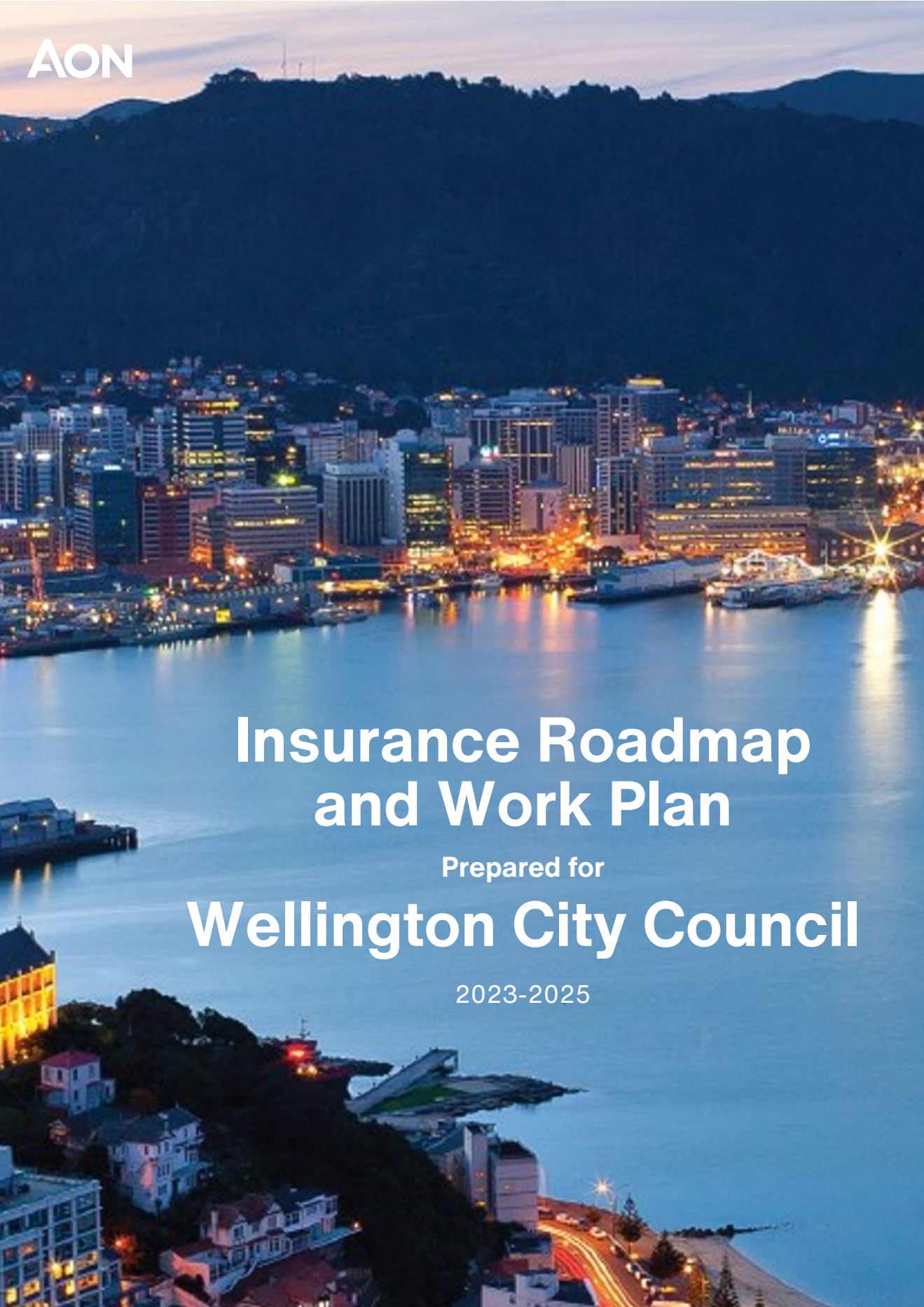
### **Attachments**

- Attachment 1. Wellington City Council Insurance Roadmap [↓](#)  Page 131
- Attachment 2. Wellington City Council Insurance Roadmap - Appendix - workplan [↓](#)  Page 162





AON



**Insurance Roadmap  
and Work Plan**  
Prepared for  
**Wellington City Council**  
2023-2025



Wellington City Council  
Level 16  
113 The Terrace  
Wellington

For: Sarah Houston-Eastergaard & Andie Thompson

Dear Sarah and Andie

Thank you for giving Aon the opportunity to develop an Insurance Work Plan for the Council. We thank you for the time and resources you have provided and in supporting and championing this important piece of work. We have enjoyed every interaction with yourselves and your wider teams and have gained better knowledge and understanding of the Council through the process.

In the following pages we outline the roadmap, reflecting our current understanding of your objectives, and the current state of Council's insurance maturity journey against the outcomes sought.

We look forward to continuing to support you throughout this process of implementing and embedding the insurance roadmap. Our aim is to provide the best value, best talent, and optimised results to the Council, its ratepayers and the communities it serves.

It has been our pleasure working with you and we look forward to continuing our relationship with you further.

Sincerely,

Aon New Zealand  
September 2022





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## Executive Summary

Against a backdrop of accelerated change globally, nationally, and regionally, the way organisations view risks and purchase insurance is evolving. Global insurance markets have been severely impacted by natural catastrophe events, Covid-19, and major cyber-attacks. This creates challenges such as increased market pricing, reduced coverage and reduced capacity for organisations that use insurance as a risk management tool.

Wellington's geography and built environment raise unique seismic challenges. The city is located on a major fault line, and much of the central city is built on reclaimed land - these characteristics combine to increase the risk posed by earthquakes in Wellington. Additionally, legislative and proposed regulatory reforms and stakeholder expectations necessitate a more informed and strategic approach to optimising insurance and risk management strategies.

Historical approaches, typically transactional in nature, need to be replaced by a more strategic approach to ensure insurance can be used as a long-term sustainable source of risk financing.

Wellington City Council engaged Aon's expertise to develop an insurance roadmap and plan. Throughout this engagement Aon consulted with Council staff, reviewed information and data provided by Council, considered internal and external drivers, risk optimisation options and available procurement strategies to optimise insurance outcomes.

This Insurance Roadmap is developed with the following objectives and outcomes in mind:

- Protect the Council from financial loss, by ensuring that the required financial resources are made available when needed to help Council recover from unforeseen losses impacting on its assets and service operations.
- Enable the continuity of services to the community.
- Ensure that any risk transfer is carried out in a cost effective and prudent manner that best serves the community.

Based on the analysis the following is an outline summary of the Insurance Roadmap for the Council:

### **1. Informed Insurance Purchasing**

The Council's insurance procurement is informed by reliable and up-to-date information. This includes data, analytics and information about its key risk exposures including its risk tolerance.

Council will insure exposures where the risk exceeds Council's risk appetite/tolerance and the benefits exceed the costs, or where there is a contractual or legal requirement to insure. Council's risk tolerance and appetite should be understood and applied in decision-making.

We understand that a central asset database for the Council is being developed collating the various systems into one place, and in the long-term creating a single 'source of truth'.

### **2. Regularly Reviewing and Validating Assumptions**

Council regularly reviews and tests assumptions that underpin key decisions to ensure they remain valid and fit for purpose taking into account internal and external drivers including changes to legal or regulatory requirements and the external insurance market.

Council will undertake relevant data analytics, scenario and loss modelling analysis to inform decision-making for example the basis of valuations for insurance purposes, the exposures to hazards and the potential impacts on funding/ revenue stream for future transfer of risks.

**3. Leveraging on size and scale**

Where appropriate, the Council procures insurance in a group programme where it is cost efficient and effective to do so. This includes incorporating insurance procurement from within Council departments and CCOs.

For example - inclusion of Council groups and selected CCOs within Council's insurance programme.

**4. Risk Management Maturity**

The Council continues to focus and prioritise resources to lift Council's risk management maturity to respond to potential limitations of insurance coverage in some markets, as well as differentiating Council as a better risk to underwrite for insurers. The Council takes a holistic approach to risk management and considers other options for risk management (apart from risk transfer) as appropriate.

**5. Move to a Strategic Purchaser of Insurance**

Council moves towards becoming a strategic insurance purchaser, taking actions now that will positively impact in the medium to long term. Examples include exploring alternative ways to finance risks for example managed funds, self-insurance, parametric solutions, and captives.

**6. Internal processes and Communication**

Council continues to improve its internal processes and communication to maximise shared knowledge and learnings on key risk and insurance issues across the Council. For example, there are subject matter experts sitting within the Legal, Risk, IT and Procurement teams that can provide valuable input into the Council's wider risks and impacting on Council's risk profile and ultimately insurance procurement decisions.

Related to this is the review of Council's existing accountabilities to support good decision-making on risk and insurance matters. For example, delegations relating to placement of annual insurance programmes and the relationship with governance Committees and the Council which has ultimate accountability.

**7. Internal Engagement and Development**

Council regularly engages with staff and elected members on risk and insurance topics and provide opportunities for upskilling and engagement where required. These could be by way of workshops, forums and formal training and development for key staff.

**8. Regular monitoring of trends and lessons learnt**

Council implements regular and continuous monitoring and improvement processes to understand trends and investigate incidents and near-misses, incorporating the outcomes into business improvement processes to improve overall risk management.

**9. Build Long-term Relationships**

Council continues to invest in building strong relationships with its broker and insurers, CCOs and other partners and stakeholders, focusing on long-term partnerships.

**10. Insurer Marketing and Competitive tension**

Council continues to work with its broker to implement an insurer selection strategy having regard to the financial strength of insurers, diversification of Council's programme portfolio and taking into account market dynamics.

A suggested workplan is outlined in Appendix A.

## Introduction

### Risk Management Overview

Wellington City Council (Council) undertakes a diverse range of activities and faces a wide range of risks which can affect the organisation's ability to meet its objectives as outlined in the Long-term Plan. It is the organisation's responsibility to identify these risks and determine appropriate responses. There are various risk management options available, including:

- **Terminating** – electing to not undertake any activity that creates the risk in the first place, or terminating the activity, thereby eliminating the risk.
- **Treating** – using a range of techniques or activities to prevent the risk occurring or mitigate the consequences if it does.
- **Tolerating** – acknowledging the risk and choosing not to avoid or further reduce or transfer the risk.
- **Transferring** – assigning or moving the consequences of the risk to a third-party.

Risk management involves selecting from the above options to modify the risk to a residual level that is acceptable to the organisation based on its risk tolerance, risk appetite and risk criteria.

However, what has worked up until today, might not work for tomorrow and beyond. Risk management methods evolve, and their effectiveness can vary significantly over time. An increase in the cost of one method, for example the cost of risk transfer, can act as a stimulus for the development or application of alternative methods, such as enhancements in risk reduction or informed risk acceptance.

Over the past three years the Council has put plans in place to ensure that Wellington is a capital city fit for the future. The core purpose of local government is to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

As part of its Pre-election Report 2022<sup>1</sup>, the Council has identified some key opportunities and challenges it expects to face over the next 3 years as “**A city in transition, a sector in transition**”. These include the changing local government sector through reforms, infrastructure and planning for future growth, funding, and resourcing, and developing resilience and adaptability to climate and environmental impacts.

Wellington's geography and built environment raise unique seismic challenges- the city is located on a major fault line, and much of the central city is built on reclaimed land. These characteristics combine to increase the risk posed by earthquakes in Wellington. The Council continues to undertake seismic strengthening work on its buildings to meet new guidelines affecting the City's building stock in the next three years. Issues surrounding insurance affordability and accessibility, understanding of natural hazards and data availability have been the topic of discussions raised in the past, including in the Mayoral Insurance Taskforce<sup>2</sup> in June 2019.

The Council owns more than \$6 billion worth of assets, including tunnels, bridges, reservoirs and retaining walls. The rising cost of insuring the Council's risk for the same level of cover is a challenge as these assets are potentially impacted by seismic and other natural disaster events.

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<sup>1</sup> [Elections - Pre-election report - Wellington City Council](#)

<sup>2</sup> [Mayor's Insurance Taskforce - Discussion document, November 2019 \(wellington.govt.nz\)](#)

Additionally, the impacts of climate related changes will mean that risk exposure move from the *sudden and unforeseen* to the *known and anticipated*, which impacts on the availability of insurance coverage over time.

## Insurance as a Risk Management Tool

Insurance is one of the most important and commonly implemented methods of risk management. It is a form of risk transfer for unforeseen events that result in financial loss, for example through loss of, or damage to, property or liability to a third party.

Insurance is currently the Council's major risk transfer vehicle. The management of Council's risk through transfer is a key focus as the council continues to explore how the city can better manage its risks with an improved mix of transfer, treatment, tolerance, and termination of risks.

Future trends observed includes the following:

- Provision for emerging and less tangible risks – for example impacts of climate change, risks relating to Intellectual Property and reputation
- Some covers are becoming more restricted – for example Cyber, some liability with this trend continuing to accelerate
- More consideration of alternative risk transfer options - for example resurgence of captives, parametric solutions.

This trend has triggered the need for the Council to adopt an Insurance Roadmap, supported by a plan of action to future proof the Council's position as part of the consideration on how it manages key risks.

## Insurance Objectives and Principles

The core objectives of Council's Insurance are to:

- *Protect the Council from financial loss, by ensuring that the required financial resources are made available when needed to help Council recover from unforeseen losses impacting on its assets and service operations.*
- *Enable the continuity of services to the community.*
- *Ensure that any risk transfer is carried out in a cost effective and prudent manner that best serves the community.*

To achieve these objectives, the Council's roadmap takes into consideration the following:

1. **Drivers:** Critical elements of internal and external context that influence the optimal insurance strategy.
2. **Risk Profile Optimisation:** Methods to improve the effectiveness, transparency, and cost-efficiency of internal decisions around risk and insurance.
3. **Strategic Purchasing:** Methods of strategic transactions that extracts the most value from risk transfer and the insurance markets.

The high-level framework guiding the development of the Insurance Roadmap are shown in the tables 1, 2 and 3.



Table 1:

<b>Drivers</b>
<p><b>Legal &amp; Regulatory</b></p> <p>Meeting Council's legal and regulatory obligations under various legislation including (but not limited to) the Local Government Act 2002, Building Act, Resource Management Act, and taking into consideration proposed changes to legislation including RMA and 3 Waters reforms.</p>
<p><b>Fit for purpose Council Insurance Programme</b></p> <p>Council's size, financial position, assets, activities, Long-term Plan, and internal policies are factored in. Council operates under the principles of transparency and accountability, ensuring prudent stewardship and efficient use of resources.</p>
<p><b>External Insurance Market Dynamics</b></p> <p>Local and international insurance market dynamics and factors, such as market pricing, coverage and capacity availability are considered as well as their impacts on the financial sector and ultimately the consumer.</p>
<p><b>Commercial Considerations</b></p> <p>Conducting commercial transactions according to sound business practices.</p>
<p><b>Role of Government / Crown</b></p> <p>Potential funding and support from Central Government is understood and considered and leveraged where appropriate.</p>
<p><b>Regular Reviews</b></p> <p>Regular monitoring and reviewing of changes to both the internal and external environment and adapting the strategy to respond to impacts of any changes.</p>
<p><b>Communication, Understanding and Awareness</b></p> <p>Regular communication and training to relevant Council staff (including elected members) to enhance awareness and understanding of Council's insurance programme.</p>

Table 2:

<b>Risk Profile Optimisation</b>
<p><b>Risk Management &amp; Insurance</b></p> <p>The Council's Enterprise Risk Management sets the overarching basis of Council's approach to insurance. Other options for risk management have been considered and transfer of risk is evaluated as the most appropriate option.</p>
<p><b>Decision-making</b></p> <p>In general, decisions on procurement of insurance / risk transfer are deliberate and:</p> <ul style="list-style-type: none"> <li>• aligns with Council's risk appetite / tolerance</li> <li>• in line with legal / contractual obligations</li> <li>• protects assets deemed critical to Council's business</li> <li>• enables continuity of services to the Community (for example providing regulatory services)</li> <li>• the cost of insurance justifies the expected benefits which may not be purely financial.</li> </ul>
<p><b>Insurable exposures</b></p> <p>Insurable exposures are accurately identified, analysed, and evaluated when considering options on risk management.</p>
<p><b>Evidence based</b></p> <p>Decision-making on the scope of insurance and key insurance parameters (for example retentions and limits) are transparent and evidenced-based.</p> <p>Meaningful retentions consistent with balance sheet capacity and risk appetite.</p>
<p><b>Testing Assumptions</b></p> <p>Assumptions that underpin decisions are regularly reviewed and tested to ensure they remain valid and fit for purpose.</p> <p>For example, valuation assumptions and methodologies.</p>
<p><b>Data Integrity</b></p> <p>Decisions are made on the basis of good data with Council having confidence in the information it holds (e.g., Property Information / Valuations) to eliminate risk of under or over insurance, including standardisation of information / approach.</p>
<p><b>Claims, Trends and Settlements</b></p> <p>Claims are proactively managed (including of the Reserve Fund), and trends are investigated, from below and above excess claims and settlements, to understand and improve overall risk management.</p>

Table 3:

<b>Strategic Purchasing</b>
<p><b>Moving to a Strategic Purchaser of Insurance</b></p> <p>Council considers moving away from being a transactional to a strategic insurance purchaser including considering alternative ways to transfer risks, for example managed funds, self-insurance, parametric solutions, and captives.</p>
<p><b>Leveraging on size and scale</b></p> <p>Council and CCOs take advantage of their size and scale to procure appropriate insurance.</p>
<p><b>Building long-term relationships</b></p> <p>Council continues to build strong relationships with its broker and insurers, focusing on long-term partnerships.</p>
<p><b>Insurer selection and Competitive tension</b></p> <p>Broker's insurer selection methodology considers financial strength, diversification, and levels of market competition.</p>
<p><b>Risk management maturity</b></p> <p>Council and broker continue to raise risk management maturity to respond to future potential for limited insurance availability in some markets or for certain exposures, including leveraging full value and benefit.</p>
<p><b>Marketing and Communication</b></p> <p>Council and broker engage in proactive marketing and risk communication to differentiate its risk profile to insurers.</p>
<p><b>Internal Communication, Collaboration and Implementation</b></p> <p>Ongoing communication and collaboration within the Council (internal departments, CCOs and elected members) is required to enable the successful implementation of the Insurance Roadmap.</p>

## Drivers

### Overview

This section outlines in further detail some of the key drivers highlighted in table 1 impacting on the Council's insurance programme:

#### **Local Government Responsibilities**

Local Government Agencies in New Zealand have an extensive range of legal and regulatory obligations and responsibilities, including:

- Promoting prudent, effective and efficient management of insurance expenditure (Section 122B, Local Government Act 2002).
- Managing and protecting revenues, expenses, assets, liabilities, investments, and financial dealings generally, in accordance with the principles that are detailed in the Act (S122C, Local Government Act 2002).
- Ensuring the cost-effectiveness of current insurance arrangements for meeting the ongoing needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions (Section 17A, Local Government Act 2002).
- Disclosing risk management arrangements, such as insurance, for physical assets (2014 Amendment to the Local Government Act 2002)
- Complying with Audit New Zealand best practice guidance and international risk management standards (i.e., AS/NZS ISO31000 Risk Management Principles and Guidelines, SAA/SNZ HB 141:2011 Risk Financing Guidelines).

The expectation is that the Council's insurance programme is placed having regard to these statutory requirements and principles of good governance including transparency and accountability.

#### **Three-waters Reform**

The government has proposed the creation of four new, publicly owned water service delivery entities. These entities will be responsible for the management of New Zealand's three water services: drinking water, wastewater, and stormwater. The reform would result in the transfer of ownership of three-waters assets from local government to the new entities.

At time of writing, there remains uncertainty around the three-waters reform and we note that the Council is closely monitoring the status of the proposal. The Council has indicated that the development of the insurance roadmap is on the basis that the infrastructure components will no longer form part of the assets of the Council consistent with the current three-waters reformation.

#### **Fit for purpose Council Insurance Programme**

Council operations include activities that carry many risks and potential financial liabilities. While insurance is often seen as financial cover for damage to physical assets, it is also available to cover potential financial losses from adverse events or actions affecting Council's operations.

Largely, the placement of insurance covers have been historical and transactional. Council's activities, asset portfolio and asset prioritisation change from time to time, with the needs of the communities and the changing council strategy and long-term-plan. This roadmap takes into consideration where

the Council is in terms of a risk and insurance maturity spectrum and identifies opportunities for improvement to deliver on its Long-term Plan, the priorities of which are summarised below.

### Long-term Plan

The priority objectives for the Council for the next three years are summarised in the Long-term Plan as:

**1** **A functioning, resilient and reliable three waters infrastructure** - with improving harbour and waterway quality and, reducing water usage and waste.

**2** **Wellington has affordable, resilient and safe housing** - within an inclusive, accessible, connected, and compact city.

**3** **The city's core transport infrastructure is a safe, resilient, reliable network** - that supports active and public transport choices, and an efficient, productive and an environmentally sustainable economy.

**4** **The city has resilient and fit-for-purpose community, creative and cultural spaces** - including libraries, marae, museums and community halls, where people connect, develop and express their arts, culture and heritage.

**5** **An accelerating zero-carbon and waste-free transition** - with communities and the city economy adapting to climate change, development of low carbon infrastructure and buildings, and increased waste minimisation.

**6** **Strong partnerships with mana whenua** - upholding Te Tiriti o Waitangi, weaving Te Reo Māori and Te Ao Māori into the social, environmental and economic development of our city and, restore the city's connection with Papatūānuku (nature).

### Internal Strategies and Policies

The Council's insurance roadmap is developed taking into consideration internal strategies, policies, and plans such as those mentioned below in table 4.

Table 4:

<ul style="list-style-type: none"> <li>▪ Vision</li> <li>▪ Community Outcomes</li> <li>▪ Long-term Plan</li> <li>▪ Risk Strategy</li> <li>▪ Risk Policy</li> <li>▪ Risk Management Framework</li> </ul>	<ul style="list-style-type: none"> <li>▪ Activity / Asset Management Plans</li> <li>▪ Business Plans</li> <li>▪ Treasury Policy</li> <li>▪ Procurement Policy</li> <li>▪ Infrastructure Strategy</li> <li>▪ Finance Strategy</li> </ul>
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### External Insurance Market Dynamics

Insurance works on the premise that premium paid by the many is sufficient to pay for the losses of the few, as well as providing a return on the insurer's capital investment. When large catastrophic or cumulative losses destroy insurer profitability, capital moves away from insurance markets causing a shortage in capacity, and rates are then increased to recoup past losses.

We are currently facing a challenging insurance market, characterised by constrained capacity, increasing rates, prudent insurer attitudes and overall challenging conditions from a purchasing perspective.

Key observations of current insurance markets include:

- **Cyber risk** – the Cyber landscape has remained volatile and Cyber risk, especially ransomware, is growing in complexity and volatility and, as insurer appetite adjusts, coverage options and pricing models continue to evolve.
- **Conflict in Eastern Europe** – direct and indirect impacts relating to the unfolding geopolitical events in Eastern Europe have been profound. These are expected to continue as rising commodity prices fuel inflationary pressures, decreased demand dampens global trading, and global supply chains suffer further disruptions. Insurers, looking to manage volatility, have already begun modifying coverage terms and conditions - including those related to cyber, terrorism, sanctions, and war, as well as coverage territories.
- **Underwriting rigor continues** – balancing the focus on reducing volatility against competitive pricing - for example challenges from exponential increase in asset values and increase in frequency of secondary natural catastrophes (e.g., floods) events.
- **ESG** - insurers are becoming increasingly focused on Environmental, Social and Governance (ESG), looking carefully at their own, their clients' and their business partners environmental, social, and ethical risks that can arise from a myriad of complex, interconnected factors related to the evolution of business practices and operations.
- **Climate change means more claims from more frequent storms, floods, droughts, and fires** - climate risks will progressively be priced into insurance for properties exposed to changes such as sea level rise. Organisations could potentially face removal of capacity for some sites or enforced sub-limits or higher deductibles.

Recent years have been significantly challenging globally due to natural disasters, pandemics, and cyber-attacks. Table 5 shows the current status of key insurance market factors.



Table 5 - Summary of Insurance Market Dynamics<sup>3</sup>

Factor	Description	Status
Overall Conditions	Synthesis of all factors below.	<b>Stabilising</b>
Rates	Unit of cost that is multiplied by an exposure base to determine the insurance premium.	<b>+ 1-10%</b>
Capacity	The largest amount of insurance or reinsurance available from a company or the market in general.	<b>Stable</b>
Insurer Attitudes	Insurers' chosen approach to underwriting in the face of uncertainty.	<b>Prudent</b>
Limits	The maximum amount payable by the insurer under a section or sections of each insurance policy.	<b>Flat</b>
Deductibles	The first amount of any loss which is payable by the insured.	<b>Flat</b>
Coverages	The scope of insurance provided by insurers for a specific risk.	<b>Stable</b>

The business climate has never been more complex and connected. Business models are being reshaped, while organisations across the globe are responding to and, at the same time, recovering from the once-in-a-lifetime set of challenges posed by the Covid-19 pandemic. Financial losses from large scale natural disasters and man-made events continue to loom and adversely impact lives and businesses.

Insurance market conditions are still challenging for transitional exposures, with limited appetite for emerging exposures, and negotiations with insurers are increasingly complex. There is continued evolution of underwriting practices in the industry as a growing number of insurers transition to centralised underwriting for many risks. There is also the issue for both insureds and insurers that for some risks we are moving away from 'sudden and unforeseen' to 'known and anticipated'. From a material damage perspective, unexpected events may include floods, earthquakes, a car accident, a house fire, or theft. Insurance only covers things that happen suddenly, not gradually. In particular, the impact of climate change will potentially see a reduction of cover for such events since the impacts are gradual.

The same principles apply to liability cover. Legal liability is the state of being legally responsible for a loss. In insurance, this usually means the responsibility to another person for negligence resulting in financial loss. Councils will be aware of exclusions on certain liability policies for example weathertightness claims against the Council acting in its regulatory capacity. Whilst this was a risk that was transferable to insurance many years ago, the nature and frequency of losses have moved from unforeseen and as a result councils including Wellington City Council are requiring to deploy other means of risk management to manage those risks to protect its financial position.

Challenges such as increasing pricing, cover reductions, risk exclusions, lowering limits, and changes to terms and conditions can substantially impact insurance policies. Conversely, the insurance market is cyclical and there is expectation that some lines of insurance will become more affordable and available. Therefore, the insurance roadmap needs to be able to respond to both negative and positive market trends to optimise the costs and benefits of the insurance programme.

<sup>3</sup> Summary of general insurance market dynamics based on available information at the time of writing.

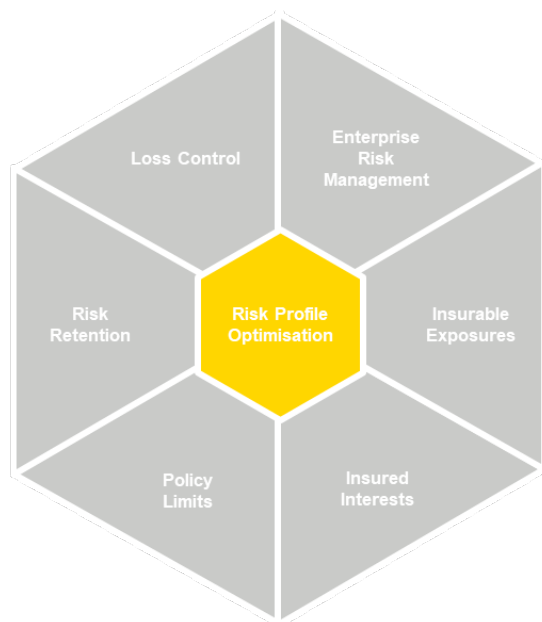
## Risk Profile Optimisation

### Overview

This section outlines some of the key components of Risk Profile Optimisation outlined in table 2 above.

Key elements of an optimised programme include:

- **Enterprise Risk Management** - the overarching driver of an organisation's approach to insurance and risk management.
- **Insurable Exposures** - types of assets or activities that create the potential for a financial loss which Council may elect to transfer to insurers.
- **Insured Interests** - specific assets or activities that an insurance policy actually covers, and that can be claimed against following a loss.
- **Policy Limits** - the maximum amount payable by the insurer under a section or sections of each insurance policy.
- **Risk Retention** - represents the proportion of a risk not transferred to insurers, which is payable by the insured in the event of a loss.
- **Loss Control** - risk management activities that seek to reduce the likelihood that loss or damage will occur and reduce the severity of any that does occur.



These components come together to create what would be an optimised risk and insurance programme – one that is formed through decision-making based on reliable and up to date information held by the Council.

Another way of considering the diagram above is determining the Total Cost of Insurable Risk (TCOIR) and the ways that this can be managed and reduced. TCOIR is a quantifiable, controllable number that can be identified, and is the total cost of your insurance premiums, retained losses (above limit / deductibles / uninsured losses) and internal / external risk control costs. TCOIR can fluctuate because of losses and market fluctuations, however, once a TCOIR benchmark is determined, long tail risk treatment approaches, such as a managed fund (or captive), that can increase retentions (and reduce premiums) can be analysed to show the long-term benefits and ideally reduction in the overall TCOIR.



## Data Driven Decision-Making

To support better decision-making, Council should hold reliable and up-to date information. The next step is to convert data to usable information for example through analytics and trends and then using loss modelling or loss scenarios to form the basis of decision-making. <sup>4</sup>



### What data are we talking about?

- Asset data, valuations, claims data, loss trends
- Digital twins (of buildings and people), real time sensors
- More hazard information, more science and engineering analysis



### Turning data into information

- Are we capturing assumptions, are we testing these?
- Loss modelling
- Trends analysis
- Actuarial analysis and engineering assessment combined



### Evolution of solution development

- Risk understanding, risk quantification, informing decision making
- Multi-discipline approach is essential
- Public – private collaboration

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<sup>4</sup> Consistent with the Office of the Auditor General recommendations October 2021 on using sophisticated techniques for identifying and managing risks e.g., use of quantitative risk assessments. [Our observations on local government risk management practices – Office of the Auditor-General New Zealand \(oag.parliament.nz\)](https://www.oag.parliament.nz/publications/2021/10/our-observations-on-local-government-risk-management-practices)

## Strategic Purchasing

### Overview

This section outlines some of the components of Strategic Purchasing outlined above in table 3.

### Moving to a Strategic Purchaser of Insurance

Taking into consideration the drivers identified above, including changes to market dynamics and challenges from a natural hazard perspective and increasing climate impacts, the Council's historical approaches to insurance procurement are no longer sustainable for the future. The Council should consider a range of other options include alternative risk financing, increasing levels of retentions while improving on other risk management approaches outside of risk transfer.

The strategic purchasing principles is illustrated below, showing the total costs of risk and how it is reflected in Council's purchasing.

Figure 1 shows a typical frequency-loss curve for an insurable risk. The cost of capital (or insurance rate) correlates closely to frequency; when the likelihood of loss is high, the insurance cost is also high. There are four zones of the curve to consider, the area where risk must be retained, this is usually the 'deductible' (amount deducted before a loss is paid by an insurer) of the insurance arrangement. The 'can' and 'should' transfer are the areas where risk transfer can be optimised. The limit of the insurance (known as the Loss Limit) is the maximum amount payable in the event of a loss. Above this limit, the probability of loss may be deemed to be so infrequent that risk retention becomes an appropriate option. What 'can', and what 'should' be transferred should be continuously reviewed, based on the organisation's risk appetite and tolerance, plus the understanding of the market dynamics. Alternative options within this range also include captives, managed funds, and other risk financing mechanisms.

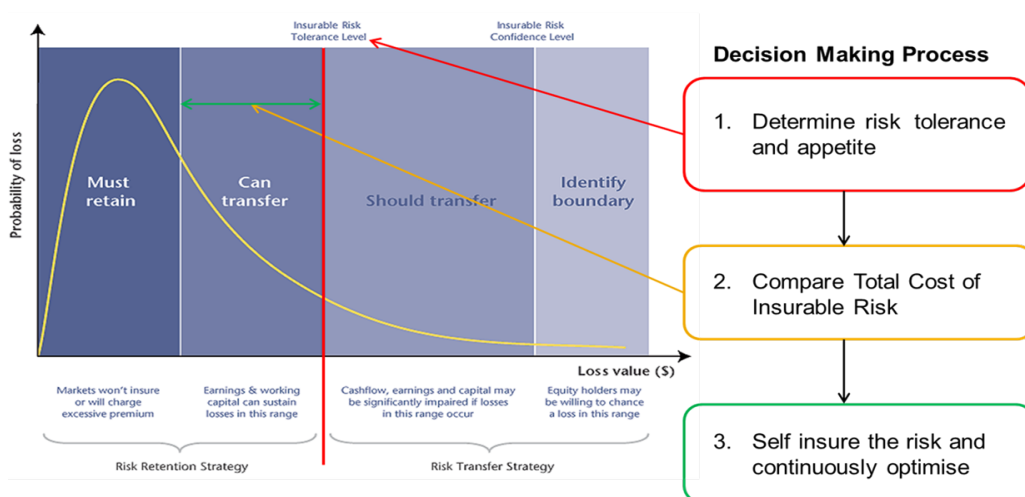


Figure 1: How to define the risk transfer and risk retention strategy

## Leveraging Size and Scale

Additionally, group or shared procurement for Council and CCOs provides the benefits of economies of scale (set out below) and should be considered as appropriate depending on the cost and benefits to the parties which should be analysed independently:

- Ability to maximise premium savings in soft markets and minimise premium increases in challenging markets.
- Access to offshore markets that would not otherwise be available to individual Council groups and CCOs.
- Greater ability to negotiate specialist covers / policy enhancements.
- Mitigation of claims impacts, due to larger premium pool being established that is less affected by claims performance, which therefore reduces overall loss ratio.
- Creation of exclusive Council schemes, for example staff health and benefits.

## Building long term relationships

It is important that Council continues to build a strong relationship with its broker and insurers focusing on long-standing relationships with every approved insurer, both locally and overseas. The strength of the relationship can be leveraged to the benefit of Council in terms of:

- Achieving the broadest cover available.
- Reducing total cost of risk (premiums + administration costs + fees + retained claims costs).
- Favourable claims results.

This expertise and market leverage will continue to be used to the benefit of Council, in terms of pricing, coverage and access to markets in New Zealand and overseas.

## Insurer Selection and Competitive Tension

### Financial Strength

The usefulness of insurance is dependent on the insurer's ability and willingness to pay at the time of a loss. An Insurance Roadmap needs to consider the financial strength and resilience of insurers as well as the aggregate dependency on any one insurer. In accordance with the Insurance (Prudential Supervision) Act 2010, insurers selection should meet minimum required financial strength ratings (for example as indicated by Standard & Poor's). Only engaging insurers with sound financial ratings results in best claims paying ability.

### Diversification of Insurer

A blend of local and overseas markets works for clients with significant natural hazard exposure. This strategy has become more important in the current challenging market and has worked well for other Councils in recent years. The use of overseas markets is vital in achieving best cover, price, and ability to withstand market shifts.

### **Competitive Tension**

The blended placement (local and international) allows a wider range of insurers to participate on Council's programme. This means more available capacity and the generation of competitive tensions, which alleviates the pressure to increase premium.

### **Risk Management Maturity**

Insurers, looking to deploy their capital at an affordable price, seek detailed information to optimise the amount of cover they will provide and the premium they require to deploy it. An evolving understanding of risk is vital for Council. An Insurance Roadmap needs to involve increasing the understanding of risk and risk management practices, improve risk maturity and ensuring that the insurance programmes in place are fit-for-purpose, within the respective Council risk profiles, by tailoring policies accordingly.

Developing risk management maturity across Council leads to more efficient and cost-effective solutions in the future. Benefits include:

- Access to market-leading commercial terms and conditions particularly in challenging markets.
- Access to market-leading risk management approaches and technologies.
- Better risk governance, monitoring and reporting and accountability to communities, stakeholders, partners, and ratepayers.
- Alignment with government's broader risk financing strategies.

The Council's risk management maturity plays a key role not only as an insurance lever but importantly holistically to protect value for the Council.

### **Marketing and Communication**

In a challenging marketplace, it is vital to differentiate Council's insurance programmes when marketing to insurers. The Council renewal strategy has a strong focus on Council involvement in the process of proactive marketing to insurers. This is critical to achieving the best results and differentiates Council from other insurance buyers seeking the same capacity.

Benefits of this approach include:

- Allowing underwriters to see locations first-hand on an annual or biennial basis (when global travel restrictions permit).
- Building long term relationships with insurance markets. The results can often be preferential pricing and cover over several years.
- A differentiator of Council's risk to overseas underwriters, who see hundreds of submissions each year.
- Allowing direct questions, answers and negotiation across the table. Premium and coverage advantages far outweigh the cost outlay of this approach.
- Enhanced claims outcomes as underwriters become invested in Council's risk when they meet staff in person.

## Summary of Findings and Recommendations

Through a series of discovery workshops undertaken with key staff, key findings relating to the Council's current status, actions and initiatives in response to the drivers are summarised below.

### 1. Risk Management

The internal Risk team is responsible for leading risk management activities and supports Council staff. There is a risk framework, and risk reporting and activities are underway to improve on risk reporting to the Audit and Risk subcommittee. There is limited risk reporting up to full Council from the subcommittee. Council has not formally adopted a risk appetite, with staff expressing a view that the Council's appetite tends to be low. Risks are primarily discussed at management level and then at Audit and Risk meetings. Risks could be usefully discussed with elected members as part of regular workshops to help inform and support elected members, particularly focusing on strategic risks.

#### **Recommendation:**

Management works with the Audit and Risk subcommittee to develop risk appetites for key risk areas for the Council, for approval by full Council. For example, these can include Financial, Legal and Regulatory, Service Delivery and Reputation.

The risk appetites to be communicated to staff with the intention that decisions are made in alignment with Council's risk appetite and on the understanding of its financial risk tolerance.

Run workshops with elected members on a regular basis, and work with the Council's Governance team as part of an Elected Member Onboarding programme with a new council coming in October 2022.

### 2. Relationship between Insurance, Risk, Legal and Procurement

Insurance and risk advice are usually provided by the respective teams currently reporting to different General Managers. There are informal processes to guide staff in seeking advice on risk, insurance and related legal issues. While this has worked in the past, there is a potential for inconsistency in approach and a lack of monitoring in applying insurable and risk issues across the business. Steps are underway to improve processes for communication between the teams in terms of risk and insurance to better support risk and insurance management and related legal impacts within the Council.

#### **Recommendation:**

Council teams continue to create an internal channel to enable staff to seek relevant support on key risk and insurance issues by referencing to the subject matter expert teams within Council.

There is an opportunity to enhance internal collaboration, by setting up regular forums as a platform for discussing key risk and insurance issues including any learnings that could be usefully shared more widely across the Council. If risk appetite and tolerance were defined (as per recommendation 1) then it would be much easier for staff to align to this and then to report by exception if there were issues outside of the agreed levels.

**3. Third party contractual risk/insurance management**

At present the management of risk and insurance within contracts tends to be inconsistent with many examples of decisions made on a case-by-case basis. There is presently a lack of clarity on the delegated approval to approve contractual terms outside of legal, insurance or risk advice. The Procurement team is presently undertaking a project to create standardised tools and a database to enable better co-ordination and management of contracts within Council. These include, for example, procurement plans, and registers of Vendors and Contractors. The risk-based approach will help support staff and enable the monitoring of insurance compliance by contractors, by for example through the repository in TechOne (due to be upgraded). We understand that this is expected to be completed within six to 12 months of the date of this report.

**Recommendation:**

Council may consider developing a decision-tree for risk and insurance within the Procurement tools being developed. A process / flow chart or guidelines will support those working on projects (including pre-RFP / RFT stage) on insurance and risk issues and enable early advice to be received.

Council could consider developing and implementing training and awareness programme workshops across Council departments to inform relevant staff on contractual risks and the role of insurance.

**4. Three-waters Reform and other policy changes**

Council is considering the potential impact of the 3 Waters reform on its financial balance sheet. This includes provision for incoming financial payouts from the government as well as reduction of asset/revenue on the Council balance sheet. The Council is working with other government sectors to better understand implications of changes, for example 60:40 rules on its infrastructure not covered by three-waters reformation.

**Recommendation:**

Council staff continues to monitor changes to the legislation and policies and incorporate these changes into future renewals, for example developing scenarios for an insurance programme with / without the underground Three Waters infrastructure included. The three-waters reform programme may also provide an opportunity to consider long term forms of risk financing. The option of either a captive or protected cell could be a positive outcome from the reform and enable the creation of a long-term risk transfer/financing arrangement that could reduce Council's exposure to premium volatility and reduce the Total Cost of Insurable Risk.

**5. CCOs and Other Council affiliated parties**

The Council team (Treasury) supports in principle, a group purchasing approach with CCOs particularly smaller CCOs, where it is cost efficient to do so. It was acknowledged that there are still potentially challenges issues given the way the CCO portfolios are managed including asset ownership. Examples are Sky Stadium, Wellington Cable Car and Zealandia. Each of these have particular features which will need to be taken into consideration if / when moving them into the group procurement. Conversations with selected CCOs are continuing through the development of options with the Stadium and proposed similar exercise for the Cable Car.

**Recommendation:**

Council and CCO staff continue to develop options for the inclusion of selected CCO assets within the Council insurance programme with advice from the Insurance broker on its feasibility and potential cost efficiency.

**6. Data Integrity**

All asset classes are managed differently and are stored in different asset management systems e.g., Building and Open spaces in OneCouncil, Wellington Water in InfoNet, Transport data in RAMM. Condition assessment of assets is held in SPM and spatial data in GIS, roading condition assessments are undertaken by contractors (Fulton Hogan and Downers). As built data is also held separately between houses and commercial property. A project is underway by the Data team to consolidate the data held to meet the next LTP in July 2024, with a draft (including a programme of work) anticipated for July 2023. It is expected the data will provide information on criticality and vulnerability of assets including key aspects such as building conditions and NBS rating, presence of asbestos and valuations. The existence of a consistent and cohesive data asset system will enable future planning e.g., which assets to sell, retain or re-develop.

**Recommendation:**

We note that the project is underway for data consolidation. We recommend that the project be completed as soon as possible. If an update on progress can be provided to the insurers, at the next renewal, this will increase the level of confidence of the underwriters in what they are underwriting.

Any data consolidation process should include Information on the following:

- a. Accurate property schedule, new assets should be clearly identified
- b. Current condition assessment
- c. Location, ideally in GIS
- d. Valuations, including insurance reinstatement valuations
- e. Hazard/Exposure information.

**7. Loss Modelling and analytics**

Wellington's geography and built environment raise unique seismic challenges, however there are also other natural hazard exposures that the city faces, such as flooding, landslip and even tsunamis. As outlined in Figure 1, it is important that council understands both frequency and severity of risks in order to determine the best risk management pathway, or pathways, to be used to manage the risk. Severity events define programme limits or sub-limits, and frequency events define deductible levels. Understanding loss estimates from loss modelling, when combined with Council's tolerance of risk, can help to inform and optimise the insurance programme structure. It is also important that loss modelling is updated on a regular basis since both the asset data (i.e., new and disposed assets), asset values and scientific understanding of risk continually evolves.

There has been limited loss modelling undertaken to understand the potential financial impacts (including business interruptions) from a major event. This modelling was also undertaken a number of years ago and with the rate of inflation, the loss estimates are not based on current values.

If the loss modelling is sufficiently detailed, it is also possible to define the potential impacts of climate change. Organisations are now using climate scenarios to better understand the impacts by applying certain climate stressors for example, sea level rise, increase in severity

of storms, flooding inundation and increased high winds to better understand the long-term impacts on their asset portfolios.

So, in addition to informing suitable risk transfer arrangements, and helping Council determine worse-case scenarios for disaster funding and disaster response, the information from the analysis can be used to assist with decision making particularly on planning, for example re-location of certain critical assets that may be affected by climate change in the future.

Information from the exercise will enable the Council to consider alternative ways of funding losses that might not have been transferred by way of insurance.

Staff is aware of the need to undertake modelling and data analysis to inform limits and retention levels, for example, including information on potential aggregated loss, hazard and vulnerability risk assessments.

**Recommendation:**

In order to better inform decision-making, we would recommend that Council considers undertaking loss modelling, for example:

- a. Detailed Earthquake loss modelling. This will help define the maximum credible event that could impact Council
- b. A cumulative loss modelling exercise to understand the financial impact of a broad range of natural hazard events and return intervals on all assets owned by Council (and CCOs). This will help define deductible levels and likely losses for Council in the near future
- c. Scenario modelling to understand the potential impacts of climate related risks to the Council portfolio. This will help inform council around potential issues and inform future planning / strategy decisions.

**8. Cyber and Crime / Fraud risks**

The Council does not presently hold a cyber security insurance cover. The market for cyber cover is challenging and capacity is restricted. We note that the Council has engaged an external party Grant Thornton to conduct a review of the Cyber Framework. The Council presently has cover for Crime/Fraud risks. The Council's internal audit team (as part of Risk and Assurance) reviews the effectiveness of the protection and disclosure of fraud through the Council's audit programme.

**Recommendation:**

The Risk and Insurance team undertake deep dives into the Cyber and Fraud risks to understand the causes, impacts and treatments of those risks including evaluating the effectiveness of the treatments, applying scenarios to test the potential losses to determine if a transfer of risk to insurance is appropriate in the circumstances. In some cases, it may be appropriate to apply funds (what would have been premiums for insurance cover) to an effective training programme instead which may prove to be a more effective preventative measure.

**9. Review of non-Council arranged insurance programmes**

Certain assets, for example Clyde Quay Wharf and TSB Arena, are insured by third parties. There is presently an agreement with the Body Corporate of the apartments on the wharf covering insurance obligations, as Council owns the wharf itself with some critical



infrastructure sitting underneath it. A similar arrangement applies to the TSB Arena, whereby the building, which is owned by Council is insured within the Queens Wharf Holdings insurance policy.

The insurance arrangements for Clyde Quay Wharf are presently outside of Council's insurance programme and the Council team is keen to have Council make proactive decisions regarding insurance of these assets rather relying on a third party.

**Recommendation:**

The Council reviews the terms of the agreement with the Body Corporate and Queens Wharf Holdings in relation to insurance and engages both internally and externally on the risks and develops a strategy for these assets.

**10. Insurance Programme – limits, retentions and covers**

The Council's retention levels have not been changed since 2008. Decisions have been made historically on levels of limits and deductibles and these are raising concerns amongst staff within the Finance team.

**Recommendation:**

The Council uses valuations, modelling and data analysis information to review the limits and retentions on the various material damage policies it holds to determine if:

- a. They are still appropriate, noting this may be driven by insurers looking for an upwards adjustment in deductibles in line with the significant increases in values
- b. They should still be held or retained by the Council (self-insurance below and above retention level)
- c. if there is sufficient premium reduction to justify increases in risk retention.

Additionally, for non-asset based covers (e.g., Professional Indemnity, General liability), we recommend the Council and the insurance broker jointly undertake an insurance risk profiling exercise by way of a workshop to understand risks and appropriateness of retention levels.

**11. Critical assets**

Different groups (for example Rooding and Transport; Parks, Sports and Recreation, Resilience, Facilities etc.) have identified their respective list of critical assets. There is a lack of an agreed prioritised critical asset list. Agreement on the criticality of assets will guide decisions on procurement of insurance to ensure these can be restored as soon as possible when an event occurs. The development of the asset list will relate to the Council's view of its strategic assets and its role in the Lifelines.

**Recommendation:**

The Council develops a Critical asset selection criterion working with relevant stakeholders. The Council may apply the risk transfer/retention principles to determine the best way to optimise its risk transfer whether through insurance or not.

**12. Regulatory and Legal Liability**

The regulatory area is observing the same trends as some of the larger councils – a reduction in Weathertightness claims although increasingly novel claims made on the basis of joint and several liability. The regulatory teams (building and resource consent) seek advice and undertake workshops including lessons learnt from a claim or settlement.

Some judicial reviews from RMA decisions are observed although these are not insurable. There is a process in place (including delegations for ex-gratia settlements) from complaints involving the team leaders and escalations to lawyers as required.

**Recommendation:**

The regulatory and legal teams in conjunction with the Insurance Broker to continue to monitor for any trends for claims which may indicate a systemic issue (for example fire/structural inspection failure, or failure to correctly interpret planning rules) which may impact on the Professional Indemnity cover.

**13. Financial Risk tolerance**

As part of the development of risk appetites, Council develops an understanding of its financial risk tolerance to enable it to understand what level of financial headroom is (or isn't) available as this will allow the Council to increase its risk appetite if required. This includes understanding the aggregation of retentions and impact of recoveries. As an insured, the Council needs to be comfortable taking the level of risks it decides and doing this in a structured approach rather than in an ad-hoc manner.

**Recommendation:**

We recommend that Council undertakes a financial risk tolerance exercise so that it may better understand the limits and retentions that it can safely tolerate when purchasing insurance. It is also useful to guide decision making on alternative risk transfer options for example the use of reserve funds, captives or parametrics in the future.

**14. Reserve Fund**

Council presently uses a Reserve Fund managed by its Broker to make payment on claims (from within Council and third parties). The Reserve Fund is based on criteria agreed with Council. Claims that meet the criteria and are considered a valid insurance claim are settled by the Broker on Council's behalf. Council makes payment to the Broker for the claims paid monthly, and there is no current limit on the Reserve Fund. Any claim under the agreed threshold is paid by the respective business unit. The current threshold is \$1,000 for claims via Ventia and \$250 for all other claims. The claims and management of the Fund has been taking place without issues.

To date there has been limited analysis undertaken on the types and causes of claims, as well as the department or business unit making claims.

**Recommendation:**

That Council and Broker undertakes an analysis of claims for trends and, depending on the outcomes of the analysis, take further action to address the particular risks to Council. This could include, for example, instigating training and awareness workshops with staff if several of the claims stems from poor driver behaviours that result in vehicle damage.

In other instances, this may require input from the internal legal team to assist with legal support, for example on regulatory mistakes or payments and fines for breaches of statutory provisions, including breaches of Privacy, etc.

Additionally, it is useful to consider if this fund may also be expanded to allow for higher retentions.

#### **15. Insurance – governance and decision-making**

Decisions on insurance strategy and procurement presently sit with management. The responsibility largely lies with the Treasury function where the Insurance team sits. Annually at renewals, management approaches the Audit and Risk subcommittee to update the Committee on the insurance programme including the procurement of covers.

The procurement of insurance as a key risk transfer including any alternative risk transfer decisions may be regarded as strategic decisions. As such, the Council may wish to consider if its Committees or Subcommittees (such as the Audit and Risk subcommittee and/or Finance and Performance Committee) may have a role in approving the insurance procurement for the Council.

##### **Recommendation:**

At an appropriate opportunity, review and refine the Terms of Reference for the Council Sub Committee and Committee with the view to incorporating a decision-making role on insurance procurement for the Council.

#### **16. Insurer selection and competitive tension**

The Council utilises capacity from existing and new insurers in New Zealand, London, Asia, and Bermuda, which creates competitive tension and best placement outcome. While Council would have liked to have more local participation across its property programme, it recognises there is constrained capacity in New Zealand.

Through Council's broker, the insurer selection methodology considers financial strength, diversification and levels of market competition.

##### **Recommendation:**

Ahead of renewals Council and Broker continue to review the placement strategy to ensure the approach and ongoing strategy allows for:

- a. Appropriate diversification of portfolio across local and international insurers
- b. Enabling ongoing competitive placement of insurance in the market
- c. Leveraging existing relationships with insurers
- d. Engaging insurers with no less than an A- S&P rating (or equivalent).

#### **17. Long term relationship and proactive marketing of Council**

Council continues to build a strong relationship with its broker and insurers focusing on long-term partnerships. Pre-Covid, Council visited London annually for face-to-face presentations with the insurers. These presentations provide Council an opportunity to underscore its risk management principles and commitment to de-risking its portfolio and allows Council to build long term relationships with the markets, resulting in preferential pricing and cover over a number of years.

From time-to-time insurers attend Council sites to visit key assets to understand the risks better.

##### **Recommendation:**

Council, Broker and insurers engage regularly throughout the year and a plan is developed to establish and maintain a good working relationship.

Council and Broker continue to engage in proactive marketing and communication to differentiate Council's risk profile to insurers.

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## Conclusion

Council is on an insurance maturity journey. It recognises that shifting its maturity takes time. The starting point is the development of a roadmap and a plan which will help focus the Council by prioritising actions in a logical sequence.

Some of the actions are already underway whilst others have been considered but not formally planned or actioned.

The process that has been undertaken in the development of this insurance roadmap has been beneficial, not just in terms of enabling the development of the strategy, but also allowing internal connections to be made between Council functions, for example the understanding of the role of risk in the Council and the experts managing the insurance.

Through a roadmap that takes into account internal and external drivers such as council's legal and regulatory obligations, external insurance market dynamics, and commercial considerations, the Council will optimise its risk profile, move away from transactional and historical procurement, and reduce its Total Cost of Insurable Risk, and better data will help validate assumptions and enable better decisions.

## **About**

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## Appendix A: Plan and Actions and suggested prioritisation

Workstream	Year 0 activities – FY 22	Year 1 activities – FY 23	Year 2 activities – FY 24
Governance	Develop and plan for Elected member workshops on risk and insurance	Undertake financial risk tolerance exercise	Monitor and revisit financial risk tolerance and risk appetite within Council and with elected members
	Review council's limits of retentions and covers	Develop risk appetite for key risk areas with elected members	
	Monitor changes to legislation and policy	Elected member workshops and risk and insurance roadmap roll out	
Internal Partnership	Enhancing relationships between legal, risk and insurance	Creation of standardised tools and guidance material to support insurance management for council	Review of BCP and alignment to critical functions and asset selection criteria
	Increased communication between all functions and departments across Council		Develop critical asset selection criteria and consolidation
	Engagement with Regulatory and Legal to ensure there are no emerging risks impacting on insurability		
Risk Modelling		Completion of project for consolidation of data	Undertake cumulative loss modelling
		Update Asset valuations	Undertake deep dive on cyber risk
		Update Asset condition assessments	Climate change modelling
		Complete earthquake risk modelling	Undertake deep dive on fraud risk
		Update Insurance property schedule	
Purchasing Decisions	Review decision-making for procurement of insurance	Develop options for inclusion of selected CCOs, and other entities, within insurance programme	Review of non-Council arranged insurance cover
	Continue to review placement strategy	Review council's limits of retentions and covers	Review and as appropriate implement Risk Financing Model structure
	Analysis of reserve fund to identify adverse trends and recurring themes	Consideration of alternative risk financing models	
	Continue to develop long term relationship with the Broker and Insurers		







# LONG-TERM PLAN 2024-2034 - PROGRAMME PLAN, AND RISK MANAGEMENT APPROACH

## Kōrero taunaki | Summary of considerations

### Purpose

1. To provide the Committee with information about the planning process for the Long-term Plan (LTP) 2024-34, including the assessed risks and the proposed assurance process.
2. We also discuss the role of the Audit and Risk Committee in the preparation of the LTP 2024-34.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
  - People friendly, compact, safe and accessible capital city
  - Innovative, inclusive and creative city
  - Dynamic and sustainable economy
- Strategic alignment with priority objective areas from Long-term Plan 2021–2031
- Functioning, resilient and reliable three waters infrastructure
  - Affordable, resilient and safe place to live
  - Safe, resilient and reliable core transport infrastructure network
  - Fit-for-purpose community, creative and cultural spaces
  - Accelerating zero-carbon and waste-free transition
  - Strong partnerships with mana whenua

Relevant Previous decisions

### Financial considerations

- Nil     
  Budgetary provision in Annual Plan / Long-term Plan     
  Unbudgeted \$X

3. Please summarise the funding or revenue implications and what the source of the funding is. Further detail can be outlined in the subsequent section “Financial Implications”. The development of the LTP is delivered through existing resources and budgets within the Council. Key budget items include engagement and consultation material and activity, specialist contract resource and Audit New Zealand’s fees.

### Risk

- Low     
  Medium     
  High     
  Extreme

4. Outline the overall level of risk, summarising the risk section from later in the paper. This report outlines the risk and assurance processes in managing the development of the 2024-34 Long-term Plan. The programme plan can be found in Attachment 1 to this report.

Authors	Andrea Reeves, LTP Lead Advisor Geoffrey Coe, Principal Advisor Corporate Planning Joy Volkerling, Senior Advisor, Planning & Reporting
Authoriser	Baz Kaufman, Manager Strategy and Research Stephen McArthur, Chief Strategy & Governance Officer

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## **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note the risk management and assurance approach for the preparation of the Long-term Plan 2024-34.

## **Whakarāpopoto | Executive Summary**

### **Long-term Plan 2024-34 (LTP) Programme Plan**

5. A programme of work has commenced to develop the Council's LTP. Seven workstreams have been setup to deliver this programme, overseen by an LTP Steering Group.
6. The primary objective of the programme of work is the production of a legally compliant (e.g. meets all content requirements) LTP for 2024-34 on time and that is balanced, strategically aligned, and can be used as a meaningful strategic management tool for the Council and the community.
7. Secondary goals of the programme (which are critical to ensuring the quality of the LTP) are:
  - a. Improving the quality of long-term planning practices across the Council's services and assets.
  - b. Continuing to improve the quality and level of engagement of Councillors and the public with key strategic challenges facing the city.

### **Long-term Plan 2024-34 (LTP) risks**

8. Given the scale and complexity of the LTP programme, and the interaction with a significant number of other planning and strategy work programmes, formal management of risks and issues is a key aspect of the programme management.
9. Regular workstream leadership meetings will review the risk plan to track actions and the status of all risks. Risk planning will involve identifying risks, how they interact with programme workstreams and deliverables, and assign responsibility for the management for risk communications and specific risk actions as required.
10. The programme will operate a formal risk management register signed off by the LTP steering group.
11. Risk planning has identified three high risks to date:
  - a. Capability and capacity limitations, which could result in programme deadlines not being met or not being met to the quality required.
  - b. The availability of reliable information about Let's Get Wellington Moving (LGWM) for inclusion in the LTP. Not having reliable information could compromise the quality of the underlying information on which the LTP is based and the overall purpose of the LTP (e.g. the LTP does not provide integrated decision-making and co-ordination of the resources of the Council).

- c. Uncertainties in respect of three waters reform arising because of political uncertainty, legislative change still progressing, and funding agreements yet to be negotiated. The lack of this information could compromise the quality of the underlying information on which the LTP is based and the overall purpose of the LTP (e.g. the LTP does not provide integrated decision-making and co-ordination of the resources of the Council).

### **Long-term Plan 2024-34 (LTP) assurance process**

- 12. To support the delivery of the LTP, controls and signoffs for key areas have been established.
- 13. A lot of the quality assurance for the LTP is informal and will take place as staff progress the work in their workstreams. Several internal and external quality assurance processes have been or will be put in place. This includes:
  - a) External peer review of documents, such as some asset management plans.
  - b) Legal advice for certain policies, for example, those supporting the rates setting process.
  - c) Having someone “stand-back” and look at the overall story the consultation document and the LTP tells. We will also look to have one or more end-users read a later draft of the consultation document and LTP for ease of understanding and clarity of message.

### **The role of the Audit and Risk Committee in the preparation of the LTP 2024-34.**

- 14. The Audit and Risk Committee’s role is to oversee the work of the Council in discharging its responsibilities in the areas of risk management, statutory reporting, internal and external audit and assurance, and monitoring of compliance with laws and regulations, including health and safety.
- 15. The LTP is a statutory reporting requirement, which requires external audit and assurance. Therefore, we consider that the Audit and Risk Committee has responsibility in;
  - a) Seeking assurance that the Council has an appropriate plan to meet its statutory obligations in preparing and adopting its LTP;
  - b) Oversee how the risks to the LTP preparation and the audit of the LTP are being managed.

### **Takenga mai | Background**

- 16. The LTP is a key statutory document for the Council, enabling the implementation of its strategic plans and identifying what people can expect over the next 10 years.
- 17. The Local Government Act 2002 (the Act) requires the Council to have an LTP adopted before the beginning of the first year to which it relates (1 July 2024) and utilise the special consultative procedure to adopt its LTP.
- 18. Section 94 of the Act requires the LTP to be audited by, and contain a report from, the Auditor-General. To deliver an LTP that achieves an unqualified audit opinion, it is critical for the Council to ensure that:
  - a. LTP processes are robust;

- b. information and assumptions contained in the LTP are reasonable;
- c. any risks associated with the LTP process are minimised; and
- d. the LTP meets the requirements of all relevant legal requirements, including those set out in the Act.

## **Kōrerorero | Discussion**

### **Long-term Plan 2024-34 (LTP) Programme Plan**

- 19. A programme of work has commenced to develop the Council's LTP. Appendix 1 is a copy of the programme plan for the development of the 2024-34 LTP.
- 20. Clear roles and responsibilities have been allocated to various work-streams (see below) who report to the LTP Steering Group.<sup>2</sup> Membership of this group consists of senior and executive managers from Strategy and Governance, Finance and Business, Corporate Planning and Reporting team, and Infrastructure team.



- 21. The LTP Steering Group is chaired by the Chief Strategy and Governance Officer and includes key ELT members with the necessary delegated authority to make key decisions that will impact the process and accountability of:
  - a. monitoring the strategic direction of the programme and ensure ongoing alignment with council priorities
  - b. understanding and supporting the programme objectives, process and deliverables
  - c. checking that all significant project risks have been identified and are being actively managed.
- 22. The workstream leads and LTP Steering Group will meet regularly to track progress and respond to issues.
- 23. Elected members are part of the process at the outset, in the form of committee meetings and workshops with the Long-Term Plan, Finance and Performance Committee.
- 24. The primary objective of the programme of work is the production of a legally compliant (e.g. meets all content requirements) LTP for 2024-34 on time and that is balanced, strategically aligned, and can be used as a meaningful strategic management tool for the Council and the community.

<sup>2</sup> During programme planning it was agreed that there was a need to also consider corporate wide base assumptions early in the programme and set out an approach for assumptions to be identified, agreed, and updated. This is effectively an eighth workstream.

25. Secondary goals of the programme (which are critical to ensuring the quality of the LTP) are:
26. Improving the quality of long-term planning practices across the Council's services and assets.
27. Continuing to improve the quality and level of engagement of Councillors and the public with key strategic challenges facing the city.
28. A high-level draft roadmap has been developed that sets out the intended path of the entire LTP process.
29. The key dates from this draft roadmap are as follows:

Phase	Meeting/Milestone	Date
<b>Setting our vision</b>	<b>LTP F&amp;P Committee:</b> Strategic settings agreed with Council	8 March 2023
	Engagement on outcomes and priorities	March-May 2023
	<b>LTP F&amp;P Committee:</b> Outcomes and priorities agreed	31 May 2023
	<b>Councillor Workshop:</b> Rates Review	10 May 2023
	<b>Councillor Workshop:</b> LTP consultation issues/projects	23 May 2023
	<b>Councillor Workshop:</b> Rates Review/Financial Strategy	6 June 2023
<b>Building the Plan</b>	Draft Asset and Activity Management Plans Due	July 2023
	Councillor Workshop: Level of Service Challenges and options	September 2023
<b>Facing Trade-offs</b>	Consultation options, impacts and costs are identified	December 2023
	Consultation deliberations	March 2024
	Consultation	April- May 2024
<b>Adopting our Plan</b>	Adoption of Long-term Plan	June 2024

30. The first (current) phase involves working with elected members to set the direction for long-term planning. This will involve review of community outcomes, priorities, and the strategic financial and infrastructure settings.
31. The second phase of "building the plan" is the detailed planning undertaken across the business to update asset and activity management plans, develop service options and investment options, including Elected Member review of the outcome of this work for each activity grouping of Council. This phase will occur between March and November.
32. During December to February 2024 Council decision making processes will take place. This is when individual LTP components and activity groupings are brought together in a cohesive all of Council view. Council will agree on key elements of the plan and set the proposals to be taken to the community for consultation.
33. Finally, adopting the plan involves consideration of community feedback on consultation and final decision making and adoption of the 2024 LTP by 30 June.  
**Long-term Plan 2024-34 (LTP) risks**
34. Risks and issues will be recorded in the internal LTP risk and issues register and mitigating actions will be coordinated through LTP governance and programme management. Highly

significant risks will also be recorded and followed up via the Enterprise Top Risk Register and risk mitigation process.

35. Risk planning has identified three high risks to date:

a) Capability and capacity limitations, which could result in programme deadlines not being met or not being met to the quality required.

b) The availability of information about Let's Get Wellington Moving (LGWM) for inclusion in the LTP given concurrent planning processes. Not having reliable information could compromise the quality of the underlying information on which the LTP is based and the overall purpose of the LTP (e.g. the LTP does not provide integrated decision-making and co-ordination of the resources of the Council).

c) Uncertainties in respect of three waters reform arising because of political uncertainty, legislative change still progressing, and funding agreements yet to be negotiated. The lack of this information could compromise the quality of the underlying information on which the LTP is based and the overall purpose of the LTP (e.g. the LTP does not provide integrated decision-making and co-ordination of the resources of the Council).

36. Significant risks have mitigation actions in place (largely through the application of project management disciplines), there are also agreed review cycles for significant risks where high levels of uncertainty prevent definitive mitigations being put in place.

37. Any substantial risks or issues will be escalated to the Executive Leadership Team by the LTP Steering Group.

38. We will work closely with Audit New Zealand to ensure that the scope of assurance reflects the work that they will be performing when they audit the LTP. By doing this work in advance of the external audit, we will be in a position to identify any issues early and address them prior to the external audit visits during the LTP preparation.

**Long-term Plan 2024-2034 (LTP) assurance process**

39. To support the delivery of the LTP, controls and signoffs for key areas have been established. The following table provides a summary of controls and sign-offs for key areas of the LTP:

Area	Key controls and sign-offs
<p><b>a) Programme management and governance</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Clear roles and responsibilities have been allocated to various work-streams who report to the LTP steering group.</li> <li><input type="checkbox"/> The workstream leads and LTP steering group will meet regularly to track progress and respond to issues.</li> <li><input type="checkbox"/> Risks and issues will be recorded in the internal LTP risk and issues register and mitigating actions will be coordinated through LTP governance and programme management.</li> <li><input type="checkbox"/> The LTP steering group monitors LTP alignment with council priorities and ensures that significant risks are being actively managed.</li> <li><input type="checkbox"/> Councillors will be engaged throughout the LTP process so late</li> </ul>

Area	Key controls and sign-offs
	surprises or risks to adoption are minimised.
<b>b) Asset management plans (AMPS)</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Template developed for consistent and quality delivery of asset management plans.</li> <li><input type="checkbox"/> Improvement plans – third party review of maturity of improvement planning.</li> <li><input type="checkbox"/> SAMP produced to ensure consistent approach and response to general assumptions.</li> <li><input type="checkbox"/> External peer review of land transport asset management plan</li> </ul>
<b>c) Infrastructure Investment</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Mitigate risks of uncoordinated planning by areas working together in one workstream on an integrated programme of infrastructure provision.</li> <li><input type="checkbox"/> Engagement with community and stakeholders on scenario trade-offs and decisions.</li> </ul>
<b>d) Levels of service and performance measures/ performance targets</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Validate existing measure set for relevancy, meaningful targets and robust reporting methodology.</li> <li><input type="checkbox"/> Following approval of budgets, performance targets will be realigned and signed-off by activity managers to ensure that the planned services are consistent with available funding.</li> </ul>
<b>e) Key alignment and linkages</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Key steps will be taken to ensure that financial and non-financial information included in the LTP is consistent with council's strategies, policies and assumptions. Steps include: <ul style="list-style-type: none"> <li><input type="checkbox"/> review and sign-off by activity managers that key plans and policies are adequately applied</li> <li><input type="checkbox"/> review of consistency of assumptions with key plans and policies in the development of the underlying information</li> <li><input type="checkbox"/> review and sign-off whether information on capital expenditure included in the funding impact statements is consistent with underlying asset information</li> <li><input type="checkbox"/> review to ensure linkages between community outcomes, LTP measures and AMP performance information.</li> </ul> </li> <li><input type="checkbox"/> Appropriate managers from Council will review and sign-off whether information included for each group of activities has been incorporated into the underlying information.</li> </ul>
<b>f) Assumptions</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure assumptions are complete, reasonable and supportable, including <ul style="list-style-type: none"> <li><input type="checkbox"/> review assumptions against Local Government Act 2002 and Taituarā guidance to identify mandatory and recommended assumptions.</li> <li><input type="checkbox"/> identify council specific assumptions based on a documented risk assessment, e.g. central government funding for transport.</li> <li><input type="checkbox"/> support assumptions by way of reference to external</li> </ul> </li> </ul>

Area	Key controls and sign-offs
	<p>supporting documentation where practical.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Sign-off of budget submissions by business financial managers to confirm consistent application of assumptions.</li> <li><input type="checkbox"/> Have someone review the LTP and ensure that assumptions are consistently applied across LTP.</li> </ul>
<b>g) Accounting standards</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Document review against accounting standard FRS-42 Prospective financial statements as well as Taituarā guidance.</li> <li><input type="checkbox"/> Peer review of financials by Financial Control team to ensure compliance with accounting standards and the accounting policies are consistent with those in the last audited annual report and those expected to be used for subsequent reporting.</li> </ul>
<b>h) Financial model and data</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Monitor built-in checks in model of treasury ratios, prudential benchmarks and the balanced budget requirement.</li> <li><input type="checkbox"/> Complete a data integrity review to ensure that the financial model agrees to underlying information.</li> <li><input type="checkbox"/> Review the financial model against significant commitments, policies and strategies e.g. LGWM, Financial Strategy, Infrastructure Strategy.</li> </ul>
<b>i) Legal Review</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Sign off by the General Counsel on compliance with the requirements for an LTP in relevant legislation.</li> <li><input type="checkbox"/> Legal support and guidance will be obtained as required during the LTP preparation and consultation process.</li> </ul>
<b>j) Prudent financial management</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Financial scenarios presented to elected members will illustrate the impact of different scenarios on rates and debt levels in the short and long term.</li> <li><input type="checkbox"/> Final published documents will include assessment of council's borrowing against its prescribed limits and of its operating budget through a prescribed Balanced Budget Benchmark.</li> </ul>

**The role of the Audit and Risk Committee in the preparation of the LTP 2024-34.**

40. The Audit and Risk Committee's role is to oversee the work of the Council in discharging its responsibilities in the areas of risk management, statutory reporting, internal and external audit and assurance, and monitoring of compliance with laws and regulations, including health and safety.
41. The LTP is a statutory reporting requirement, which requires external audit and assurance. Therefore, we consider that the Audit and Risk Committee has responsibility in;
  - a) Seeking assurance that the Council has an appropriate plan to meet its statutory obligations in preparing and adopting its LTP;



- b) Oversee how the risks to the LTP preparation and the audit of the LTP are being managed.
42. The forward agenda for the Committee includes regular agenda items related to the Long-term Plan development. This includes overview of Asset Management Planning assurance practices, Audit New Zealand’s assurance plan for the programme and review of LTP significant forecasting assumptions.

**Ngā mahinga e whai ake nei | Next actions**

43. The LTP programme will continue in line with the management and assurance plan outlined in this report, including the ongoing review and management of programme risks.
44. Officers will report back to this committee on: Asset Management Planning, assumptions, and Audit New Zealand plan at a later stage of the LTP in line with the committee’s forward programme.

**Attachments**

Attachment 1. LTP Programme Plan [!\[\]\(c3d993ca47bfe2a953c700506ce31fa0\_img.jpg\) !\[\]\(c468cde8f04e2e2a6ba3c2a373e05c45\_img.jpg\)](#)

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## 2024-34 Long-Term Plan Programme Plan

Current version	Date	By whom	Document activity
1.0			First draft





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# Introduction and Context

## Introduction

The Long-Term Plan (LTP) is a key planning document of Council and also a key mechanism for engaging with the community about the future of the city and council services.

The purpose of an LTP is to:

- describe the activities of the local authority; and
- describe the community outcomes of the local authority's district or region; and
- provide integrated decision-making and co-ordination of the resources of the local authority; and
- provide a long-term focus for the decisions and activities of the local authority; and
- provide a basis for accountability of the local authority to the community.

An LTP draws upon a wide array of information, both about the current state of affairs within the community, the Council and its assets and future expectations/ intentions. Therefore, the preparation of an LTP is a complex task.

There are significant legislative requirements in preparing and presenting an LTP and its associated consultation document, including the audit of both documents.

The LTP is also the main legacy of a Council's term in office and therefore grounded in the needs, aspirations of the community and ability to pay.

## Context

The local government sector and the Council are currently facing significant change that need to be considered in preparing the 2024-34 LTP, including:

- Significant reform, including three waters reform, resource management reform and a future for Local Government review
- Consideration of how the City plans for growth of 50,000 to 80,000 new residents in the next 30 years. Particularly, when many infrastructure assets are ageing.
- How the Council refocuses its resilience efforts in response to the evolving natural environment
- Supporting the local economy, including housing and safety; and
- Addressing funding challenges presented by the above when the Council's debt is approaching its set limits.

## Purpose

This programme plan outlines how the preparation of the 2024-34 LTP will be managed, executed, and controlled.



## Objectives

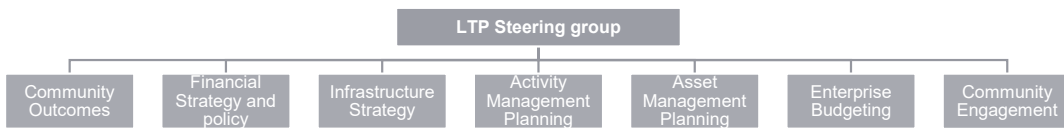
The primary objective of the programme is the production of a legally compliant (e.g. meets all content requirements) LTP for 2024-34 on time and that is balanced, strategically aligned, and can be used as a meaningful strategic management tool for the Council and the community.

Secondary goals of the programme (which will be critical to ensuring the quality of the LTP) are:

- Improving the quality of long-term planning practices across the Council's services and assets.
- Continuing to improve the quality and level of engagement of Councillors and the public with key strategic challenges facing the city.

## Approach

The overall 2024 LTP programme consists of seven workstreams (see below). During programme planning it was agreed that there was a need to also consider corporate wide base assumptions early in the programme and set out an approach for assumptions to be identified, agreed, and updated. This is effectively an eighth workstream.



A project lead has been established for each workstream and they are responsible for delivering the work within their agreed workstream planning. The steering group will receive periodic reporting about the progress against deliverables within the workstreams.

Each of the workstreams set the scene and produce the key inputs and documents that form the basis of the LTP.

Work is also required under this programme to:

- Prepare any other information required for disclosure in the LTP. For example, an explanation of any significant variation between the proposals in the LTP and any assessment of water and sanitary services and waste management plans
- Co-ordinate final decision-making with elected members in respect of the matters for inclusion in the proposed 2024-34 LTP.
- Co-ordinate final decisions by Council.
- Update inputs and documents for any decisions made by Council.
- Adoption (by 30 June 2023), publication and communication (including key LTP decisions) of a final LTP.



## Success

The Local Government Act 2002 defines the timing and minimum content requirements of the LTP.

### **Best practice (Taituarā)**

Taituarā best practice guidance will be the baseline benchmark by which the 2024-34 LTP is structured and developed. This does not preclude LTP process and content tailoring based on the needs and issues relevant to the Council.

## Constraints

### **Staff capacity**

The key constraint will be the capacity of staff within the Council to engage in long-term planning alongside delivery of BAU and annual planning. Given the 2021 LTP has only recently been completed staff will be focused on delivery against that existing LTP. This will constrain the programme's ability to draw on staff to undertake any significant levels of new long-term service or asset planning.

### **Availability of data**

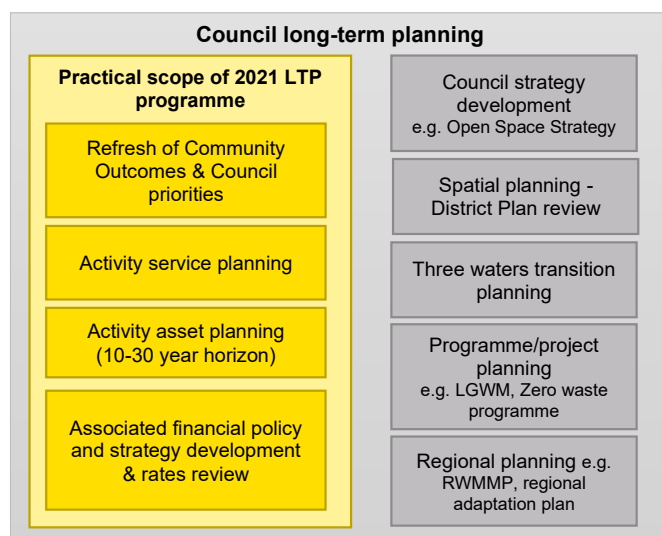
It is likely that there will be limitations in the availability or the reliability of financial and non-financial information. This will mean that planning will need to be undertaken based on incomplete information on matters including the financial costs of key programmes and the levels and efficiency of council services. The programme will need to find ways to support decision makers to set plans in the absence of definitive data.

### **Availability of other programme information**

The timing of the LTP process will also not align completely with other planning activity underway, for example around the three waters reform programme or LGWM. As a result, decisions on the long-term plan may need to be made based on assumptions around these key external programmes of work and their impacts on Council services and budget.

## Dependencies

The 2024-34 LTP programme will set the Council's long-term strategic direction, service delivery activities, investment in city development programme and assets, operating budgets, levels of service etc. There are, however, several other longer-term activities / projects occurring within and outside of the Council that the LTP work programme is dependent on but are not directly part of any particular LTP



workstream. These as shown in grey in figure 1 and are outside the 'practical scope' of the LTP work programme. The LTP programme will however be informed by these projects / activities.

**Key dependencies**

**Three waters reform** – WCC has a dedicated team managing the transition arrangements for three waters in line with the government's reform programme. The planning on the transition of three waters will need to be represented through into the 2024 LTP.

**LGWM** – LGWM programme is a joint programme of work with GWRC and NZTA, it has significant impacts into all aspects of WCC long-term planning and as such will need to be closely integrated into the LTP programme of work.

**District Plan** – The proposed district plan will be being confirmed concurrently to the 2024 LTP programme of work. While the 2024 LTP will be planned based on the PDP, changes to the plan through the district plan process will need to be incorporated into the 2024 LTP.

**Regional planning activity** – There are a range of regional planning exercises underway over the duration of the 2024 LTP programme, each of which will need to be mapped into the LTP decision making process. These include the review of the RWMMP and the development of regional adaptation plan.

**Internal business case/planning work** – a number of business cases are being prepared internally that will need to map into the LTP decision making process. These pieces of work are not in scope of workstreams within the LTP programme but do need to align to the LTP programme timeline and priorities. Examples include the green network plan, parks and open space investment plan, venues review, community facilities network plan.

**System improvements** – improvements to budgeting and asset management systems are out of scope of the LTP programme of work but are key dependencies in lifting the maturity of organisational planning and enabling an effective LTP planning process.

For further detail on the management of dependencies refer to the stakeholder management section of this plan.





# Phases and key deliverables

## Phases

The LTP programme will move through four main phases of work as outlined in the diagram to the right.

The first phase involves working with elected members to set the direction for long-term planning. This will involve review of community outcomes, priorities and the strategic financial and infrastructure settings.

The second phase of building the plan is the detailed planning undertaken across the business to update asset and activity management plans, develop service options and investment options, including Elected Member review of the outcome of this work for each activity grouping of Council.

The facing trade-offs phase of the programme involves key Council decision making processes where individual LTP components and activity groupings are brought together in a cohesive all of Council view. Council will agree on key elements of the plan and set the proposals to be taken to the community for consultation.

Finally, adopting the plan involves consideration of community feedback on consultation and final decision making and adoption of the 2024 LTP by 30 June.



## Key deliverables

There are seven workstreams within the Programme. The table below outlines the workstreams and their key deliverables.

Workstream & description	Key deliverables	Workstream Lead (L) and resourcing
<b>Community Outcomes</b> Outcomes and priorities provide a process through which existing outcomes and priorities will be considered and revised to set the strategic direction for the next 10 years and guide investment choices for the 2024 LTP	<ul style="list-style-type: none"> <li>Context Workshops</li> <li>Draft outcomes and priorities</li> </ul>	Baz Kaufman, Kerryn Merriman (Joint)
<b>Asset management planning</b> Update asset management plans including capital budgets outlining levels of service, investment requirements and risks. Contributes to the development of the finance and infrastructure strategy	<ul style="list-style-type: none"> <li>Full Asset/Activity Management Plans</li> </ul>	Rob Ashley (L) Supporting : AMP Working Group / Risk and Assurance



<p><b>Infrastructure Strategy</b> Update Infrastructure Strategy to guide investment decisions.</p>	<ul style="list-style-type: none"> <li>• Infrastructure strategy</li> </ul>	<p>Baz Kaufman, Kerry Merriman (Joint)</p>
<p><b>Activity Management Planning</b> Produce activity management plans outlining levels of service for non-asset activities, risks and challenges and investment requirements. Includes info capture on cost efficiency and FTE position across activities</p>	<ul style="list-style-type: none"> <li>• Activity Group summaries and KPI framework and targets</li> </ul>	<p>Geoffrey Coe (L) Geoffrey Coe/Matthew Deng (Joint)</p>
<p><b>Enterprise budgeting</b> LTP business cases for the LTP Capex and Opex budgets Development of financial statements and FIS are a key activity within the workstream</p>	<ul style="list-style-type: none"> <li>• 30 year Budget (with forecasts)</li> <li>• Forecast Financial statements</li> <li>• Funding Impact Statements</li> </ul>	<p>Kirralee Mahoney (L) Policy team (support)</p>
<p><b>Financial Strategy and Policy</b> Review of relevant policies. Policies include: Revenue and Financing Policy (fees and charges); DC policy, and any other Financial Policies</p>	<ul style="list-style-type: none"> <li>• Revenue and Financing</li> <li>• Development Contributions</li> <li>• Investment and Liabilities</li> <li>• Rates remission</li> <li>• Rates Postponement</li> </ul>	<p>Andrea Reeves (L) Policy team (support)</p>
<p><b>Community engagement</b> Development and management of an engagement strategy for the programme and management of production and management of consultation document &amp; process Review of Māori capacity to contribute towards decisions making is a key activity within the workstream</p>	<ul style="list-style-type: none"> <li>• Community engagement plan</li> <li>• Engagement community activities</li> <li>• Consultation Document</li> </ul>	<p>Lloyd Jowsey/Amy Jackman (Joint) Supporting : Comms &amp; Engagement team</p>



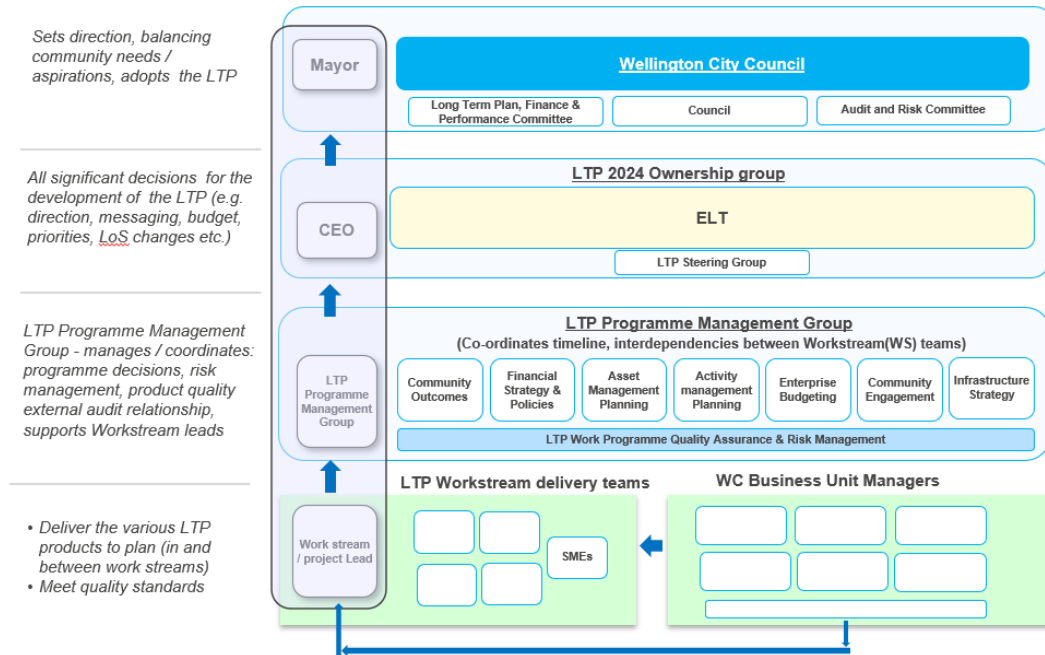
## Key Milestones



# Programme Organisation

## Programme structure, ownership and decision making

### 2024 LTP Governance, Programme Management and Delivery Framework



The LTP attracts three categories of decisions i.e.:

- Decisions to adopt LTP products;
- Decisions that direct the development of programme content e.g. direction setting, strategy development, priorities, budgeting framework; and
- Decisions that facilitate the effective operation of the core LTP work programme i.e. resourcing, process, the quality of the information used and final deliverables.

Role	Responsibilities	Approving /adopting LTP products	Directing programme content	Effective programme delivery / operation
<b>Council</b>	Final approval of all LTP components and the formal adoption of the LTP consultation document and final LTP	✓		
<b>LTP/AP Committee</b>	Review key LTP components and recommend to Council decisions on the final shape of the LTP consultation document, LTP and its adoption	✓	✓	
<b>CEO &amp; ELT</b>	CEO is the internal owner of the LTP and through ELT provides collective direction and guidance on critical components, and at critical decision points.		✓	



Role	Responsibilities	Approving /adopting LTP products	Directing programme content	Effective programme delivery / operation
<b>LTP steering group</b>	Co-ordinates the delivery of the agreed work programme, direct resources to the completion of necessary tasks within members' respective areas of operation, and provide guidance on the resolution of operational matters that may arise during the course of the project.		✓	✓
<b>Workstream leads</b>	To assist the LTP steering group through the management of delivery of workstream deliverables and provide regular project status reports to the LTP steering group.			✓

## Programme Management

### Programme Sponsor

The Programme Sponsor is the Chief Strategy & Governance Officer (Stephen McArthur). The project sponsor has overall accountability for delivery of the LTP and programme objectives. Roles include:

- Provides business context, expertise, and guidance to the programme manager and the team;
- Champions the project, including “selling” and marketing it throughout the organisation to ensure capacity, funding, and priority for the LTP;
- Acts as an escalation point for decisions and issues that are beyond the authority of the programme manager; and
- Acts as the link between the project, the Executive Team, and Elected Members.

### Programme Steering Group

Overall LTP programme management is overseen by the LTP steering group. They are the primary interface between the LTP workstream leads and are responsible for the management of the deliverable timeline, risks to the timeline, and management of dependencies.

Within this approach, to avoid significant rework towards the end of the LTP – particularly budget processes - it will be important that there is:

- early and proactive management of staff expectations with consistent messaging being paramount - particularly if there is a challenging budget starting position
- early agreement of LTP priorities with the Mayor; and
- Directors providing leadership and set expectations within their directorates key gateway in determining which business cases go forward to ELT and communicating final decisions on business cases.



### ***LTP steering group membership***

The LTP steering group is made up from the following members:

- |                                       |                          |
|---------------------------------------|--------------------------|
| • Chief Strategy & Governance Officer | Stephen McArthur (Chair) |
| • Chief Financial Officer             | Sara Hay                 |
| • Chief Infrastructure Officer        | Siobhan Procter          |
| • Chief Planning Officer              | Liam Hodgetts            |
| • Manager Strategy Policy & Research  | Baz Kaufman              |
| • Manager Financial Planning & Policy | Richard Marshall         |
| • General Counsel                     | Beth Keightley           |

A quorum of three members is required for decision making. The terms of reference for the LTP steering group is included as Appendix 2.

### ***LTP steering group meetings***

The LTP steering group will operate with formal agenda and minutes and work in accordance with the agreed LTP timelines. It will take responsibility for the LTP schedule and risk and issue register. Workstream leads are responsible for identifying, managing and communicating specific workstream issues and risks to the LTP steering group.

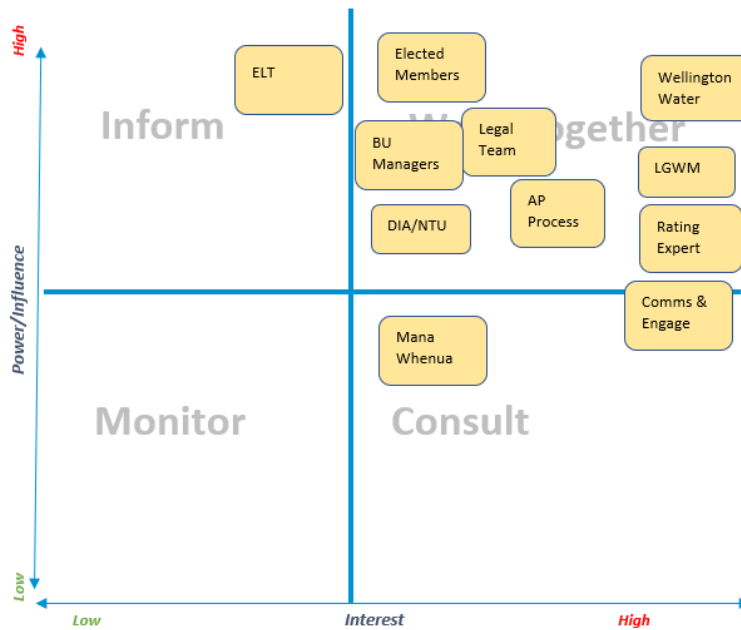
The LTP steering group meeting will provide reports on progress to the ELT alongside ELT reporting around key programme deliverables. A decision register will be used to record and track follow-on LTP actions.

## **Stakeholder management**

Given the scale and complexity of the Long-term Plan programme, and the interaction with a significant number of other planning and strategy work programmes, formal management of stakeholder relations is a key aspect of programme management.

The programme will operate a formal stakeholder management register signed off by the steering group. Regular workstream leadership meetings will review the stakeholder plan to track actions and the health of relationships. Stakeholder planning will involve identifying key stakeholder dependencies, how they interact with programme workstreams and deliverables, and assign responsibility for the management for stakeholder communications and specific stakeholder actions as required. The diagram below summaries key stakeholders identified in the initial stages of programme planning (noting that a 'live' stakeholder register will be reviewed and updated during the life of the programme).





Stakeholder Management (Present – February 2023)

# Programme Budget

## Resourcing

Detailed workstream costs and resources will be confirmed within each workstream plan. Programme costs are anticipated to be able to be met within baseline team budgets. The core LTP programme delivery and leadership capability are sourced from the Planning and Reporting and Finance teams. However additional capacity and capability will be required to support deliverables at different stages of the work programme. Key pressure points will include community engagement, document development, business planning and financial planning and budgeting.

## Programme cost

The main costs for the delivery of the LTP are expected to be:

- Additional resource at various stages of the LTP development programme
- Community engagement
- LTP document development, design and production; and
- External Audit.

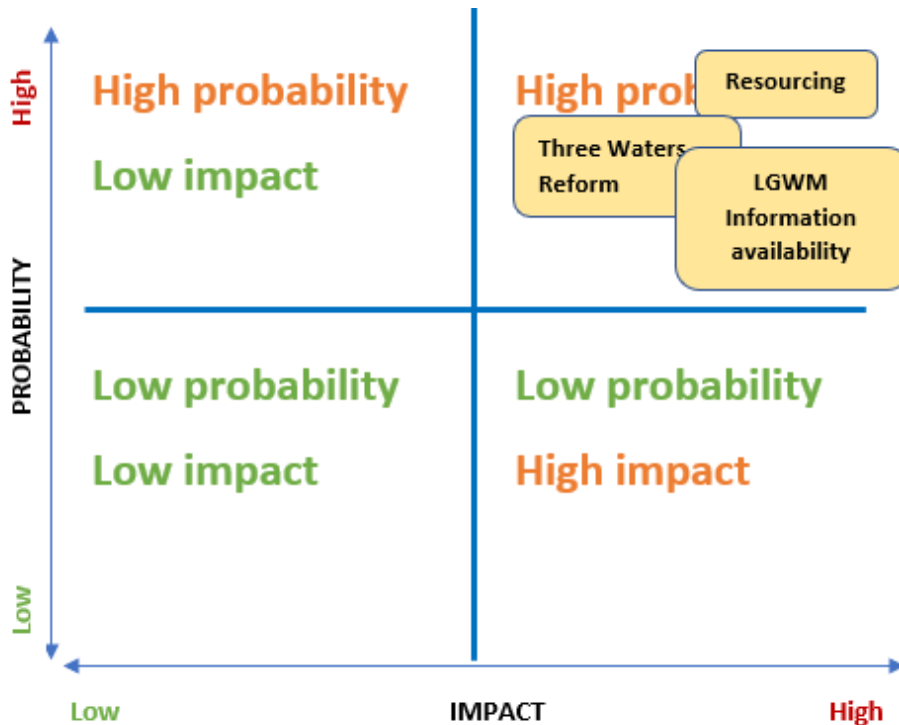
Resource and budget issues will be overseen by the LTP steering group.



## Risks and Issues

Given the scale and complexity of the Long-term Plan programme, and the interaction with a significant number of other planning and strategy work programmes, formal management of risks and issues is a key aspect of programme management.

The programme will operate a formal risk management register signed off by the steering group. Regular workstream leadership meetings will review the risk plan to track actions and the status of those items. Risk planning will involve identifying risks, how they interact with programme workstreams and deliverables, and assign responsibility for the management for risk communications and specific risk actions as required. The diagram below summarises key risks identified in the initial stages of programme planning (noting that a 'live' risk register will be reviewed and updated during the life of the programme).



Name	Description
Resourcing	LTP process will be complex with demand for specialist skill sets not previously required in LTPs including rating, funding and financing and financial modelling  Not having the right technical skill sets will reduce the quality of planning.  There are also capacity risks in workstreams where a high volume of work is required to meet deadlines, including pinch points at certain points in the process, particularly where there is conflict with BAU business processes (such as Annual Plan and year end reporting)





<b>LGWM information availability</b>	If LGWM information/assumptions are not available in time, then there will be significant gaps in our planning. This will impact the ability for Elected Members to make decisions and compromise the quality of underpinning assumptions.
<b>Three waters reform</b>	<p>If three waters reform does not progress as assumed, then three waters investments may need to be included in our LTP. This would be highly disruptive to the LTP process and impact other investment choices</p> <p>There is also significant uncertainty on the nature of three waters transition, including the financial impacts of transition and the scope of transitioning activities. Late changes to financial modelling of three waters could be significantly disruptive to the LTP process and decision making.</p>

## Quality Assurance

To deliver an LTP that meets the needs of the Council and the community, and achieves an unqualified audit opinion, it is critical for the Council to ensure that:

- processes are robust;
- information contained in the LTP is materially complete and reliable;
- any risks associated with the LTP process are minimised; and
- the LTP complies with the statutory requirements for a long-term plan, including those set out in the Local Government Act 2002.

A lot of the quality assurance is informal and will take place as staff progress the work in their workstreams. Several internal and external quality assurance processes have been or will be put in place. This includes:

- External peer review of documents, such as some asset management plans.
- Legal advice for certain policies, for example, those supporting the rates setting process.
- Having someone “stand-back” and look at the overall story the consultation document and the LTP tells. We will also look to have one or more end-users read a later draft of the consultation document and LTP for ease of understanding and clarity of message.



## Appendices

### Appendix 1: Quality Assurance

In order to support the delivery of the LTP, controls and sign-offs for key areas have been established as outlined in the table below.

Area	Key controls and signoff
Programme management and governance (Lead: Baz Kaufman)	<ul style="list-style-type: none"> <li>• Clear roles and responsibilities have been allocated to various workstreams who report to the LTP steering group.</li> <li>• The workstream leads and LTP steering group will meet regularly to track progress and respond to issues.</li> <li>• Risks and issues will be recorded in the internal LTP risk and issues register and mitigating actions will be coordinated through LTP governance and programme management.</li> <li>• The LTP steering group monitors LTP alignment with council priorities and ensures that significant risks are being actively managed.</li> <li>• Councillors will be engaged throughout the LTP process so late surprises or risks to adoption are minimised.</li> </ul>
Asset management plans (Lead: Rob Ashley)	<ul style="list-style-type: none"> <li>• Template developed for consistent and quality delivery of asset management plans.</li> <li>• Improvement plans – third party review of maturity of improvement planning.</li> <li>• SAMP produced to ensure consistent approach and response to general assumptions.</li> <li>• External peer review of land transport asset management plan.</li> </ul>
Infrastructure Investment (Lead: Baz Kaufman/Kerryn Merriman)	<ul style="list-style-type: none"> <li>• Mitigate risks of uncoordinated planning by areas working together in one workstream on an integrated programme of infrastructure provision.</li> <li>• Engagement with community and stakeholders on scenario trade-offs and decisions.</li> </ul>
Levels of service and performance measures/ performance targets (Lead: Geoffrey Coe)	<ul style="list-style-type: none"> <li>• Validate existing measure set for relevancy, meaningful targets and robust reporting methodology.</li> <li>• Following approval of budgets, performance targets will be realigned and signed-off by activity managers to ensure that the planned services are consistent with available funding.</li> </ul>
Key alignment and linkages (Lead: Geoffrey Coe)	<ul style="list-style-type: none"> <li>• Key steps will be taken to ensure that financial and non-financial information included in the LTP is consistent with council's strategies, policies and assumptions. Steps include: <ul style="list-style-type: none"> <li>○ review and sign-off by activity managers that key plans and policies are adequately applied</li> <li>○ review of consistency of assumptions with key plans and policies in the development of the underlying information</li> <li>○ review and sign-off whether information on capital expenditure included in the funding impact statements is consistent with underlying asset information</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ review to ensure linkages between community outcomes, LTP measures and AMP performance information.</li> <li>● Appropriate managers from Council will review and sign-off whether information included for each group of activities has been incorporated into the underlying information.</li> </ul>
Assumptions (Lead: Geoffrey Coe)	<ul style="list-style-type: none"> <li>● Ensure assumptions are complete, reasonable and supportable, including <ul style="list-style-type: none"> <li>○ review assumptions against Local Government Act 2002 and Taituarā guidance to identify mandatory and recommended assumptions.</li> <li>○ identify council specific assumptions based on a documented risk assessment, e.g. central government funding for transport.</li> <li>○ support assumptions by way of reference to external supporting documentation where practical.</li> </ul> </li> <li>● Sign-off of budget submissions by business financial managers to confirm consistent application of assumptions.</li> <li>● Have someone review the LTP and ensure that assumptions are consistently applied across LTP.</li> </ul>
Accounting standards (Lead: Kirralee Mahoney)	<ul style="list-style-type: none"> <li>● Document review against accounting standard FRS-42 Prospective financial statements as well as Taituarā guidance.</li> <li>● Peer review of financials by Financial Control team to ensure compliance with accounting standards and the accounting policies are consistent with those in the last audited annual report and those expected to be used for subsequent reporting.</li> </ul>
Financial model and data (Lead: Kirralee Mahoney)	<ul style="list-style-type: none"> <li>● Monitor built-in checks in model of treasury ratios, prudential benchmarks and the balanced budget requirement.</li> <li>● Complete a data integrity review to ensure that the financial model agrees to underlying information.</li> <li>● Review the financial model against significant commitments, policies and strategies e.g. LGWM, Financial Strategy, Infrastructure Strategy.</li> </ul>
Prudent financial management (Lead: Andrea Reeves)	<ul style="list-style-type: none"> <li>● Financial scenarios presented to elected members will illustrate the impact of different scenarios on rates and debt levels in the short and long term.</li> <li>● Final published documents will include assessment of council's borrowing against its prescribed limits and of its operating budget through a prescribed Balanced Budget Benchmark.</li> </ul>
Legal review (Lead: Beth Keightley)	<ul style="list-style-type: none"> <li>● Sign off by the General Counsel on compliance with the requirements for an LTP in relevant legislation.</li> <li>● Legal support and guidance will be obtained as required during the LTP preparation and consultation process.</li> </ul>



## Appendix 2: Terms of Reference for a Long-Term Planning Steering Group

### Purpose

To ensure coordinated dependency management of the key pieces of work that will lead to amendment of the 2021-31 Long-Term Plan, including coordination of the consultation and decision-making processes for those amendments.

This will involve:

- Agreeing, in consultation with relevant decision bodies, an overarching schedule for the work in scope to feed into development of the 2024 Long-Term Plan or earlier amendments as necessary;
- Approving project plans for individual pieces of work where other governance structures are not available; and
- Monitoring and approval of variations of that schedule and approved project plans.

**Note** that this group does not exercise decision making rights over these individual pieces of work and has no budget. It provides oversight and an escalation path for risks and issues to be raised with the relevant decision bodies.

### Scope

Oversight of the following pieces of work.

Work item	Scope relevant to steering group	Lead
LTP programme	Governance group for specific LTP deliverables e.g. development of Finance and Infrastructure Strategy	Baz Kaufman
Establishing planning for growth investment requirements for three-waters and other infrastructure	Monitoring that growth investment requirements are being identified for infrastructure	Vida Christeller
LGWM option development	Monitoring of consultation and approval process in context of other LTP amendments	Moana Mackey
Community Infrastructure review	Governance group for project	Kristine Ford
Three waters reform and local government reform	Watching brief	Siobhan Procter
Social Housing funding options	Consultation timing – coordination with LTP amendment	Katherine Meerman
Strategic Activity Planning	Governance group for project	Baz Kaufman
Asset Management Planning	Timeline for improvements to asset planning, particularly activity to address current LTP qualification	Siobhan Procter
Development Contribution policy review	Governance group for project	Sara Hay

### Membership

Name	Role	Nature of attendance
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Stephen McArthur	Chief Strategy and Governance Officer	Chair
Sara Hay	Chief Financial Officer	Member
Liam Hodgetts	Chief Planning Officer	Member
Siobhan Procter	Chief Infrastructure Officer	Member
Beth Keightley	General Counsel	Member
Baz Kaufman	Manager, Strategy, Policy and Research	Member
Richard Marshall	Manager, Financial Planning and Policy	Member
Lloyd Jowsey/Geoffrey Coe	Planning and Reporting	Support/secretariate

**Quorum**

Three members of the group need to be in attendance, substitutions only by agreement of the Chair.

**Meetings**

The group will meet at least monthly but may meet more frequently as required

**Meeting format**

The Planning and Reporting team will coordinate the agenda for the steering group, the basis of the meeting being a status report compiled by Planning and Reporting in coordination with the leads for each piece of work. Leads for pieces of work will attend where requested by the steering group and/or when their work is flagged as at risk through reporting.

**Reporting**

The steering group will report progress on the long-term planning programme quarterly to the Pūrora Maherehere - Annual Plan/Long-Term Plan Committee.





# MATURITY IN PROJECT MANAGEMENT ACROSS COUNCIL - UPDATE

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides an update on the continuing steps to improve maturity of the project management profession and practices across council and addressing the recommendations from Audit NZ and Outcome Insights reports.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

#### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

#### Relevant Previous decisions

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

2. There are no financial considerations associated with this paper.

### Risk

- Low       Medium       High       Extreme

3. This paper supports risk management and governance practice by providing Unaunahi Māhirahira | Audit and Risk Committee members with transparent reporting

Author	Andrew Cowie, Manager Project Mgmt Office
Authoriser	Siobhan Procter, Chief Infrastructure Officer

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## **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

## **Whakarāpopoto | Executive Summary**

The WCC Project Management Office (PMO) is on a maturity journey, improving the services it provides across Council in support of change activity and infrastructure delivery.

### **Takenga mai | Background**

1. The WCC PMO is an enterprise support function operating from within Infrastructure and Delivery and is the enterprise authority on, and sets the standards for, project management and the project profession.
2. The PMO has had two external reviews conducted on its practice and operations since 2020.
3. The Audit NZ review looked at the general practice and alignment of the PMO, while the Outcome Insights review applied the international P3M3 standard to assess maturity.
4. Both reviews made recommendations that are currently being addressed. The Audit NZ follow-up in October 2022 noted three actions arising from the original report that have been addressed and are now closed;
  - a. Tolerance and Criteria for escalation for Wellington Town Hall project risks;
  - b. Implementing Recommendations arising from a PwC Health Check; and
  - c. Lifting maturity and implementing the Phased PMO Model.
5. The Outcome Insights report made 49 recommendations, and these inform the Phased PMO Model agreed by ELT in 2021.

### **Kōrerorero | Discussion**

6. With the Audit NZ actions closed, the PMO is concentrating on lines of service to Council and addressing the actions from the Outcome Insights report.
7. A number of recommendations will accelerate with the enterprise-wide release of Paiaka (an MS Project software based tool) and the continued scale up of assurance activity including:
  - a. Targeted Investment reviews to provide expert independent assurance from The Treasury for major projects
  - b. PMO-delivered Critical Friend reviews for most other projects.
8. The reviews form the foundations of all PMO activity – reporting and assuring. They help identify the appropriate areas for continuous improvement.

### **Ngā mahinga e whai ake nei | Next actions**

9. The PMO will provide an update to Unaunahi Māhirahira | Audit and Risk Committee in February 2024, reporting on progress against the Phased PMO Model.

### **Attachments**

Attachment 1. Project Management Maturity Update Slides [!\[\]\(2b17f17ebbacc911bb0ff784ab641779\_img.jpg\) !\[\]\(eb972575b342216ad59d6f97d308f1c0\_img.jpg\)](#)

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# Project Management Maturity Update

Audit and Risk Committee 2023

The PMO – an enterprise service delivered by Infrastructure and Delivery  
Andrew Cowie, Manager PMO

**Absolutely Positively**  
**Wellington City Council**  
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## Strategic Risk



Strategic Risk - Inadequate Planning and Prioritisation.

Defined as: Inadequate planning, scoping and prioritisation resulting in an inability to plan for the resources, workforce and dependencies required to deliver our quantum of strategic projects and programmes and our business-as-usual work.

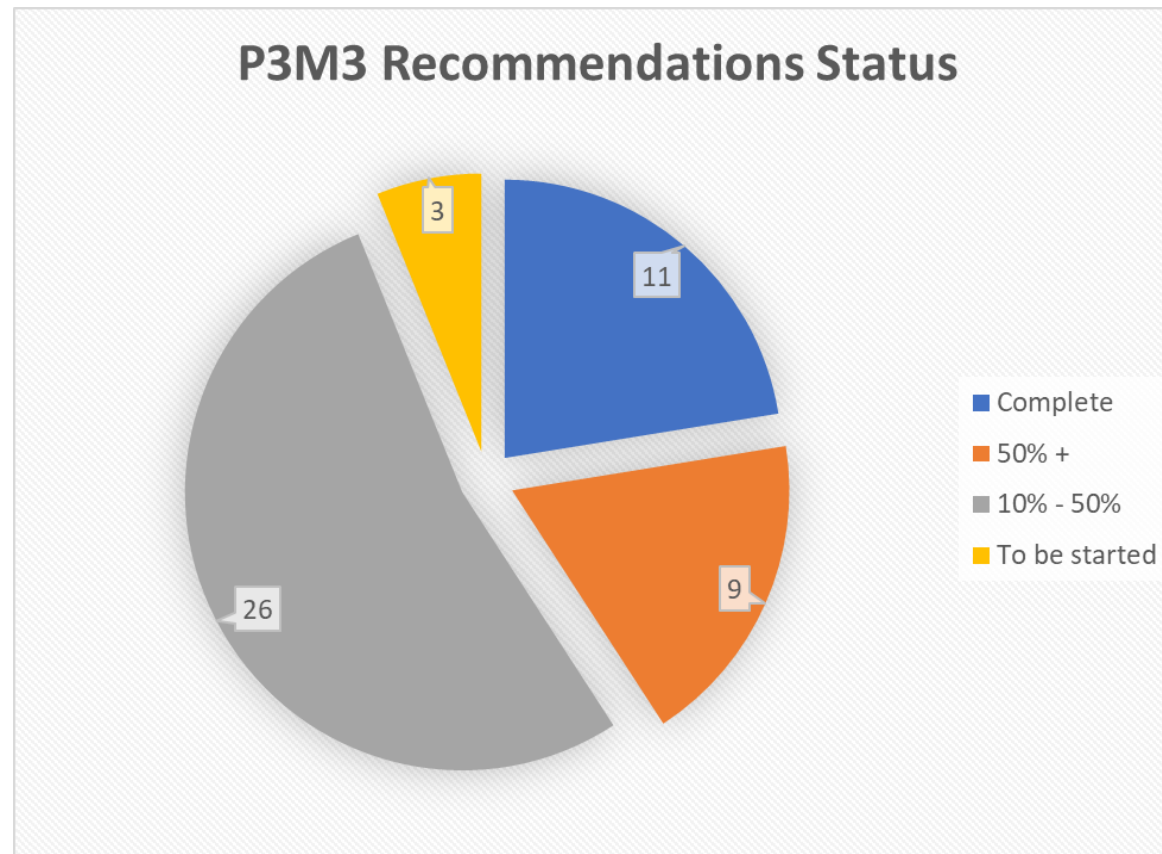
Action: Phased improvement maturity of Project systems and increase the human capability and capacity applied to task

# Review History of WCC PMO Service



- September 2020 – Audit NZ review identified following areas
  - Project Governance Structures
  - Senior Management Commitment
  - Project Management process and systems
- Sept 2021 – P3M3 assessment executed by Outcome Insights
  - 49 Recommendations across 4 categories.
  - Overall score 1.0 out of 5.0 (exponential scale like Richter Scale)
  - The NZ and Worldwide average is 1.5
- Oct 2022 – Follow up by Audit NZ
  - Actions considered closed – report 5 Dec 2022.

# P3M3 Assessment 49 actions update



- Items in the 10-50% complete will unlock with Paiaka go live

# The P3M3 Perspective Interventions

## Basis of the Outcome Insights Report



### Perspective

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	Org Governance	Management Control	Benefits	Risk	Stakeholder	Finance	Resource
<b>Capability Lift</b>	Governance training Investment Cmtees	Governance Training PM Fdmtls	Benefits quantified, identified & tracked	Assurance Reviews MoR training	Stakeholder Case in Business Cases	Forecasting Phasing	PDCF roles in place
<b>Accountability Lift</b>	SRO realignment 3 or less Projects Tier 3 preferable	Clear deliverables in Warrants	Business Case and SRO letters	Scrutiny RIC and ROC \$\$	Stakeholder rep sign out	Financial Case Paiaka Finances	Assign right roles right tasking
<b>Interventions</b>	SRO letters Sponsors and SROs	PD, PM Warrants	Paiaka and assurance reviews	Risk is No1 agenda QRA is used	Introduce Comms case where required	PMO finance exp Earned Value Mgmt	Standard Paiaka roles
<b>Outcomes</b>	Accountable SRO with time to deliver	Delivery to SRO expectations	Benefits banked / realised	Risk is consciously considered	Identified and focussed stakeholders	Forecast and Actuals within tolerance	Able to see the roles needed to deliver

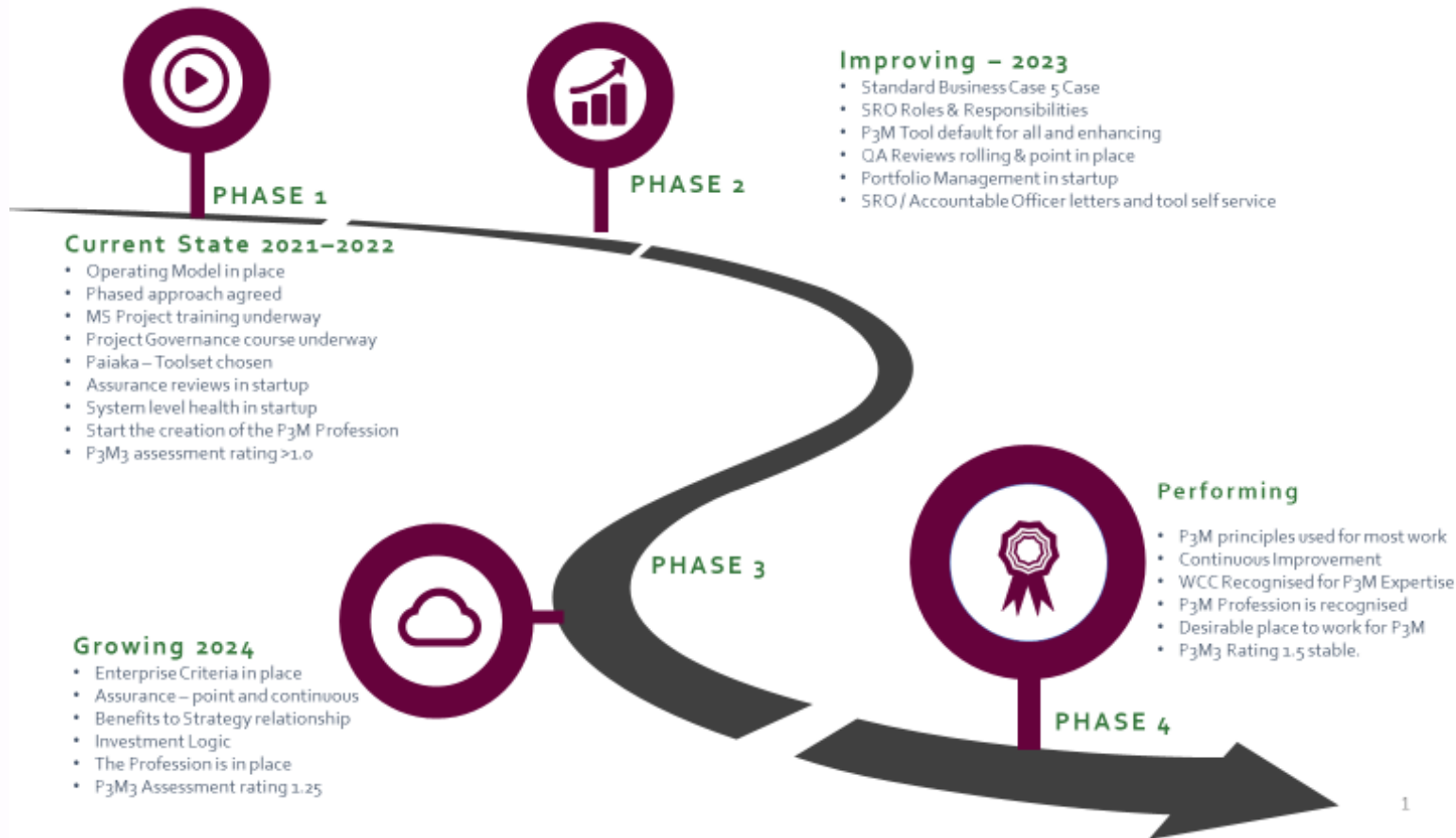
## PMO Focus Areas



- **Risk management** – identify cross cutting trends / education
- **Governance approach** – design dedicated investment governance structures, SRO role clarity
- **Project Planning** – foundation course, use lessons and apply standard steps to be taken
- **Workforce planning** – Paiaka unlock and Capability Framework
- **Financial forecasting and reforecasting / Portfolio analysis / Project reporting** – Paiaka is about to deliver realtime project data leaving time to analyse finances when provided by TechOne

# Phased PMO Model

Next key unlock is Paiaka go live



1

## Project Profession / PMO Treatments



- Continue the work underway to introduce the phased PMO model
- Identify WCC Project professionals and career pathways
- Identify and upskill Project Governance professionals
- Enhance enterprise reporting and management information
- Introduce an enterprise-wide tool for all projects that incorporates the IDF stages and allows total visibility



# Capability and Systems uplift so far



- Project Management capability and systems (bottom up)
  - 62 staff trained in PM Fundamentals Course
  - Paiaka Initial Operating Capability (IOC) in load up
  - Targeted Investment Reviews (TIR) and Critical Friend Reviews underway
  - Integrating Better Business Case structure – same as G20 countries
- Project Governance Structures (top down)
  - 59 staff - T2,3,4 attended Governance Masterclass
  - SRO letter (draft) provided to ELT for initial feedback
  - Standardising Terms of Reference for Governance Boards

## Next steps to drive maturity improvement



- Paiaka go-live for all significant projects and then begin to incorporate all other projects
- Integrated Assurance and Approval Plans for all projects
- Design, approve and promulgate the investment management structures ready for new FY
- Prepare for Portfolio Management with a PfMO framework and agree a set of enterprise criteria with ELT to align to strategy
- Next P3M3 self-assessment will be done June 2023

# MATURITY IN ASSET PLANNING ACROSS COUNCIL - UPDATE

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides an update on continuing steps to improve maturity of the asset planning function across Council and, addressing the recommendations from the 2021 Aecom asset planning assessment report.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy

### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

### Relevant Previous decisions

### Financial considerations

- Nil
 |  Budgetary provision in Annual Plan / Long-term Plan
 |  Unbudgeted \$X

2. There are no financial considerations associated with this paper.

### Risk

- Low
 |  Medium
 |  High
 |  Extreme

3. This paper supports risk management and governance practice by providing Unaunahi Māhirahira | Audit and Risk Committee members with transparent reporting.

Author	Rob Ashley, Manager Asset Planning
Authoriser	Siobhan Procter, Chief Infrastructure Officer

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## **Taunakitanga | Officers' Recommendations**

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

## **Whakarāpopoto | Executive Summary**

The WCC Asset Planning function is on a maturity journey, improving the services it provides across Council in support of infrastructure delivery.

### **Takenga mai | Background**

1. Asset planning is an enterprise support function operating from within the Infrastructure and Delivery group and is the enterprise authority on asset planning and management.
2. In 2021 an external review of Council asset planning was undertaken by Aecom.
3. The Aecom review looked at Council's general asset planning practice maturity and came up with 13 focus areas for improvement and action.
4. These focus areas include developing a new asset management policy and developing a systematic, repeatable asset planning framework.

### **Kōrerorero | Discussion**

5. The asset planning team is focussed on providing evidence based, all-of-life asset renewals and forecasting for the 2024 Long Term Plan.
6. A considerable step-change in the forecasting of capital renewals, through comprehensive asset surveying and condition assessment is underway.
7. The new Asset Management Framework, and data architecture will better support Facilities Management with integration to both financial and asset data sources.
8. These improvements will be achieved through aligning financial data architecture and hierarchy to the asset management information system (AMIS).

### **Ngā mahinga e whai ake nei | Next actions**

9. The Asset Planning Manager will provide an update to Unaunahi Māhirahira | Audit and Risk Committee in February 2024 on progress towards maturity.

### **Attachments**

Attachment 1. [Asset Planning Maturity Update](#)  

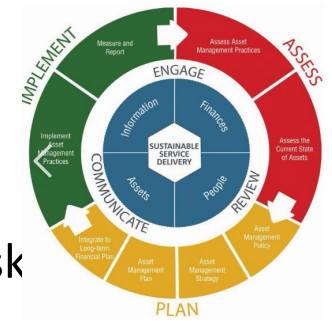
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# Asset Planning Maturity Update

Audit and Risk Committee 2023

Prepared by Rob Ashley – Asset Planning Manager

**Absolutely Positively**  
**Wellington City Council**  
Me Heke Ki Pōneke



The new Asset Planning Team’s challenge is to respond to the strategic risk identified by the Audit and Risk Committee that stated.

***“Inadequate all of life forecasting and planning, and management of our key assets. And that the management of our key assets is insufficiently aligned with strategic outcomes and is not co-ordinated across the organisation”.***

***WCC 2022 Audit and risk summary statement***

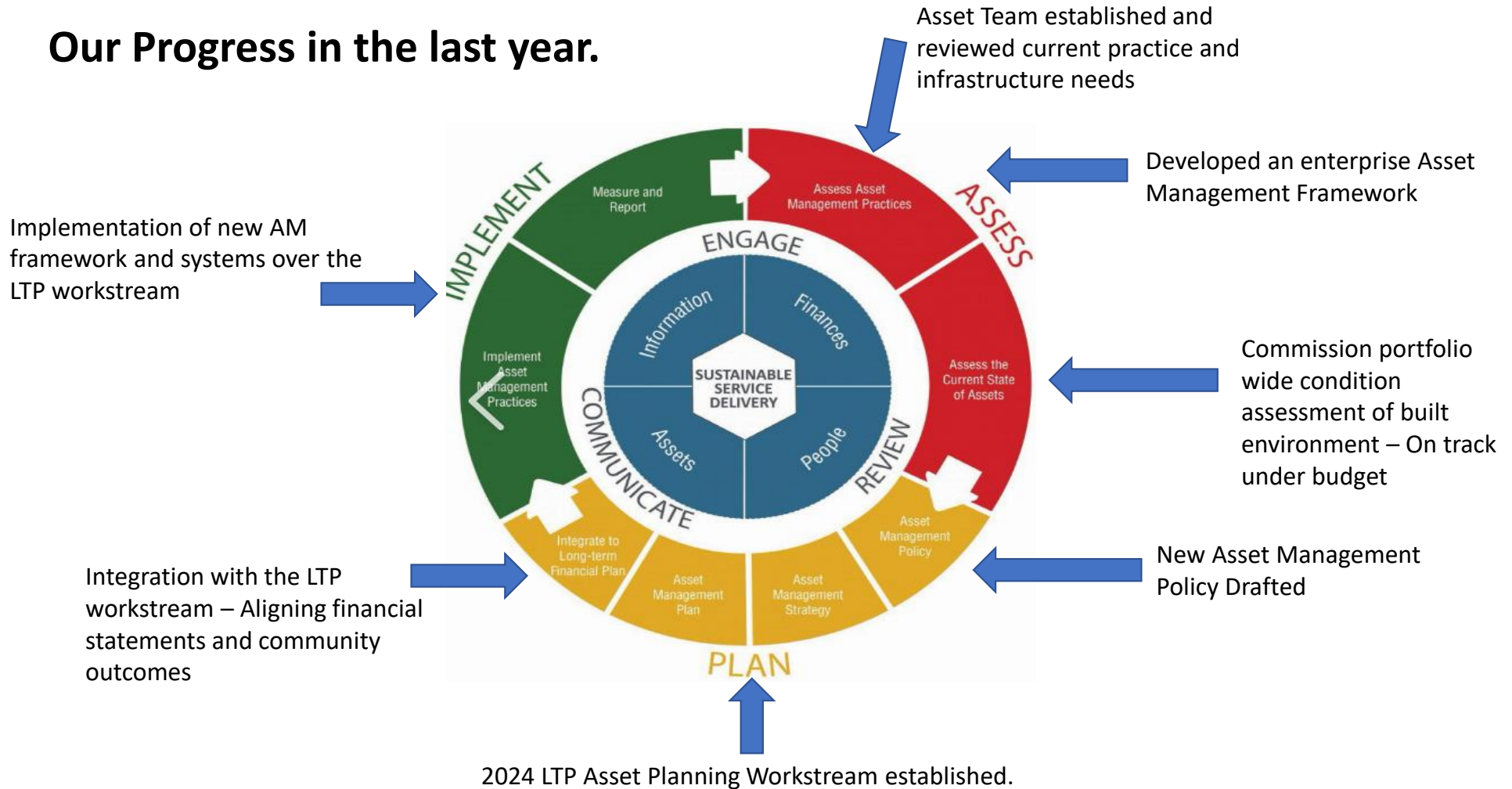
*The 2021 Aecom report and assessment of asset management for Wellington City Council recommended 13 focus areas for improvement and actions. These, and other improvements are included in the Asset Planning workstream which has already made a notable step-change in risk mitigation to Council and the Community.*



Asset Planning Teams, key prioritisation & focus areas are:

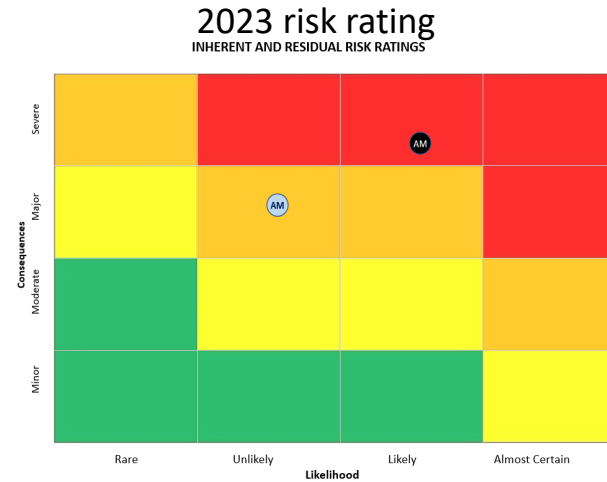
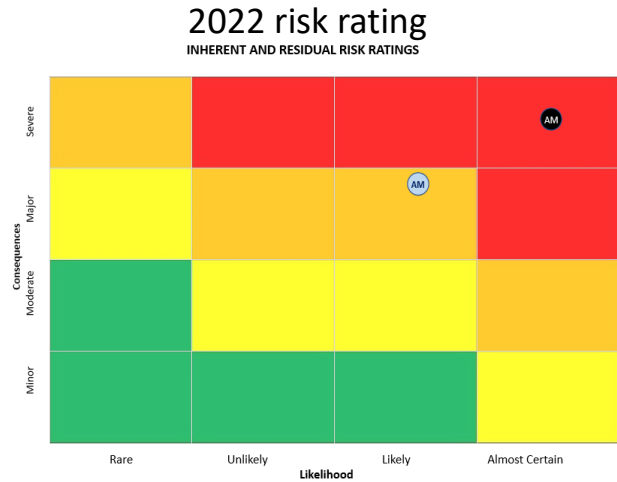
- Develop a centre of excellence for Infrastructure Asset Management for WCC
- Develop a new Asset Management Policy
- Develop a systematic repeatable Asset Management framework
- Data improvements – condition assessments and survey of our assets.
- Reduce risk to the business through improved Asset Planning

## Our Progress in the last year.





WCC strategic risk register tracks and reports key strategic risks to the business. Comparison of the risk heat map within a calendar year demonstrates considerable asset practice maturity improvements.



Additional maturity improvements will materialise as we move through the LTP, and Asset management delivery.

**Our leadup to the LTP, - and still to achieve.**



- Deliver a full suite of Asset Management Plans that align with the 2024 LTP, community outcomes, and best practice in Asset Management.
- With condition assessments for the built environment nearing completion, evidence based asset renewals will support robust life cycle forecasting and scenario modelling.
- Facilitate Level of Service workshops across all asset classes, better aligning cost, service, and risk scenarios for consideration by Council
- Continue to lift overall Asset Management maturity for the organisation

Risks – threats or events	Risks consequence areas affected	Rating	Mitigation
Recruitment of suitably qualified members to the Asset Management Team	Budget	Medium	Should high street vendors (Consultants) be required to support the business, professional services budget may be impacted considerably.
	Capability and capacity of WCC people	High	Professional services can be engaged to deliver on the Asset Management workstream to meet gaps in the AM workstream
	Our staff health and safety and wellbeing	Medium	Risk is that one or two members may shoulder a significant burden of workload and responsibility.
That growth projections and legislative changes may make future infrastructure unaffordable	Budget	High	Phasing within the Infrastructure strategy will require careful consideration to ensure infrastructure needs are met, and are in line with a holistic city infrastructure strategy and affordability
	Internal services delivery	High	Infrastructure capacity investment driven by growth may require rationalisation of existing budgets to accommodate future needs. This may well impede on current LOS and operational delivery.
Complex conflicting business systems and priorities prevent meaningful engagement resulting in poor AM outcomes	Partnerships, relationships and influence	Medium	Establishing trust in the business is a main priority for AM planning manager.
	Internal services delivery	Medium	Failure to appropriately plan for future infrastructure across all of WCC may leave gaps in some areas where priority is given to teams that can demonstrate good asset planning.
That current three waters reform is reversed by a change of government.	Legal regulatory and compliance	High	Three waters reform may (may) change as a result national election. TA's may have little influence in this. The consequence of a reform reversal is significant and needs to be considered. Should this eventuate a 3W investment & viability team would be required to work with Wellington Water and WCC
	Budget.	Extreme	Financial consequence of reform reversal would be significant to WCC community. May well trigger LTP amendment.



The Asset Planning Team is focused on the importance of long-term funding projections, improved data maturity, and confidence in lifecycle programs. This will assist Council in improving the management of its assets, and ensuring that they are sustainable, affordable, and meet the needs of the community. Greater confidence in WCC’s infrastructure asset data and practices will provide the best opportunity to balance asset stewardship and community affordability for the upcoming 2024 LTP.

# ACTIONS TRACKING

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report provides an update on the past actions agreed by the Unaunahi Māhirahira | Audit and Risk Committee, or its equivalent, at its previous meetings.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy
  
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

### Relevant Previous decisions

Not applicable.

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

### Risk

- Low       Medium       High       Extreme

Author	Marcella Freeman, Democracy Advisor
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

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## Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

## Whakarāpopoto | Executive Summary

1. This report lists the dates of previous committee meetings and the items discussed at those meetings.
2. Each clause within the resolution has been considered separately and the following statuses have been assigned:
  - In progress: Resolutions with this status are currently being implemented.
  - Complete: Clauses which have been completed, either by officers subsequent to the meeting, or by the meeting itself (i.e. by receiving or noting information).
3. All actions will be included in the subsequent monthly updates but completed actions will only appear once.

## Takenga mai | Background

4. At the 13 May 2021 Council meeting, the recommendations of the Wellington City Council Governance Review (the Review Report) were endorsed and agreed to be implemented.
5. The purpose of this report is to ensure that all resolutions are being actioned over time. It does not take the place of performance monitoring or full updates. The committee could resolve to receive a full update report on an item if it wishes.
6. On 25 October 2022 through memorandum, the 2022-2025 committee structure chosen by Mayor Tory Whanau was advised. This included establishment of the Unaunahi Māhirahira | Audit and Risk Committee.
7. The Audit and Risk Subcommittee for the 2022-2025 triennium fulfils the functions of Unaunahi Māhirahira | Audit and Risk Committee of the 2019-2022 triennium.
8. The last meeting of the equivalent committees in the 2019-2022 triennium were held on 14 September 2022.
9. The purpose of this report is to ensure that all resolutions are being actioned over time. It does not take the place of performance monitoring or full updates. The committee could resolve to receive a full update report on an item if it wishes.

## Kōrerorero | Discussion

10. Following feedback, the status system has been changed so that resolutions either show as 'in progress' or 'complete'.
11. Of the 21 resolutions of the committees equivalent to Unaunahi Māhirahira | Audit and Risk Committee at their final meetings of the 2019-2022 triennium:
  - 2 are in progress.
  - 19 are complete.
12. There were no in progress actions carried forward from previous actions tracking reports.

## Attachments

Attachment 1. [Actions Tracking](#)  

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Date	ID	Committee	Title	Clause number	Clause	Status	Comment
3/05/2022	637	Unaunahi Māhirahira   Audit and Risk Committee	3.2 Wellington City Council Building Consent Risks and Liabilities		all clauses	Completed	<p>In July 2022 MBIE commenced a review into the Building Consent system. In addition to core consultation materials, MBIE released a companion document outlining and reinforcing the current approach to risk and liability issues, effectively placing it out of scope of the Building Consent system review. WCC has prepared a response to the consultation, highlighting the ongoing and critical influence that current risk and liability settings have on the operation of the building consent system, and have reiterated those concerns in a 13 December 2023 meeting with MBIE. In addition, WCC is currently preparing a response to the 'Future of Local Government' review draft. This will highlight the nexus of building risk and liability issues with local/central government relationships. WCC will respond to future rounds of consultation, as the opportunities arise.</p> <p>With respect to each action:-</p> <p>(a) An engagement plan has been prepared and initiated. Specifically WCC has worked collaboratively with LGNZ to present an item on risk and liability to the August 2022 Metro meeting, with a view to gauging other TA's appetite for coordinated action/approaches to Central Government.</p>
							<p>Following correspondence from CE Barbara McKerrow dated 2 September 2022, a meeting between WCC and MBIE was held on 13 December 2023. Attendees were:-</p> <p>From WCC - CE Barbara McKerrow, CPO Liam Hodgetts, CCC Manager Mark Pattemore</p> <p>From MBIE - Paul Stocks, Deputy Chief Executive and Deputy Secretary Building Resources and Markets, John Sneyd, General Manager Building Systems and Performance.</p> <p>At the meeting MBIE reiterated their existing position, but were did indicate they were unaware of other Central Government agency actions in this area. Follow up correspondence is currently being prepared.</p> <p>(b) WCC will continue to raise its concerns through the 'future for local government' consultation process and the MBIE led Building Consent System review, and any other opportunities that arise.</p> <p>(c) The option of a referral mechanism for complex applications was highlighted through the response to MBIE's Building Consent System review, was referenced in the letter from WCC CE Barbara McKerrow to MBIE CE Carolyn Tremain dated 2 September 2022, and was a subject of discussion at the MBIE meeting held on 13 December 2022. MBIE did not express enthusiasm for this, however we will continue to advocate for it in follow up correspondence.</p>
							<p>(d) Building Consenting and Compliance continues to decline applications where there is insufficient evidence about meeting required building standards.</p> <p>(e) The issue was presented at the August 2022 Metro meeting, immediately prior the conclusion of the last triennium and the commencement of the caretaker period. New Councils are now bedding in, and it is appropriate to reengage with LGNZ to determine next steps.</p> <p>(f) Verbal advice has confirmed that the current legislative framework does not allow differentiation of consent fees, and that the only option available to pursue this is legislative reform. Written advice confirming this is pending.</p> <p>(g) Adequate insurance has been sourced, however this has been a protracted exercise. The 2022 premium for both the Professional Indemnity Primary \$15m layer and the \$15M-\$30M top up layer have increased by approximately 10. The 2022 annual insurance premium is now approximately \$990,000, with an excess of \$500,000.</p> <p>(h) The legal opinion at this stage is that any fund would need to be ratepayer financed (specifically as a user charge could not be used). WCC currently operates an insurance reserve fund for all policies (rates funded), to cover any claims which fall below the excess. The fund would not be sufficient to cover the potential expected liability over the next 10 years.</p>

							(i) An additional 0.5 FTEs have been employed to assist in processing complex/structure focused consents. CCC continues to pursue opportunities for suitably qualified structural engineers.
14/09/2022	1056	Unaunahi Māhirahira   Audit and Risk Committee	2.1 Self-assessment survey: Analysis and Recommendations	1	Receive the information.	Completed	
14/09/2022	1057	Unaunahi Māhirahira   Audit and Risk Committee	2.1 Self-assessment survey: Analysis and Recommendations	2	Agree to the recommendations to the incoming Mayor and Council for strengthening the effectiveness of a future Audit and Risk Subcommittee, or equivalent.	Completed	Mayor has agreed to recommendations and reappointed Chair. New Committee terms of reference adopted by Council in November 2022
14/09/2022	1058	Unaunahi Māhirahira   Audit and Risk Committee	2.1 Self-assessment survey: Analysis and Recommendations	3	Note that officers will develop a programme of work to implement the recommendations.	Completed	Three-year Committee Work Programme has been developed and will be presented to Committee for approval in February 2023.
14/09/2022	1059	Unaunahi Māhirahira   Audit and Risk Committee	2.2 Te Aho Marutau   Internal Audit Report for the year ended 30 June 2022	1	Receive information about the Council's internal control environment	Completed	
14/09/2022	1060	Unaunahi Māhirahira   Audit and Risk Committee	2.2 Te Aho Marutau   Internal Audit Report for the year ended 30 June 2022	2	Receive information about the legislative compliance system	Completed	
14/09/2022	1062	Unaunahi Māhirahira   Audit and Risk Committee	2.3 Strategic Risks Update September 2022	1	Receive the information	Completed	
14/09/2022	1063	Unaunahi Māhirahira   Audit and Risk Committee	2.3 Strategic Risks Update September 2022	2	Agree a date in early 2023 be set the February 2023 date for a review of the WCC Strategic Risk Register	Completed	Chair Bruce Robertson advised the Committee members did not need to workshop the risks but would review, test and approve the Strategic Risks presented to the Committee. Risks to be assessed by ELT and subject matter experts, coordinated by the Risk Management Team.
14/09/2022	1064	Unaunahi Māhirahira   Audit and Risk Committee	2.3 Strategic Risks Update September 2022	3	Agree to participation of subcommittee and elected members in WCC Strategic Risk Register review workshop(s)	Completed	Chair Bruce Robertson advised the Committee members did not need to workshop the risks but would review, test and approve the Strategic Risks presented to the Committee. Risks to be assessed by ELT and subject matter experts, coordinated by the Risk Management Team.
14/09/2022	1065	Unaunahi Māhirahira   Audit and Risk Committee	2.4 CCO risks that impact on Council's group risk	1	Receive the information.	Completed	
14/09/2022	1067	Unaunahi Māhirahira   Audit and Risk Committee	2.4 CCO risks that impact on Council's group risk	3	Note that more fulsome CCO risk information is contained in CCO Statements of Intent and regular reporting through the Pūroro Tahua   Finance & Performance Committee.	Completed	
14/09/2022	1068	Unaunahi Māhirahira   Audit and Risk Committee	2.4 CCO risks that impact on Council's group risk	2	Note the Council Controlled Organisation (CCO) risks that have an implication for Council group risk.	Completed	
14/09/2022	1069	Unaunahi Māhirahira   Audit and Risk Committee	2.5 Insurance Maturity Roadmap report	1	Receive AON's Insurance Roadmap report and workpla	Completed	

14/09/2022	1070	Unaunahi Māhirahira   Audit and Risk Committee	2.5 Insurance Maturity Roadmap report	2	Endorse the work plan set out in Appendix A to the Insurance Roadmap report (Attached).	Completed	
14/09/2022	1071	Unaunahi Māhirahira   Audit and Risk Committee	2.5 Insurance Maturity Roadmap report	3	Agree that Council officers will report back to the committee on a regular basis as a standing item on the Kāwai Māhirahira   Audit and Risk Subcommittee on progress against the workplan	In progress	The next update regarding the Insurance Roadmap will be presented to the Audit and Risk Committee on 15 February 2023.
14/09/2022	1072	Unaunahi Māhirahira   Audit and Risk Committee	2.5 Insurance Maturity Roadmap report	4	Receive periodic updates against the project plan and risk assessments over the life of the roadmap project.	In progress	The next update regarding the Insurance Roadmap will be presented to the Audit and Risk Committee on 15 February 2023.
14/09/2022	1073	Unaunahi Māhirahira   Audit and Risk Committee	2.6 Health, Safety and Security (Performance) Report	1	Receive the information.	Completed	
14/09/2022	1074	Unaunahi Māhirahira   Audit and Risk Committee	2.6 Health, Safety and Security (Performance) Report	1	Receive the information.	Completed	
14/09/2022	1075	Unaunahi Māhirahira   Audit and Risk Committee	2.6 Health, Safety and Security (Performance) Report	2	Recommend to the Pūroro Tahua   Finance Performance Committee to receive the information on 28 September 2022.	Completed	
14/09/2022	1076	Unaunahi Māhirahira   Audit and Risk Committee	2.7 Proposed Workplan	1	Receive the information	Completed	
14/09/2022	1077	Unaunahi Māhirahira   Audit and Risk Committee	2.8 Actions Tracking	1	Receive the information.	Completed	



# FORWARD PROGRAMME AND WORKPLAN UPDATE

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## Kōrero taunaki | Summary of considerations

### Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides the Forward Programme and the Proposed work plan.

### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy
  
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

### Strategic alignment with priority objective areas from Long-term Plan 2021–2031

### Relevant Previous decisions

Not applicable

### Financial considerations

- Nil       Budgetary provision in Annual Plan / Long-term Plan       Unbudgeted \$X

### Risk

- Low       Medium       High       Extreme

Author	Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

## Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

## Takenga mai | Background

2. The Forward Programme sets out the reports planned for Unaunahi Māhirahira | Audit and Risk Committee meetings in the next meeting that require Committee consideration
3. The Forward Programme is a working document and is subject to change on a regular basis.
4. The Proposed Work plan sets out the reports coming to the Unaunahi Māhirahira | Audit & Risk Committee for the remainder of this triennium until September 2025.

## Kōrerorero | Discussion

5. Wednesday the 10<sup>th</sup> of May 2023
  - Elected member gifts & hospitality and pecuniary interests (Chief Strategy & Governance Officer)
  - Assurance Work Plan 2023-24 for approval (Chief Strategy & Governance Officer)
  - Update on 2022-23 Assurance work plan (Chief Strategy & Governance Officer)
  - Progress to address matters of emphasis in Audit NZ 2021-22 audit opinion (Chief Financial Officer and Chief Strategy & Governance Officer)
  - Annual refresh of strategic risks (Chief Strategy & Governance Officer)
  - Approval of Risk work plan 2023-24 (Chief Strategy & Governance Officer)
  - Proforma Annual Report (financial statements & accounting policies) y/e 30 June 2023 (Chief Financial Officer)
  - Health and Safety Performance Report (Chief People & Culture Officer)
  - 2024 LTP Asset Management Planning – assurance (Chief Strategy & Governance Officer)

Public Excluded

- Chief Officer update – Customer and Community (Chief Customer & Community Officer)
- Litigation matters update (Chief Strategy & Governance Officer)

## Attachments

Attachment 1. Proposed 3-year Work Plan [↓](#) 

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**Unaunahi Māhirahira | Audit & Risk Committee: Proposed Workplan**

	15 Feb 2023	10 May 2023	27 Sep 2023	29 Nov 2023	14 Feb 2024	8 May 2024	25 Sep 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
<b>Committee Governance</b>											
o Forward programme and workplan update	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
o ARS self-assessment of performance and effectiveness				◆						◆	
o Elected member gifts & hospitality and pecuniary interests		◆				◆				◆	
<b>Assurance and Business Integrity (Internal Audit)</b>											
o Approval of the following year Assurance work plan		◆				◆				◆	
o Update on current year Assurance work plan		◆		◆		◆		◆		◆	
o Update on Protected Disclosures and investigations	◆		◆		◆		◆		◆		◆
o Status of internal and third-party audit recommendations	◆		◆		◆		◆		◆		◆
o Update on fraud risk	◆				◆						
o Annual Internal Control report			◆				◆				◆
o Annual legislative compliance attestation report			◆				◆				
o Committee briefing with no mgmt present (+ as req'd)		◆				◆				◆	
o Review Internal Audit Charter							◆				
<b>External Audit and Statutory Reporting</b>											
o Audit plan and engagement letter	◆				◆				◆		
o Progress to address matters of emphasis in 21/22 audit opinion		◆									
o Proforma Annual Report (financial statements & accounting policies)		◆				◆				◆	
o Draft Annual Report and letters of representation			◆				◆				◆
o Year-end management letter			◆				◆				◆
o Committee briefing with no mgmt present (+ as req'd)			◆				◆				
<b>Risk Management</b>											
o Strategic Risk Management Framework - profile update	◆		◆		◆		◆		◆		◆
o Annual refresh of strategic risks		◆				◆				◆	
o Approval of annual Risk work plan		◆				◆				◆	
o Risk Maturity update			◆				◆				◆

Unaunahi Māhirahira | Audit & Risk Committee: Proposed Workplan

	15 Feb 2023	10 May 2023	27 Sep 2023	29 Nov 2023	14 Feb 2024	8 May 2024	25 Sep 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
○ Group Risk Management – Chief Officer updates											
• Chief Executive (as required)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
• Chief Planning								◆			
• Chief People and Culture	◆								◆		
• Chief Customer and Community		◆								◆	
• Chief Māori			◆								◆
• Chief Infrastructure				◆							
• Chief Financial					◆						
• Chief Strategy & Governance						◆					
• Chief Digital							◆				
<b>Council Controlled Organisations</b>											
○ CCO annual reports on risk impacting Council's group risk			◆				◆				◆
<b>Finance</b>											
○ Insurance roadmap update	◆				◆				◆		
<b>Health and Safety</b>											
○ Performance report	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
<b>Legal Risk</b>											
○ Litigation matters update (Public excluded)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
<b>Long Term Plan</b>											
○ 2024 LTP Development Programme – project plan	◆										
○ LTP forecasting assumptions			◆								
○ Asset Management Planning – assurance		◆									
○ Audit New Zealand LTP assurance plan			◆								
○ Audit NZ LTP Management letter							◆				

**Unaunahi Māhirahira | Audit & Risk Committee: Proposed Workplan**

	15 Feb 2023	10 May 2023	27 Sep 2023	29 Nov 2023	14 Feb 2024	8 May 2024	25 Sep 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
<b>Focus Topics</b>											
○ Asset management maturity	◆										
○ Programme Management Office P3M3 maturity	◆										



### 3. Public Excluded

#### Recommendation

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Legal and Risk Updates	<p>7(2)(g) The withholding of the information is necessary to maintain legal professional privilege.</p> <p>7(2)(i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	<p>s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>
3.2 Attachment to 2.4 - Introduction to the WCC Strategic Risks Framework and Strategic Risk Register - Attachment 4 WCC sensitive Strategic Risk Profiles collated - Jan 2023	<p><b>6(a)</b> The making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences and the right to a fair trial.</p> <p><b>6(b)</b> The making available of the information would be likely to endanger the safety of a person.</p> <p><b>7(2)(a)</b> The withholding of the information is necessary to protect the privacy of natural persons, including that of a</p>	<p><b>s48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 6 and 7.</p>

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deceased person.

**7(2)(d)**

The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.

**7(2)(e)**

The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.

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