



KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

19 August 2025

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

Tuesday 26 August 2025 commencing at 2:00 pm

The meeting will be livestreamed on Council's Youtube page.

Membership

	Suzanne Tindal (Independent Chair)
	Mayor C Barry (Deputy Chair)
Cr J Briggs	Cr S Edwards
Cr K Morgan	Cr T Stallinger

For the dates and times of Council Meetings, please visit www.huttcity.govt.nz

Have your say

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon on the working day before the meeting. You can do this by emailing DemocraticServicesTeam@huttcity.govt.nz or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

Chair:	Independent Chair Sue Tindal
Deputy Chair:	Mayor Campbell Barry
Membership: Komiti Iti Ahumoni i Tūraru Audit and Risk Subcommittee members should be appointed so that the subcommittee has a diversity of governance skills, experiences and personal qualities. Between them, the members should bring a mix of the following attributes: <ol style="list-style-type: none"> 1. Broad governance experience; 2. Familiarity with risk management disciplines; 3. Understanding of internal control and assurance frameworks; 4. An understanding of financial and non-financial performance reporting; 5. A good understanding of the roles of internal and external audit; and 6. A sound understanding of the local government sector. Use of the matrix below has assisted other councils to consider the best fit for membership of an Komiti Iti Ahumoni i Tūraru Audit and Risk Committee.	Cr Josh Briggs Cr Simon Edwards Cr Karen Morgan Cr Tony Stallinger
Quorum:	Half of the membership
Meeting Cycle:	Meets on an eight-weekly basis or as required
Reports to:	Council

AREAS OF FOCUS:

The subcommittee's areas of focus are:

- Oversight of risk management and assurance across the Council Group with respect to risk that is significant
- Internal and external audit and assurance
- Health, safety and wellbeing
- Business continuity and resilience
- Integrity and investigations
- Monitoring of compliance with laws and regulations
- Significant projects, programmes of work and procurement, focussing on the appropriate management of risk
- The Long Term Plan, Annual Report and other external financial reports required by statute.

DELEGATIONS FOR THE SUBCOMMITTEE'S AREAS OF FOCUS:

- The subcommittee has no decision-making powers other than those in these Terms of Reference.
- The subcommittee may request expert advice through the Chief Executive where necessary.
- The subcommittee may make recommendations to Council and/or Chief Executive.

Risk Management:

- Review, approve and monitor the implementation of the risk management framework and strategy, including significant risks to the Council Group.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks.

Assurance:

- Review and approve, and monitor the implementation of, the assurance strategy and detailed internal audit coverage and annual work plans.
- Review the coordination between the risk and assurance functions, including the integration of the Council's risk profile with the internal audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to Council Controlled Organisations and Council Controlled Trading Organisations that are significant to the Council Group).
- Review and monitor management's responsiveness to the findings and recommendations, inquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity:

- Review, approve and monitor the implementation of the assurance strategy, including the fraud and integrity aspects.
- Review the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and ensure that there is a proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected and appointed members, management, staff, consultants and contractors.
- Review internal and external reports related to possible improprieties, ethics, bribery and fraud-related incidents.

Statutory Reporting:

- Review and monitor the integrity of the Long Term Plan and Annual Report including statutory financial statements and any other formal announcements relating to the Council's financial performance, focussing particularly on the areas listed below.
- Compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards.

- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting policies, across reporting periods, and the Council Group.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation, or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the way they are disclosed.
- The disclosures of contingent liabilities and contingent assets.
- The clarity of disclosures generally.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

External Audit:

- Discuss with the external auditor, before the audit commences, the nature, scope and fees of the external audit, areas of audit focus, and error and materiality levels.
- Review, with the external auditors, representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditor's management letter and management responses and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General to attend meetings of the subcommittee to discuss the office's plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO):

- Other committees dealing with CCO and CCTO matters may refer matters to the Komiti Iti Ahumoni i Tūraru | Audit and Risk Subcommittee for review and advice.
- This subcommittee will inquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Council or the Council Group, the subcommittee will also ensure that all affected entities are aware of and are appropriately managing the risk.

Matrix of Experience, Skills and Personal Qualities

Experience, Skills and Personal Qualities	Member A	Member B	Member C	Member D	Independent Chairperson
<i>The recommended combination of experience is:</i>					
• financial reporting					
• broad governance experience					
• familiarity with risk management disciplines					
• understanding of internal control and assurance frameworks					
• good understanding of the roles of internal and external audit					
• local government expertise					
<i>For an “advisory-oriented” audit committee, particular emphasis should be placed on:</i>					
• Strategy					
• Performance management					
• Risk management disciplines					
<i>In determining the composition of the audit committee, the combined experience, skills, and personal qualities of audit committee members is critical. Members should bring:</i>					
• the ability to act independently and objectively					
• the ability to ask relevant and pertinent questions, and evaluate the answers					
• the ability to work constructively with management to achieve improvements					
• an appreciation of the public entity’s culture and values, and a determination to uphold these					
• a proactive approach to advising the governing body and chief executive on matters that require further attention					
• business acumen					
• appropriate diligence, time, effort, and commitment					
• the ability to explain technical matters in their field to other members of the audit committee					

HUTT CITY COUNCIL**KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE**

Meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road,
Lower Hutt on
Tuesday 26 August 2025 commencing at 2:00 pm.

ORDER PAPER**PUBLIC BUSINESS****1. OPENING FORMALITIES - KARAKIA TIMATANGA**

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tihei mauri ora	

2. APOLOGIES

No apologies have been received.

3. PUBLIC COMMENT

Generally, up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

4. 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

5. TUPUA HORO NUKU UPDATE

Report No. ARSC2025/4/219 by the Transport Project Manager

10

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

6. **INSURANCE RENEWAL UPDATE**

Report No. ARSC2025/4/220 by the Treasury Officer 15

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

7. **HUMAN RESOURCE INFORMATION MANAGEMENT AND PAYROLL SYSTEMS PROJECT, AND HOLIDAYS ACT REMEDIATION PROJECT UPDATE**

Report No. ARSC2025/4/221 by the Programme Manager 24

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

8. **SENSITIVE EXPENDITURE DISCLOSURES**

Report No. ARSC2025/4/101 by the Financial Accounting Manager 30

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

9. **HUTT CITY COUNCIL GROUP ANNUAL REPORT 2024/25 AND UPDATE ON EXTERNAL AUDIT PROCESSES**

Report No. ARSC2025/4/222 by the Financial Accounting Manager 37

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

10. **WATER SERVICES MATTERS**

Report No. ARSC2025/4/223 by the Strategic Advisor 42

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

11. **SIX MONTHLY UPDATE ON HEALTH & SAFETY PERFORMANCE**

Report No. ARSC2025/4/224 by the Health & Safety Manager 68

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

12. INFORMATION ITEMS

a) ComplyWith Survey - legal compliance report for period 1 January 2025 - 30 June 2025

Report No. ARSC2025/4/103 by the Legal Operations Advisor 73

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

b) Audit and Risk Subcommittee Forward Programme 2025

Memorandum dated 6 August 2025 by the Democracy Advisor 77

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the memorandum be endorsed."

13. QUESTIONS

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

14. EXCLUSION OF THE PUBLIC

CHAIR'S RECOMMENDATION:

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

15. TE WAI TAKAMORI O TE AWA KAIRANGI | RIVERLINK UPDATE

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A)	(B)	(C)
General subject of the matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground under section 48(1) for the passing of this resolution.
Minutes of the Audit and Risk Subcommittee Komiti Iti Ahumoni I Tūraru held on 23 June 2025	The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage (s7(2)(j)). The withholding of the information is necessary to maintain legal professional privilege (s7(2)(g)).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above."

Jenny Young
Democracy Advisor



Audit and Risk Subcommittee

04 August 2025

Report no: ARSC2025/4/219

Tupua Horo Nuku Update

Purpose of Report

1. To provide an update to the Audit and Risk Subcommittee on the Tupua Horo Nuku, Eastern Bays Shared Path project, outlining key developments including schedule changes, financial considerations, and associated risks. The last update to this Subcommittee was provided in report ARSC2025/2/95 at its meeting held on 23 April 2025.

Recommendations

That the Subcommittee :

- (1) receives and notes the information;
- (2) notes that the approved Three Lane Closure Strategy is expected to mitigate financial risk from an extended timeline and avoid cost escalations beyond the approved budget through reducing the project duration by 26 weeks, bringing the forecast completion date forward to March 2026, and aligning delivery with the Ngā Ūranga ki Pito-One programme; and
- (3) notes that modelling indicates the revised approach will minimise the risk of additional preliminary and general costs by aligning delivery with Ngā Ūranga ki Pito-One and reducing cumulative public delays despite a slight increase in peak hour trip delays.

Background

2. Tupua Horo Nuku is a 4.4km project designed to improve network resilience by constructing new seawalls and a shared walking and cycling path along Marine Drive, between Ngau Matua | Point Howard and Eastbourne.
3. Since construction began in August 2021, the project has experienced delays and cost pressures due to the challenging coastal environment and surrounding residential setting. Under the current Two Lane Closure strategy, the completion date has moved from December 2025 to August 2026.

4. In response, Te Ara Tupua Alliance proposed a new strategy involving an additional lane closure to enable more work fronts simultaneously. This Three Lane Closure Strategy is expected to bring project completion forward by 26 weeks, align delivery with Ngā Ūranga ki Pito-One programme, and reduce Council's financial risk from an extended timeline.
5. Modelling by the Alliance indicates that the revised approach will:
 - a. Minimise the risk of additional preliminary and general costs if completion is after Ngā Ūranga ki Pito-One;
 - b. Bring the project end date forward to March 2026;
 - c. Reduce cumulative public delays over the life of the project, despite a slight increase in peak-hour trip delays.

Discussion

6. To enable implementation of the Three Lane Closure Strategy, a Section 127 amendment to the existing Resource Consent was lodged in May 2025 and approved on 9 June 2025, following completion of the required peer review. The four-week turnaround was achieved through early engagement and transparent, coordinated communication between the Alliance, Council officers, and regulatory stakeholders.
7. The approved Three Lane Closure Strategy came into effect on 4 August 2025 and will remain in place through to January 2026. At any given time, a combined length between 700 and 1,400 metres may be under lane closure, depending on the specific stage. Temporary Traffic Management will be adjusted as needed throughout the period to ensure safe and efficient delivery throughout the period.
8. A targeted communication and engagement strategy began in late July to inform the community of the additional lane closures. The strategy aimed to reach a broad cross-section of Marine Drive users and the wider Eastern Bays community. Delivery was coordinated across multiple channels, including social media, project newsletters, direct engagement with the Eastbourne Community Board, and updates provided to elected members. To date, there have been no reports of extended delays or significant negative community feedback in response to the changes.
9. In response to ongoing community input, the project team is revisiting the design to propose additional access points through the concrete buffers that separate the shared path from the carriageway. This aims to enhance accessibility for users of wheelchairs, prams, and other mobility or wheeled devices, ensuring safe and convenient entry to the shared path at appropriate locations.

Progress

10. The project is 74% complete based on cost, up from the 61% reported in April.
11. A comparison of programme completion dates under both the existing Two Lane Closure strategy and the proposed Three Lane Closure strategy is in Table 1 below.

Table 1: Two Lane Closure and Three Lane Closure Comparison

Bay	Original Completion	Forecast (status quo)	Forecast (Three Lane Closures)
Nga Matau/Point Howard	Mar-25	Aug-26	Jan-26
Whiorau / Lowry Bay	Jan-26	Apr-26	Mar-26
York Bay	Jan-25	Jan-25	Jan-25
Māhina Bay	May-26	Apr-26	Mar-26
Sunshine Bay	Apr-24	Jan-26	Sep-25
Mā-koromiko/Windy Point	Oct-23	Oct-23	Oct-23

Options

12. This report is intended for informational purposes only, and therefore, no options are included.

Risks Update

13. There are several current risks of note for the project that are identified below:

Eastern Bays Sewer Main – The southernmost section of work has been deferred due to the continued presence of kororā (little blue penguins) and the need to align with future sewer main works at Māhina Bay. Completion remains within the overall project programme.

Mahina Bay – Wellington Electricity has commenced construction of the permanent overhead power cable solution. The new location of some poles has been disputed by residents, and pole locations are being worked through by the Alliance with the residents concerned and Wellington Electricity.

Ngau Matua/Point Howard – Challenges, impacts and recommendations to ensure full delivery of the shared path in the bay, following the Centreport oil pipeline upgrade works, have been put forward by the Alliance and are currently under review by officers.

Programme dependency – The Project schedule must meet completion at a similar time to the Ngā Uranga ki Piti One Project to avoid incurring additional costs.

Reputational Risk – While some public concern is anticipated regarding the proposed Three Lane Closure Strategy effort has been made to clearly convey the benefits, particularly earlier project completion and a shorter overall disruption period. Delay times will be closely monitored and reacted to if delays exceed allowed tolerances.

Regulatory Compliance – Approval has now been granted via the Section 127 amendment to the resource consent, allowing adjustments to Temporary Traffic Management conditions, including an increase to the allowable trip delay threshold beyond the previous 5-minute limit.

Breeding Season – The forthcoming breeding season for kororā (Little Blue Penguin) and tōrea (Variable Oystercatcher) is planned for, but could cause unexpected impacts to project delivery timelines.

Further challenges – The use of cofferdams has proven effective in excluding tidal influences. At the same time, temporary causeways on the seaward side have enabled construction to progress with minimal disruption to live traffic lanes. Seasonal weather conditions, particularly heavy rainfall associated with winter, continue to present operational challenges.

Climate Change Impact and Considerations

14. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
15. The increased resilience outcome of Tupua Horo Nuku will help to enhance Lower Hutt City's resilience to climate change.
16. The construction of the shared path is intended to promote a modal shift to cycling and walking, leading to an expected long-term reduction in vehicle emissions

Consultation

17. The Tupua Horo Nuku project was included in Council's Long Term Plan 2024-34 consultation.
18. Ongoing and relevant consultation is conducted as usual practice before the opening of any of the six separate bays.

Legal Considerations

19. Covered by Project Alliance Agreement (PAA) with specific advice sought via Council legal, where and if necessary.
20. The Three Lane Closure Strategy is expected to mitigate additional preliminary and general costs by aligning completion with Ngā Ūranga ki Pito-One, avoiding potential overruns.

Financial Considerations

21. Table 2 shows the actuals to June 2025 and Annual Plan 2025/26. Spending as of 30 June 2025 on the Project is \$64.6M, representing 74% of the project budget. Grant and subsidy received is \$39.2M, representing 71% of the project budget.

Table 2: Actual and Annual Plan

\$ Million	2022-25 Actual	2025-26 Annual Plan	Total 2022-26
Capex	64.60	17.24	81.83
Revenue	(39.20)	(16.28)	(55.48)
Net HCC Cost	25.40	0.96	26.36

Appendices

There are no appendices for this report.

Author: David Kennedy
Transport Project Manager

Reviewed By: Paul Hewitt
Head of Transport

Reviewed By: Lucie Desrosiers
Head of Urban Development

Approved By: Jenny Livschitz
Group Chief Financial Officer

Report no: ARSC2025/4/220

Insurance renewal update

Purpose of Report

1. To provide the Subcommittee with a further update regarding Council's May 2025 insurance programmes.

Recommendations

That the Subcommittee:

- (1) notes that Council has successfully renewed its Property and Infrastructure insurance programme for policies commencing 1 May 2025 for a 12-month term;
- (2) notes the remaining policies, renewed on 1 November 2024, for a 12-month term;
- (3) notes the insurance renewals information as outlined in paragraphs 10 and 11 of the report; and
- (4) notes that insurance costs for 2025/26 are budgeted to be \$5.8M.

Background

2. Council together with Kāpiti Coast District, Porirua City and Upper Hutt City Councils, collectively known as the Outer Wellington Shared Services Insurance Group (OWSS), has been purchasing insurance for their respective assets on a combined basis since 2009.
3. Greater Wellington Regional Council (GWRC) joined the OWSS in 2016 to insure its above-ground assets only through the collective. For insurance purposes only, the OWSS councils and GWRC are collectively known as the Wellington Councils Insurance Group (WCIG).
4. Aon New Zealand (Aon) provides advice and support to the collective. Ani Te Whaiti, a representative of Aon, will be available to attend the Subcommittee meeting.
5. Council's insurance programme has two annual renewal dates of 1 May and 1 November.

6. The major policies were renewed on 1 May 2025 (as outlined in Appendix 1 to this report), being the:
 - a. Material Damage and Business Interruption (MDBI) for above-ground assets; and
 - b. Natural Catastrophe Damage to Infrastructure (NCDI) for underground assets.
7. The other remaining policies were renewed on 1 November 2024, and include Employee and Statutory Liability, General Liability, Professional Indemnity, Crime, Cyber Liability, Travel, Fine Arts and Vehicles. Refer to Appendix 2
8. This report builds on previous insurance updates and seeks to provide the Subcommittee with information on Council's 2024/25 insurance renewals.

1 May 2025 Insurance Renewal

9. For the May 2025 renewal, the insurance market dynamics and greater availability of insurance cover provided a window of opportunity to reduce insurance rating. The effective insurance rates were reduced by 5% for property assets and a marked 44% on water infrastructure. On the other hand, Council's water infrastructure insurance values increased by 259%, meaning the rating reduction of 44% did not prevent a cost decrease for the infrastructure insurance. Looking ahead to 2026, further adjustments to the programme to reduce the gap between the modelled financial loss and the Limit of Cover of insurance will be considered by WCIG, and the same in respect of water infrastructure insurance and the new water services entity.

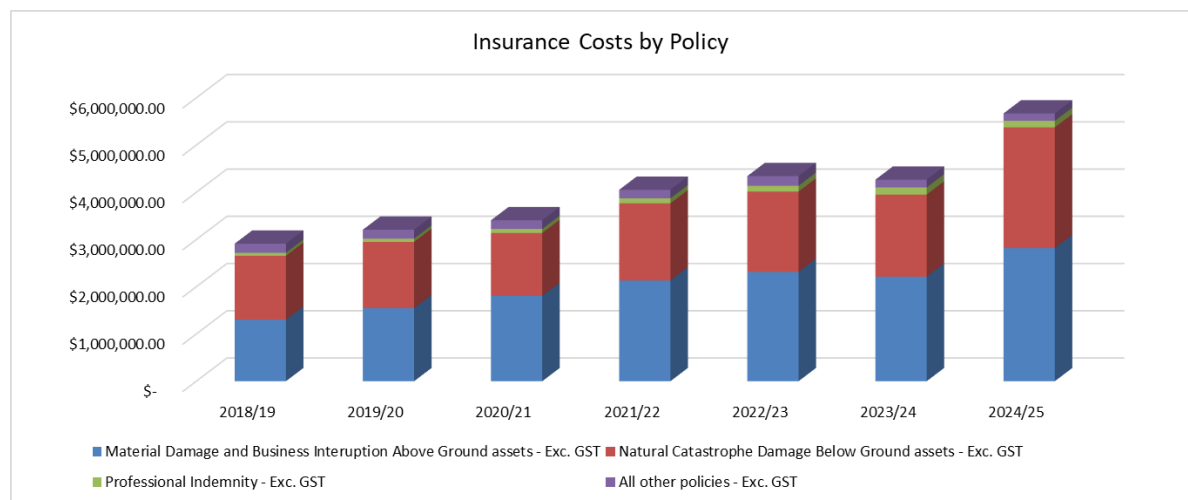
Summary of Council's Insurance Programme

10. As in previous years, Council's two largest insurance policies (by value of cover and cost) relate to Material Damage and Business Interruption (MDBI), for above-ground assets, and Natural Catastrophe Damage to Infrastructure (NCDI), for below-ground assets.
11. These insurance policies are shared arrangements for OWSS¹ and WCIE². The insurance cover is provided by New Zealand and international markets from London, Europe and Bermuda, with nearly 30 insurers taking up different risk positions within each programme. Please refer to Appendix 1 to the report for further details on these two policies.

¹ This is an arrangement between this Council, Kapiti Coast District Council, Upper Hutt City Council and Porirua City Council to share insurance cover and save on insurance premium cost

² This is an arrangement between this Council, Greater Wellington Regional Council, Kapiti Coast District Council, Upper Hutt City Council and Porirua City Council to share insurance cover and save on insurance premium cost.

12. The following chart provides a comparison between renewal terms for the renewal periods between 2018/19 and 2024/25. The cost increases relate to MDBI and NCDI, being Council's more significant insurances within its total insurance programme. Premium increases were primarily driven by increases in the Limit of Cover by \$100M and \$200M (Infrastructure and Material Damage policies, respectively), increases in the asset portfolio, and significant increases in asset values being insured. WSP provided the asset valuation for insurance purposes in May 2025.



Preparations for the future

13. The major workstream ahead of the 2026 insurance renewals is the preparation for the transfer of insured assets to the new water services entity, effective 1 July 2026. Aon is collaborating with the regional Establishment team to develop options that ensure continuity of insurance during the transition and for the new entity. Given that the current insurance is due to expire 1 May 2026 and the new entity assumes ownership on 1 July 2026, there will be a decision for councils to take collectively that ensures coverage is continuous, this could involve extending existing insurances for an additional two months to bridge the gap, or renewing for a further 14 months until 1 July 2027, with a pro-rata adjustment of premium cost between the new entity and councils for the chosen coverage period.
14. All options will be evaluated and discussed with the Aon London placement team to present a recommendation to council officers by the end of October 2025. Aon is the broker to all participating council members: Greater Wellington Regional, Hutt City, Porirua City, Upper Hutt City, and Wellington City Councils, facilitating effective information sharing and collaboration.

Significant asset classes not covered by any insurance policy

15. Roading infrastructure assets are not covered under Council insurance policies.

Climate Change Impact and Considerations

16. There are no specific climate change matters to consider in relation to this report.

Consultation

17. There are no consultation matters arising from this report.

Legal Considerations

18. There are no legal matters arising from this report.

Financial Considerations

19. The budgeted cost of insurance cover from the Annual Plan for the 2025/26 year is \$5.8M. Latest projections show insurance costs of around \$7M, with the major budget variance being in the water services assets area due to an increase in asset values. This budget shortfall issue will be presented to the new incoming Council to seek resolution and is likely to require reprioritisation of the work programme, in order to find offsetting savings.

Appendices

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1	Appendix 1 - Additional detailed policy information	19
2	Appendix 2 - Insurance Renewal Update	20

Author: Glenn Usoalii-Phillips
Treasury Officer

Reviewed By: Darrin Newth
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer

Appendix 1.

Insurance policy additional detail for:

1. Material Damage and Business Interruption (MDBI), for above-ground assets, and;
2. Natural Catastrophe Damage to Infrastructure (NCDI), for below-ground assets.

Hutt City Council		
Broker	AON	
Renewal Date	1 May Annually	
Policy	Natural Catastrophe (for underground assets)	Material Damage and Business Interruption (for above ground assets)
Assets Insured	Pipes, pump stations, tunnels, water storage, water treatment plants and other specified assets as declared	Buildings and other tangible assets as declared
Total Cover	<p>NZD \$800,000,000 any one loss or series of losses arising out of any one event</p> <p>(40% placed + 60% central govt)</p> <p>Shared between Hutt City, Porirua City, Upper Hutt City & Kapiti Coast District Councils.</p>	<p>NZD \$700,000,000 any one loss of series of losses arising out of any one event</p> <p>(100% placed – nil reliance on central govt)</p> <p>Shared between Greater Wellington Regional, Hutt City, Porirua City, Upper Hutt City & Kapiti Coast District Councils.</p>
Reliance on the 60/40 government contribution?	Yes.	No
Excess	\$3,000,000 each and every claim.	\$50,000 each and every loss except for Landslip and Subsidence \$250,000; Flood \$100,000; and Natural Disaster 5% of Material Damage location sum insured.
Last risk modelling assessment	July 2025	April 2025
Estimated replacement value of insured assets	\$6,346m (WSP Valuation May 2025).	\$520m (reviewed 1 May 2025)
Notable exclusions	<p>Noting that the insurance policy as indicated by it's very name is restricted to losses by natural catastrophe (flood, earthquake, landslip, windstorm, tornado, tsunami) and excludes other forms of damage e.g. fire.</p> <p>Some industry standard exclusions, including damage by cyber incident, war, terrorism, nuclear weapons; does not insure land, or legal liability.</p>	Industry standard exclusions including damage by cyber incident, war, terrorism, nuclear weapons; does not insure land, or legal liability.

Appendix 2.

Insurance policy additional detail for:

- | | |
|-----------------------------|------------------------|
| 1. Commercial Motor Vehicle | 2. General Liability |
| 3. Professional Indemnity | 4. Statutory Liability |
| 5. Employers Liability | 6. Crime |
| 7. Cyber Risk | 8. Business Travel |
| 9. Fine Arts | |

Hutt City Council	
Broker	AON
Renewal Date	1 November Annually (last renewal 1 November 2024)

Policy	1. <u>Commercial Motor Vehicle</u>	Policy owners are HCC, Kapiti Coast District Council, Porirua City Council, and Upper Hutt City Council.
Assets Insured	79 vehicles at renewal	Covers present, acquired, owned, hired, leased, rented, loaned or used on behalf of HCC.
Limits of Liability	Market Value or Agreed Value based on schedule of vehicles	Third Party Liability of \$20M Sub Limits apply.
Excess	Standard	1% of vehicle value, min \$1K

Policy	2. <u>General Liability</u>	Cover in respect of negligent actions of the insured which gives rise to claims by third parties who suffer property damage or personal injury.
Limit of Liability	Applies to General and Product Liability	\$15M any one occurrence – in the aggregate Sub Limits apply.
Excess	\$10k each and every claim	

Policy	3. <u>Professional Indemnity</u>	Provides cover to HCC to defend and settle claims out of alleged or actual negligence causing financial loss to a third party. Part of 32 participating Councils.
Limit of Liability	\$160M any one occurrence and in the aggregate over the 32 participating Councils	For HCC, \$15M any one occurrence – in the aggregate. Sub Limits apply
Excess for HCC	\$50k each and every claim	\$100k for claims relating to the Building Act.
Endorsements	<ul style="list-style-type: none"> Multi-Unit Property Excess endorsement Non-Conforming and Non-Compliant Building Materials exclusion 	<ul style="list-style-type: none"> Limit of \$45M in the aggregate for all Claims by all participating Councils for claims payable under the Building Defects Endorsement. PFAS Exclusion

Policy	4. <u>Statutory Liability</u>	Provides cover to HCC, employees and directors, to defend and pay fines and reparations in respect of prosecutions that can give rise to a criminal offence, and arise out of an inadvertent breach of most New Zealand statutes. Policy owners are HCC, Kapiti Coast District Council, Porirua City Council, and Upper Hutt City Council.
Limit of Liability	\$2.5M any one occurrence and in the aggregate Defence costs - \$2.5M	
Excess	\$10k each and every claim	

Policy	5. <u>Employers Liability</u>	Provides cover to the employer in respect of personal injury claims brought by employees not within the scope of ACC. Policy owners are HCC, Kapiti Coast District Council, Porirua City Council, and Upper Hutt City Council.
Limit of Liability	\$2.5M any one occurrence and in the aggregate Defence costs - \$2.5M	
Excess	\$2k each and every claim, including costs and expenses	

Policy	6. <u>Crime</u>	Provides cover for loss of your own money or money that you are responsible for (including by electronic funds transfer), arising out of the fraudulent actions of employees or external parties. Policy owners are HCC, Kapiti Coast District Council, Porirua City Council, and Upper Hutt City Council.
Limit of Liability	\$1M any one claim and in the aggregate	
Excess	\$2k each and every claim, including costs and expenses	
Endorsements	<ul style="list-style-type: none"> • Policyholder Cover Only (does not include subsidiaries) • Co-Insurance • Audit Letter exclusion • Severability 	

Policy	7. <u>Cyber Risk</u>	Covers costs and expenses incurred as a result of a malicious electronic attack which causes unauthorised use or access to your computer systems including the data contained within it. Coverage can include forensic IT investigation costs, extortion costs, business interruption, legal liability to third party including defence costs, regulatory fines and penalties (where insurable at law), public relations/crises communications and restoration/recollection of data.
Limit of Liability	\$1M any one claim and in the aggregate (including costs and expenses) \$250k Damages	
Excess	\$25k each and every claim, actual or suspected breach or extortion threat	

Policy	8. <u>Business Travel</u>	Covers various travel related risks whilst a Covered Person is on a Journey, eg. Personal accident and sickness, Medical, Baggage and Travel documents. Policy owners are HCC, Kapiti Coast District Council and Porirua City Council.
Covered Persons	All Employees of the Policyholder, or persons authorised by the Policyholder, travelling on authorised and declared business travel.	Cover under the Policy applies whilst a Covered Person is on a Journey.
Endorsements	Hazardous Pursuits Endorsement and Covid-19 Endorsement.	
Benefits	Extensive and too many to list.	Standard for this type of business policy.

Policy	9. <u>Fine Arts</u>	Physical Loss or physical damage of whatsoever nature (except as specifically excluded) to Artwork of every description. Policy owners are HCC, Porirua City Council and Upper Hutt City Council.
Limit of Liability	Hutt City Council Permanent Collection Gallery Collection Exhibition and Temporary Loans - Incoming and Outgoing Whilst at any unnamed location; and in	\$38M (\$22M) \$2M (\$1.5M any one loss) \$750k any one loss
Excess	NIL	

Report no: ARSC2025/4/221

Human Resource Information Management and Payroll Systems Project, and Holidays Act Remediation Project Update

Purpose of Report

1. This report provides an update to the Audit and Risk Subcommittee on Council's progress on the Human Resources Information System (HRIS) and Payroll Project, and the Holidays Act Remediation Project (HARP).

Recommendations

That the Subcommittee:

- (1) notes and receives the update to the HRIS/Payroll project;
- (2) notes that a full procurement process was undertaken by Officers, and two integrated systems, Datapay and Workday, have been chosen and will be implemented by delivery partner Datacom.
- (3) notes that a key part of contract negotiation was to ensure there was additional wording included in the contract around Holidays Act compliance.
- (4) notes there is still an onus on Council to provide accurate data to ensure payroll compliance.
- (5) notes that the first tranche of the Holidays Act remediation payments (Phase 1) was completed in July 2022, covering the period from March 2015 to March 2022, and included payments in line with the approved remediation model;
- (6) notes that Phase 2 of the Holidays Act remediation payment process was completed in July 2025, bringing the remediation period up to February 2025;
- (7) notes that the remediation calculations for Phase 2 were based on the model developed by a payroll calculation specialist and previously tested in mid-2022, providing confidence in the accuracy of the payment amounts;

- (8) notes that 388 current staff were paid during this phase, equating to \$357,434 before tax and KiwiSaver;
- (9) notes that a webpage remains on Council's external website providing information on Holidays Act remediation and enabling eligible former staff to lodge their details to receive payment; and
- (10) notes that the financial provision for Holidays Act remediation in Council's accounts as at 30 June 2025 is \$1.495M.

For the reason(s) detailed in the report.

Background

- 2. The Human Resources Information System (HRIS)/Payroll project was established to ensure Hutt City Council (Council) has Human Resource and Payroll Systems that are fit for purpose, enhance the employee experience, enable access to workforce data and comply with the relevant legislation.
- 3. The Audit and Risk Subcommittee has received regular updates on the Holidays Act Remediation Project since April 2021. These updates have detailed Council's progress in reviewing and remediating historical non-compliance with the Holidays Act 2003.
- 4. In November 2020, Ernst & Young (EY) was engaged to undertake a review of Council's holiday pay calculations. Following EY's analysis, a Holidays Act Remediation Project (HARP) was initiated to address historical issues and support future compliance with the Act.
- 5. Remediation calculations were developed in collaboration with a payroll calculation specialist and tested in 2022. The outcomes of this testing gave a high level of confidence in the model.
- 6. The first tranche of remediation payments was made in July 2022 to current staff for the period March 2015 to March 2022. These payments have been previously reported to the Subcommittee; refer to report ARSC2023/1/29.
- 7. In addition to payments made to current staff, the remediation process for the former staff is managed separately using a secure public-facing web portal. Eligible former employees are located and invited to register their details, provide verification information, and supply bank account details. Once verified, payments are processed each month. This approach ensures that former staff who may be owed remediation can receive payment regardless of when they come forward.

HRIS/Payroll Project Update

- 8. In May 2024, the project brief was agreed by the Go Digital Programme Board, which outlined a high-level approach to complete the initiation phase of this project. This work included:
 - a. Project start up – review work done to date to define objectives, scope and key requirements/functionality that is required to meet Council needs, identify pain points and systems / processes that need to be improved as part of this project (COMPLETED)

- b. Market research – conduct research to identify potential vendors that offer the features and capabilities Council needs. Discuss with other councils their approach to HRIS/Payroll (COMPLETED)
 - c. Procurement – develop and agree a procurement approach and engage with the market (COMPLETED)
 - d. Vendor evaluation and selection (COMPLETED)
 - e. Contract Negotiation (COMPLETED)
 - f. Privacy Impact Assessment (COMPLETED)
 - g. Security Risk Assessment (COMPLETED)
 - h. Business case development and sign off (COMPLETED)
9. Since the last report, the initiation phase has now been completed in Quarter 4 2024/25, and implementation has begun.
10. Two integrated systems have been chosen as part of a joint response to the request for proposal (RFP) process. They are:
- a. Workday (HRIS) – Workday is a leading cloud-based HRIS platform designed to manage human resources, talent, time tracking and employee data on one system. It is used by organisations worldwide to streamline human resource processes and support strategic workforce planning. Auckland Council and Western Bay of Plenty Council are two organisations that are also implementing this system. The Ministry of Health and Corrections have also recently implemented Workday.
 - b. Datapay (Payroll) – Datapay is Datacom’s cloud-based payroll system, designed for medium to large organisations across New Zealand and Australia. Datapay is updated every four weeks to reflect changes in the Holidays Act, tax, Kiwisaver and PAYE rules and is used extensively across the public sector.
11. Officers will be working with Datacom as the delivery partner. Detailed planning is currently taking place to confirm the timing of the project implementation plan.
12. The project will continue to deliver a progress update to the Audit and Risk Subcommittee at each quarterly meeting throughout its duration.

Project Risks

13. As part of the implementation phase, officers have started to update the risk register for the implementation phase. An update on previous risks reported to the Audit and Risk Subcommittee is:
 - a. Process improvement change – if there is an unwillingness to adopt change processes or the business attempts to customise the new systems to meet old existing processes, the system will not fix key pain points, and benefits will not be realised. This risk is still valid for the implementation phase.
 - b. Holidays Act compliance – if there are no systems available that meet current or future Holidays Act compliance, then the project may be delayed, or requirements or processes adjusted to meet legislative requirements. This was a key point in contract negotiation, and additional wording was included in the DataPay statement of work. This wording stated that Datacom is confident that the DataPay system can support customers' compliance by performing calculations that meet the relevant regulatory guidance. However, there is also an onus on Council to provide accurate data to ensure payroll compliance. This risk has now been updated to a risk around the quality of data (see paragraph 14(b) below).
 - c. Budgetary constraints – if there are no systems available within the current budget, with the capability and right-sized solutions that have been proven in the New Zealand market, then the requirements may need to be adjusted to fit within budget. If additional funding is required, other projects within Go Digital would have to be deprioritised or descoped from the programme. This risk was raised to an issue during business case development, as an additional \$420k is needed to implement the core minimum viable product. Additional funding was transferred from underspends from other Go Digital projects and the de-prioritisation of another project. While the issue raised has been mitigated, budgetary constraints remain a risk, as extra support may be needed from external consultants to mitigate data risks.
14. The following new risks have been added to the project's risk register:
 - a. Resource constraints – if there is insufficient resource availability with the right capability, then this will lead to delays in the project and/or poor-quality delivery. This risk is mitigated through the availability of funding in the project budget for two FTE to backfill Payroll and People and Capability resources so they can be freed up to support the project full-time.
 - b. Quality of data – if the quality of data is poor, then this can lead to the continuation of incorrect data in the new system, leading to non-compliance. This risk will be mitigated by ensuring the data is cleansed and tested against correct calculations and by ensuring there is a robust test strategy. An extra parallel pay run has also been agreed to mitigate this risk further.

Holidays Act Remediation Project Update

15. In early 2025, officers initiated a second phase of remediation to extend compliance up to February 2025. This was intended to reduce the burden of further remediation ahead of implementation of the new payroll system and support improved data integrity in preparation for the system transition.
16. Phase 2 payments were made in July 2025. A total of 388 current employees were paid, with a value of \$357k before tax and KiwiSaver. Payment values were calculated using the previously validated model and processed following standard verification steps. The total liability for phase 2, including former staff, was \$822k.
17. As with Phase 1, former staff are to be contacted and invited to register through the Council's web portal to provide personal details for verification and payment. The external webpage remains active and continues to support this process for both phase 1 and phase 2 payments. Efforts to contact former staff are ongoing, and payments are made each month.
18. The remediation process for staff beyond February 2025 will be finalised alongside implementation of the new payroll system, which is to be designed to be fully compliant with the Holidays Act as detailed earlier in this report.
19. The financial provision for HARP is \$1.495M as at 30 June 2025. This continues to be reviewed and updated over time.

Climate Change Impact and Considerations

20. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

Consultation

21. There are no consultation considerations arising from this report.

Legal Considerations

22. Council's external lawyers extensively reviewed contracts from Workday and Datacom. The advice received was included in contract negotiations with the providers.

Financial Considerations

23. Post-RFP discovery sessions were held with the vendors to confirm the system's minimal viable requirements and ensure they align with Council's risk appetite and operational needs. This change impacted both vendor and council costs, requiring an additional \$420k on top of the original \$1M budget.
24. Additional funding was transferred from other Go Digital project underspends, and a reduction in forecast budget for a deprioritised system.
25. Concerning the Holidays Act remediation payments, there are no other financial considerations other than those outlined in the report. Funding of compliance and related project costs is from the provision that has been set aside.

Appendices

There are no appendices for this report.

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Programme Manager

Author: Alicia Andrews
Manager Finance Transaction Services

Reviewed By: Lyndon Allott
Chief Digital Officer

Approved By: Jenny Livschitz
Group Chief Financial Officer

Report no: ARSC2025/4/101

Sensitive Expenditure Disclosures

Purpose

1. To provide the Subcommittee with a listing of sensitive expenditure incurred by elected members, Chief Executive and Directors for the period 1 April 2025 to 30 June 2025.

Recommendations

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1 to the report: Sensitive Expenditure 1 April 2025 to 30 June 2025.

Background

2. Information has been extracted from our financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded.
3. The list of transactions for the quarter from 1 April 2025 to 30 June 2025 is attached as Appendix 1 to the report.
4. This information will also be published on Council's website - [Sensitive Expenditure | Hutt City Council](#)
5. The current information provided by the Office of the Auditor General on sensitive expenditure can be located on their website - [Sensitive expenditure – Office of the Auditor-General New Zealand](#)

Appendices

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Author: Darrin Newth
Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive

Summary of Sensitive Expenditure 01 April 2025 to 30 June 2025

Chief Executive and Directors

Representative	Date	Amount \$	Paid to	Description
Miller, J	3 Jun 25	1,450.00	LGNZ Conference	LGNZ conference and dinner 16 – 17 July 25
Miller, J	21 May 25	290.14	Reimbursement	Flight booking to attend LGNZ conference from 15 July to 18 July 25 in Christchurch
Miller, J	9 May 25	65.31	Purchase Card	Wellington Combined Taxi for fare from HCC Laings Road to MHUD
Geddes, A	5 Jun 25	325.00	Taituara NZ Society of Local Government managers	Webinar: RMA Phase 2 National Direction Consultation Initial Analysis by Simpson Grierson 10 Jun 25 x 2 people
Geddes, A	9 Apr 25	4.61	Purchase Card	Parking fee while attending a meeting with Jenny Chetwynd & Geoffrey Coe, Wellington City Council, regarding the Governance Review for Regional Organics Board
Geddes, A	17 Apr 25	21.39	Purchase Card	Parking fee while attending the WRLC Senior Staff Group meeting at Greater Wellington Regional Council on 16 April 25.
Geddes, A	7 Jun 25	4.61	Purchase Card	Parking fee while attending a Regional Organics meeting with Wellington City Council
Geddes, A	7 Jun 25	4.61	Purchase Card	Parking fee while attending a Regional Organics meeting with Wellington City Council (inadvertently paid twice as first receipt failed to send to email)
Griffiths, J	11 Apr 25	8.96	Purchase Card	Wellington City Council - parking while attending a Workshop at PwC 10 April 25
Griffiths, J	1 May 25	55.04	Purchase Card	Uber taxi fare for return trip from Trade Me event to Airport
Griffiths, J	1 May 25	52.13	Purchase Card	Uber taxi fare from airport to PwC for attendance at a workshop

Griffiths, J	1 May 25	40.00	Purchase Card	Wellington Airport - Wellington – parking fee while travelling to Auckland to speak to TradeMe leadership team regarding AI
Griffiths, J	1 Jun 25	16.04	Purchase Card	Care Park Ecom – Wellington - parking fee while attending a working session 30 May 2025 with PwC
Griffiths, J	1 Jun 25	6.09	Purchase Card	Woolworths Lower Hutt - refreshments for 12 attendees for the Strategy & Engagement team workshop
Griffiths, J	5 Apr 25	173.84	Purchase Card	The Crooked Elm – Lower Hutt - catering for farewell for a staff member 4 April 25 (as per staff leaving guidelines)
Griffiths, J	10 Jun 25	145.10	Purchase Card	Compass Coffee - catering for lunch for 17 attendees for CLT workshop
Griffiths, J	13 Jun 25	16.25	Purchase Card	Woolworths – Lower Hutt - Bloomberg Mayors Challenge workshop for 13 attendees
Kingsbury, J	11 Jun 25	320.00	Purchase Card	NLUF 2025 Infrastructure - Wellington - Infrastructure Resilience in a Shifting Landscape conference - 16 October 25.
Kingsbury, J	19 Jun 25	436.05	Purchase Card	The Conference Company - Auckland - 2025 Looking head Infrastructure Symposium hosted by NZ Infrastructure Commission
Kingsbury, J	12 Feb 25	21.31	Purchase Card	Wilson Parking – parking fee while attending the Te Awa Kairangi PGG Workshop
Kingsbury, J	26 Feb 25	17.39	Purchase Card	Wellington City Council – parking fee while attending RiverLink PGG meeting
Kingsbury, J	11 Mar 25	8.96	Purchase Card	Wellington City Council – parking fee while attending the Te Awa Kairangi PGG session
Kingsbury, J	12 Mar 25	8.96	Purchase Card	Wellington City Council – parking fee while attending the Te Awa Kairangi PGG/PLT extra session
Kingsbury, J	9 Apr 25	5.35	Purchase Card	Care Park Ecom - Wellington – parking fee while attending the RRANZ Part 2 Response and Recovery Leadership Development Programme course
Kingsbury, J	10 Apr 25	8.03	Purchase Card	Care Park Ecom - Wellington – parking fee while attending the RRANZ Part 2 Response and Recovery Leadership Development Programme course

Kingsbury, J	11 Apr 25	8.03	Purchase Card	Care Park Ecom - Wellington – parking fee while attending the RRANZ Part 2 Response and Recovery Leadership Development Programme course
Kingsbury, J	12 Apr 25	8.03	Purchase Card	Care Park ECom-Wellington – parking fee while attending the RRANZ Part 2 Response and Recovery Leadership Development Programme course
Kingsbury, J	30 Apr 25	8.96	Purchase Card	WCC Parking Meters - parking while attending the Te Awa Kairangi PGG meeting
Kingsbury, J	8 May 25	52.70	Purchase Card	Wilson Parking - Wellington - parking fee while attending the Infrastructure Leaders Network (ILN) meet-up
Kingsbury, J	14 May 25	21.39	Purchase Card	Wilson Parking-Wellington - parking fee while attending the Te Awa Kairangi PGG Workshop
Kingsbury, J	28 May 25	21.31	Purchase Card	Wilson Parking-Wellington - parking fee while attending the Te Awa Kairangi PGG Meeting
Kingsbury, J	11 Jun 25	8.09	Purchase Card	Wellington City Council- parking fee while attending the WHMS (HCC/GW) meeting
Kingsbury, J	19 Jun 25	13.31	Purchase Card	Wellington City Council - parking fee while attending the Future Proofing NZ: the 2050 Local Government Forum
Kingsbury, J	20 Jun 25	30.96	Purchase Card	Wilson Parking-Wellington – parking fee while attending the Te Awa Kairangi PGG Meeting
Kingsbury, J	26 Jun 25	30.09	Purchase Card	Wilson Parking – Wellington - parking fee while attending the 2025 Looking Ahead Infrastructure Symposium @ The Beehive
Kingsbury, J	10 Jun 25	267.00	Blue Carrot Catering	RiverLink Reset Workshop (PGG)

Mayor and Councillors

Representative	Date	Amount \$	Paid to	Description
Council – Cr Parkin	10 Jun 25	1,400.00	LGNZ Conference	LGNZ conference and dinner 16 – 17 July 25

Council – Cr Shaw	18 Jun 25	1,170.00	Reimbursement	Yearly mileage claim for travel to/from meetings/briefings
Council – Deputy Mayor Lewis	10 Jun 25	80.29	Purchase Card	Deputy Mayor Lewis' ticket to attend Beehive to Business with Chris Bishop on behalf of the Mayor on 18 June 25
Council – Cr Edwards	15 May 25	46.47	Purchase Card	Tickets - Pink Ribbon -- attendance for Acting Mayor Edwards at Pink Ribbon Breakfast with Nicola Willis 26 May 25
Mayoral Office	16 Apr 25	133.94	Purchase card	All-of-local-government – Wellington – Mayor Campbell Barry attendance at All of Local Government conference on 1 May 25
Mayoral Office	19 Apr 25	1436.40	Purchase card	Conference Innovators – Christchurch – Mayor Campbell Barry attendance at SuperLocal conference on 15-17 July 25
Mayoral Office	31 May 25	1,576.18	Orbit Travel	Accommodation in Osaka 21-25 May 25 for Japan Delegation to Sister City Minoh
Mayoral Office	31 May 25	306.93	Orbit Travel	Accommodation in Tokyo 25-26 May 25 for Japan Delegation to Sister City Minoh
Mayoral Office	4 Jun 25	171.89	Reimbursement	Train Ticket for the Mayor to travel from Osaka to Tokyo at conclusion of Minoh Delegation 25 May 25
Mayoral Office	9 Apr 25	5.48	Reimbursement	Parking – for the Mayor while attending Friday Faceoff at Newstalk NZ on 28 March 25
Mayoral Office	7 May 25	7.22	Reimbursement	Parking – for the Mayor Lower Hutt CBD on 24 April 25 for Catch Up with Campbell meeting and Wellington on 2 April 25 for World Autism Awareness event
Mayoral Office	4 Jun 25	4.61	Reimbursement	Parking for the Mayor while in Wellington on 15 May 25 for Interview with RNZ
Mayoral Office	28 Mar 25	30.00	Purchase card	Hutt Valley Chamber of Commerce - Mayor's attendance at Pre-Budget Speech with Hon Nicola Willis 29 April 25.
Mayoral Office	29 Mar 25	157.96	Purchase card	Mayor Barry attendance at Breakfast with the Prime Minister event 10 April 25
Mayoral Office	25 Apr 25	80.29	Purchase card	Mayor's ticket to the Beehive to Business with Chris Hipkins event on 13 May 25
Mayoral Office	27 Mar 25	375.59	Purchase card	Catering for the Living Wage event on 26 March 25. Approximately 25 guests.

Mayoral Office	27 Mar 25	49.91	Purchase card	Catering from Woolworths for the Foodbank Providers morning tea in the Mayor's Office on 29 April 25. Approximately 24 guests.
Mayoral Office	29 Apr 25	109.32	Reimbursement	Lunch for NZ Delegation in Minoh 22 May 25 6pax
Mayoral Office	5 Jun 25	8.44	Purchase card	Juice and biscuits for the Afternoon Tea on 5 June 25 with Acting Mayor Tui Lewis & Tempe students from the exchange. Approximately 9 guests.

NB: The Mayor's travel expenses are pre-approved, with all other expenses approved by the Audit and Risk Subcommittee Independent Chair.

Report no: ARSC2025/4/222

Hutt City Council Group Annual Report 2024/25 and update on external audit processes

Purpose of Report

1. The purpose of this report is to provide an update on the Group Annual Report 2024/25 and the associated external audit process.

Recommendations

That the Subcommittee:

- (1) receives and notes the update on the preparation of the Group Annual Report 2024/25;
- (2) notes that the interim audit was completed by 30 June 2025;
- (3) notes that the final audited Group Annual Report 2024/25 is expected to be available for Council adoption on 7 October 2025;
- (4) notes that the statutory deadline for the adoption of the Group Annual Report 2024/25 is 31 October 2025; and
- (5) notes that the draft unaudited Group Annual Report 2024/25 will be considered by the Subcommittee at its meeting on 23 September 2025.

Section A - Background and Legislative framework

2. The Local Government Act 2002 requires local authorities to prepare, complete and adopt (by resolution) an Annual Report within four months after the end of the financial year to which it relates. The Annual Report, and a summary of the information it contains, must be made publicly available within one month after its adoption. The statutory deadline for adoption of the Hutt City Council Group Annual Report 2024/25 is 31 October 2025.

3. There is a requirement to prepare both a Full Annual Report (FAR) and a Summary Annual Report (SAR). Both these documents are required to be audited, although not the full reports, but rather parts of each of the FAR and SAR. The auditor's opinion will state exactly which pages of the FAR and SAR have been audited. The SAR includes the front section of FAR, which consists of the summary sections of non-financial and financial performance results.
4. The final FAR must contain the Auditor-General's (audit) report, and the SAR must contain the Auditor-General's report on whether the summary fairly and consistently represents the information regarding the major matters dealt with in the Annual Report.
5. Information to be included in the Annual Report includes:
Groups of activities; Capital expenditure for groups of activities; Statement of service provision; Funding impact statement for groups of activities; Council-controlled organisations; Internal borrowings; Financial Statements; Funding impact statement; Rating base information; Reserve funds; Key person remuneration (includes elected members); Employee staffing levels and remuneration; Severance payments; Statement of compliance; Activities undertaken to establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority. (Note that some of these aspects may not be relevant and therefore will not be reported on).
6. The Audit and Risk Subcommittee's (ARSC) role, from the terms of reference of the Subcommittee, is to review and monitor the integrity of the Annual Report including statutory financial statements and any other formal announcements relating to Council's financial performance, focussing particularly on: compliance with accounting and legal requirements; consistency of application of accounting policies and changes to these, disclosures, and significant adjustments resulting from the audit.
7. The Policy, Finance and Strategy Committee's (PFS) role is to monitor the integrity of reported performance information after Council's Annual Report process, together with reviewing and recommending to Council the adoption of the Annual Report. Council's role is the adoption of the final Annual Report.

Section B - High-level process for the Group Annual Report 2024/25 and external audit

8. The preparation of the Group Annual Report 2024/25 is progressing in line with plans. The detailed external audit plan was presented to ARSC on 23 April 2025 (refer ARSC2025/2/92), with a further update provided 23 June 2025 (refer ARSC2025/3/159). The audit plan outlines the approach to be taken by Audit New Zealand, along with the associated timelines. Likewise, the audit plans for Seaview Marina Limited and the Urban Plus Limited Group were presented to ARSC on 23 April 2025 (refer to ARSC2025/2/90 and ARSC 2025/2/91).

9. The interim external audit was completed in June and July 2025, and the final audit for the FAR and SAR will commence on 8 September 2025.
10. Table 1 provides a summary of the planned steps for the Group Annual Report in relation to Council governance engagement.

Table 1 - High level plan for adoption of the Group Annual Report

Date 2025	Activity
July-August	Preparation of the content of the Annual Report by officers
21 August	ARSC workshop re. unaudited FAR. Note that this is the Group Annual Report, and as such, will include Seaview Marina Ltd and Urban Plus Limited in the consolidated group results.
8 September	Final Audit New Zealand audit commences.
23 September	Draft unaudited FAR presented to ARSC.
7 October	Audited FAR and SAR were presented to PFS, followed by a Council decision meeting to adopt FAR and SAR.

11. Officers plan to present the unaudited draft FAR to the ARSC on 23 September 2025. The intent will be to seek the endorsement of this content, subject to the completion of any audit adjustments and receipt of final audit clearance from Audit NZ. To support this process, a briefing of the ARSC is planned for 8 September 2025. This will be an opportunity to review the unaudited draft FAR content and provide feedback to officers.
12. The final audit will start on 8 September 2025, and the audited FAR and SAR are expected to be available for Council adoption on 7 October 2025. The statutory deadline is 31 October 2025.
13. Council's CCO audits are underway, and the audited Annual Reports are expected to be signed out by 30 September 2025. These will be considered by the Policy, Finance and Strategy Committee on 7 October 2025.

Section C - Progress on the preparation of the Group Annual Report 2024/25 content

14. A full asset revaluation was completed as at 31 May 2024. A fair value assessment of asset values has been completed for 30 June 2025 based on the March quarter-end pricing indices. This has indicated that a revaluation of assets was not warranted for the year, as there is no material change in asset values. This was supported by specialist valuation providers Aon New Zealand Ltd and WSP Ltd.
15. Audit NZ have indicated that it is likely that our approach will be accepted. However, they are waiting for the June quarter pricing indices to be published to confirm whether any significant movements are identified between the March and June indices.

16. The fair value assessment of three water asset values by WSP Ltd as of 30 June 2025 was a comprehensive piece of work being undertaken to help manage audit risks and support work underway for the establishment of the new water services entity. In addition, work is underway with assistance from PwC to establish the required disclosures to be made in the annual reports, along with technical accounting assessments resulting from the water services changes. This work is happening in conjunction with Wellington City Council and Upper Hutt City Council.
17. To meet accounting standards, an actuarial assessment has been completed by technical specialist Eriksen Global for the provision of landfill aftercare.

Section D - Risk of error, omission and non-compliance in preparation

18. There is a risk that errors or non-compliance with legislation and accounting standards could occur in the preparation of the Annual Report. To mitigate this risk, quality assurance reviews will be performed on the results and commentary. The reviews will focus on the accuracy, completeness, and reasonableness of disclosures, as well as legislative compliance.
19. Officers will report to the ARSC in September 2025 on the reviews undertaken by officers to ensure the accuracy, completeness and fairness of the results reported.
20. Wellington Water Limited's annual report to June 2024 was signed off in June 2025. This may create issues for the timely completion of their June 2025 annual report and providing the required information/disclosures in Council's FAR.

Section E – Group Annual Report Audit opinion

21. Audit NZ issued an unmodified audit opinion on the financial statements and a qualified audit opinion on the performance measures related to Council's water activities. This qualified opinion aspect relates to the recording of customer complaints, with the other shareholding councils of Wellington Water Ltd also being impacted by this issue.
22. The audit opinion also included 'emphasis on matter' paragraphs in relation to a) the inherent uncertainties in the measurement of greenhouse gas emissions and b) the uncertainty over the fair value of three water assets. The three waters matter was consistent with that of the Wellington City Council and Upper Hutt City Council, which also undertook asset revaluations at the same time as we did. The greenhouse gas item was consistent with other impacted organisations across New Zealand.
23. The three water asset revaluation results at 30 June 2024 saw a significant increase in asset values. The auditors concluded that the unit rates were reflective of recent works. Still, there was uncertainty over the enduring nature and sustainability of these increased asset values, and hence the emphasis on the matter point. The auditors noted in their management report that several factors impact Wellington region costs, including terrain factors, high density, the complexity of works, and capacity pressures in the market.

24. Wellington Water Limited has recently been implementing changes to its procurement practices (eg moving away from contractor panels and conducting more competitive tenders); these changes may impact pricing outcomes in the future.
25. At the Long Term Plan/ Annual Plan Subcommittee meeting on 2 June 2025, Wellington Water Ltd Board Chair and Chief Executive talked through the progress being achieved in implementing Value For Money improvements.
26. The auditors will consider the fair value assessment of three water assets for 30 June 2025. As detailed in paragraph 14, WSP Ltd have undertaken specialist technical work to support this process.
27. Ahead of the final audit being completed, it is uncertain what the audit opinion will include for 2025. Some aspects covered in the 2023/24 audit opinion will likely be repeated in the 2024/25 opinion where relevant.
28. The Audit NZ management report for the audit of the 2023/24 Annual Report was considered by the ARSC on 26 November 2024 (refer ARSC 2024/5/349). This includes details about the audit findings and recommendations. An update on these will be reported on when the next management report is received from Audit NZ.

Climate Change Impact and Considerations

29. There are no specific climate change matters to consider in relation to this report.

Consultation

30. There are no consultation requirements to consider.

Legal Considerations

31. The legislative framework is detailed in Section A of the report.

Financial Considerations

32. There are no further financial considerations apart from those detailed in the report.

Appendices

There are no appendices for this report.

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Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive

Report no: ARSC2025/4/223

Water Services Matters

Purpose of Report

1. This report highlights issues and risks relating to water services activity, including an update on water reform.

Recommendations

That the Subcommittee:

- (1) notes the actions to date that Wellington Water Limited has undertaken to implement its Wellington Water Culture and Value for Money Improvement Plan;
- (2) notes the progress of work on the Water Services Delivery model and the Water Services Delivery Plan to meet legislative requirements of water reform; and
- (3) Notes the latest financial projections post the water services transition to a new entity.

Background**Wellington Water Limited Culture and Value for Money Improvement Plan**

2. The Culture and Value for Money Improvement Plan (the Plan) is Wellington Water Limited's (WWL) response to the recommendations from various reviews and sets out how it sees the organisation moving forward in a sustainable way.
3. WWL is reporting progress on implementing the Plan to the Wellington Water Committee at each of its meetings. Attached as Appendix 1 is the latest progress report for the period ending 30 June 2025.

Water reform - *Local Water Done Well*

4. Council continues to work with the other Wellington metro councils and the Greater Wellington Regional Council (GWRC) on a proposed joint asset owning water services council-controlled organisation (WSCCO) and Water Services Delivery Plan (WSDP) for the region.
5. The Council adopted the WSDP at its meeting on 19 August 2025, with the other partner Councils expected to do the same in late August. The WSDP will be submitted to government by the 3 September 2025 deadline. Each of the partner councils' chief executives has certified the WSDP as legislatively required.

6. Foundation documents for the new WSCCO (e.g. Constitution) are under preparation with council and mana whenua partners contributing to the underlying principles. These documents will not be finalised until later this year, following the local elections.
7. Within Council, the project team established to identify and manage transitional activities has started to develop work plans under six separate workstreams: People, Technology, Finance, Policy, Transfer Arrangements and Communications/Customer.
8. The greatest area of risk is being able to fully scope and determine the timing of the internal work programme, with a dependency on the regional work programme to provide direction on this. The regional team has been concentrating its resources on completing the WSDP, along with work on establishing the new WSCCO. The team are currently recruiting additional resources to start working on a detailed transition plan.
9. There will need to be close working relationships between the regional establishment team, WWL and partner Council project teams to coordinate and prioritise transitional activities to meet the 1 July 2026 commencement date for the WSCCO. The focus is on achieving “Minimum Viable Product” for day one, being 1 July 2026.
10. Recruiting for the Interim directors of the new entity is currently underway.
11. The key high level risks from the Hutt City Council project team perspective include
 - Awaiting final legislation to be agreed;
 - timings/uncertainties at regional establishment team level and unclear expectations of deliverables by Councils;
 - the possibility of the scope of the project work expanding beyond original objectives as more processes are identified or some are missed during planning.

Climate Change Impact and Considerations

12. With a changing climate Council’s three water infrastructure will come under more pressure, whether that be less overall rainfall during the summer months or greater incidences of higher rainfall events, resulting in flooding with both stormwater and wastewater networks overloaded. Investment in network improvements and operational responses, such as managing water leaks, has been prioritised to address some of these issues.

Consultation

13. There are no consultation matters to consider.

Legal Considerations

14. With the Local Government (Water Services) Bill still under consideration by the Government, there is a risk that unforeseen changes may occur to the legislation that have not been previously considered and may need to be addressed. Attached as Appendix 2 is a review undertaken by Simpson Grierson of the report back from the Select Committee in respect of the joint Council submission. Of the seven main items raised in the joint Council submission, two have been addressed, while five were not accepted, or only partly accepted.

Financial Considerations

15. Attached as Appendix 3 is a memo covering the key assumptions and financial projections related to the water services transition and the impact on the long-term Financial Strategy. This information follows on from previous projections reported to Council in August 2024 and incorporates the latest Annual Plan 2025-26 updates.
16. Advice is being prepared for the new incoming Council to consider the LTP amendment process that will be required as a result of the water services changes. There will be a need for a full review of the Financial Strategy, together with the Revenue and Financing Policy. Public consultation will likely take place as part of the LTP amendment process, as there will be a range of trade-offs and choices to be worked through off the back of the impact of water services changes. Rates setting into the future and rates affordability will be a key consideration that will need to be addressed.

Appendices

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2	Summary of Select Committee Recommendations on Water Services Bill	52
3	Water Services Transition - Draft Financial Projections	61

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Wellington Water
Culture and Value for Money Improvement Plan
Progress Report
Q4 2024/25

WWL Strategic Outcome 1: Wellington Water is a strong and capable organisation ready to fold into a new asset-owning entity

We will enhance organisational capability in the lead-up to the new entity.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome1.1: We will enhance organisational capability in the lead-up to the new entity			
1.1a: Update and develop technology systems and increase capability - Technology Systems Investment Programme		Information Management RFP released to market in June. Accelerated go-to-market plan for remaining in-scope capability developed, resourced and in-flight. Release to market of RFP for remaining scope of the Programme planned for 4th of August.	Quarterly action completed
1.1b: Prepare an Interim Capability Roadmap (numbers, process, systems) to de-risk our financial reporting	Financial reporting structure including allocations	The finance team has been restructured to provide increased capability and resilience, with particular emphasis on strengthening budgeting and forecasting oversight and process improvements. Budgeting processes have been enhanced to reduce complexity and improve visibility and understanding.	Quarterly action completed
1.1c: As required, support the development of the Water Services Delivery Plan in preparation for the new entity	Provide information and insight to meet timelines	In parallel with undertaking annual and long term-planning, significant investment and contextual information provided to support the delivery of the May 2025 draft.	Quarterly action completed
1.1d: Create and implement a change framework for coordinated and systematic delivery of changes	Recruit Head of Transformation	Head of Transformation appointed May 2025	Quarterly action completed
1.1e: Engage with Watercare specifically to identify and convert practical future synergies	Explore opportunities	Capital Delivery have met online with their Watercare counterparts to discuss project management and optimisation of workflow and structures, to inform the best use of Project Management coming back in house	Quarterly action completed

Wellington Water

Culture and Value for Money Improvement Plan

Progress Report
Q4 2024/25

WWL Strategic Outcome 2: Water services are affordable and provide value

Strengthened mechanisms for demonstrating value for money, strengthen the control and oversight of our suppliers and strengthen commercial and procurement competency and capability across the organisation that drives a focus on delivery of value for money.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome 2.1: Strengthen mechanisms for demonstrating value for money			
2.1a: Create healthy competition and establish clear benchmarks for what jobs should cost in the open market through putting more projects and contracts out to competitive bidding	For the rest of the 24/25 financial year put as many projects as possible out to tender	All projects and contracts subject to commercial tension in Q4 and open tenders posted to GETS. All council councillors briefed in Q4.	Quarterly action completed
Outcome 2.2: Strengthen the control and oversight of our suppliers			
2.2a: Implement value-focused performance metrics and regular reviews of performance against these for consultants and contractors	Develop performance metrics	Not complete. Value-focused performance metrics have been drafted and will be refined and implemented if/when procurement resumes through the panels.	Partially complete. Work is ongoing.
2.2b: Implement a value-focussed performance framework for the Operations and Maintenance Alliance that also includes pain/gain sharing	Performance Alliance Board agrees final algorithms of how performance measures calculate pain/gain sharing of any potential bonus	Performance Framework implemented and contains pain/gain sharing. Measuring performance has proven difficult given poor WWL systems, and is now the focus.	Quarterly action completed
Outcome 2.3: Strengthen commercial and procurement competency and capability across the organisation that drives a focus on delivery of value for money			
2.3a: Strengthen the Commercial and Procurement competency and functions for Wellington Water	Increase resource	New staff recruited	Quarterly action completed

Wellington Water

Culture and Value for Money Improvement Plan

Progress Report
Q4 2024/25

WWL Strategic Outcome 3: Communities receive reliable three waters services

Orthodox organisational model with clear purpose and lines of accountability, a strengthened culture of raising issues and overall awareness of controls, and strengthened governance oversight and assurance internally and externally.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome 3.1: Orthodox organisational model with clear purpose and lines of accountability			
3.1a: Implement improvements to asset management practice with a no-regrets basis covering the following: - Implementation of asset management framework - Supporting Technology Systems Investment - Data quality	Develop a resourced action plan	Resourced action plans have been developed to start the implementation of the Asset Management Framework and deliver the 2025/26 asset condition assessment programme. Asset management practice improvements are informing the Technology Systems Investment Programme ahead of the release of the Request for Proposal.	Quarterly action completed
3.1b: Document a process and control framework that outlines the key elements and workflows that are involved in running a water services organisation and implement changes to critical assurance and control processes identified through internal audit	Document process and control framework	Not complete. Process framework drafted that outlines key elements for running a water services organisation. Next will be re-orientating the organisation to be more process and system driven. In the current context this will be a challenge with the pace of change anticipated to be slow. First steps will be to implement the controlled document system, the asset management framework and Technology Systems Investment programme. Control framework scoping complete in line with findings of Cost Estimation Error Review, which includes aligning control framework to lines of defence model. Current maturity of the control environment means change will be focussed on financial systems and critical risk areas.	Partially complete. Work is ongoing.
3.1c: Develop and implement group purpose statements	Develop group purpose statements	Purpose statements have been developed to articulate the objective of each WWL group in delivering the organisation's overall purpose. Ongoing refinement will be undertaken as needed to ensure they remain clear, relevant and aligned with the WWL purpose.	Quarterly action completed
3.1d: Implement good practice approaches for recognising and rewarding values-based staff actions	A subset action of creating clearer accountabilities through structural changes is the approach taken to create the specific organisational culture we want. The key action this quarter is to revise the Internal Communications and Engagement Strategy and include mechanisms that support values and actions.	The Communications and Engagement Team drafted a revised strategy that was agreed by ELT on 28 May 2025. Weaved through the strategy's core pillars was the underlying theme of developing the culture WWL needs by aligning behaviours to company values. It included methods to recognise and reinforce values-based actions.	Quarterly action completed

Wellington Water

Culture and Value for Money Improvement Plan

Progress Report
Q4 2024/25

WWL Strategic Outcome 3: Communities receive reliable three waters services

Orthodox organisational model with clear purpose and lines of accountability, a strengthened culture of raising issues and overall awareness of controls, and strengthened governance oversight and assurance internally and externally.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome 3.2: Strengthened culture of raising issues and overall awareness of controls			
3.2a: Communicate with staff through staff meetings and messages the importance of speaking up and raising risks early	Develop an Internal Communications and Engagement Strategy which reinforces the importance of speaking up and raising risks early. Create and deliver key messaging to staff regularly through multiple channels (i.e. Leader-led conversations, CE and ELT comms, all-staff comms) that sends this message.	Internal Communications and Engagement Strategy signed off by ELT. Key messaging regularly delivered by CE and ELT.	Quarterly action completed
3.2b: The Code of Conduct is reviewed to include positive, value-reinforcing behaviours across the organisation	Review Code of Conduct	The rapid review of the Code of Conduct was undertaken initially after the Cost Estimation Error Review, and minor amendments were made to the employee version. Further changes were made to the contractor Code of Conduct to remove references to a 'whānau approach' to reinforce the commercial realities and the need to provide value for money.	Quarterly action completed
3.2c: Review the existing Protected Disclosures 'Speak Up' Policy, including disclosure requirements that extend beyond just staff, and the Items of Significance Policy to ensure they are easily understood and have mechanisms in place to use	Implement a confidential mechanism for staff to make suggestions on how to improve Wellington Water	A Protected Disclosures (Protection of whistle-blowers) Policy was developed in 2024 and is scheduled for review to ensure it remains clear, accessible and fit-for-purpose. As part of this, the policy will be re-communicated across WWL to raise awareness and support staff confidence in using it. Work has also been undertaken to design a confidential mechanism for staff to make suggestions on how to improve Wellington Water. This initiative aims to foster a culture of continuous improvement and open communication. The proposed mechanism will be approved by ELT prior to implementation which is planned for week of 28 July 2025.	Partially complete. Work is ongoing.

Wellington Water

Culture and Value for Money Improvement Plan

Progress Report
Q4 2024/25

WWL Strategic Outcome 3: Communities receive reliable three waters services

Orthodox organisational model with clear purpose and lines of accountability, a strengthened culture of raising issues and overall awareness of controls, and strengthened governance oversight and assurance internally and externally.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome 3.3: Strengthen governance oversight and assurance internally and externally			
3.3a: Improve assurance through improving the quality and content of information provided to, and reporting products from, the Risk and Assurance function	Amended Wellington Water Internal Audit Programme that includes: 1. Finance process focussed internal audits 2. Continued targeted auditing on costs Assurance provided to WWL Board over the development of annual planning advice	Direction provided from the Chair of the Wellington Water Audit Committee as to required changes to the audit programme to improve assurance. Audit programme amended to include cost auditing, procurement/purchasing and contract management. Draft 2025/26 programme endorsed by Audit Committee 7 May 2025. Implementation of 2025/26 programme on track. Level of confidence assessment provided to the WWL Board at 15 May 2025 meeting over the development of the annual planning advice. High confidence that all practicable steps were taken to ensure that a similar error would not be made.	Quarterly action completed
3.3b: Report on the implementation of the Improvement Plan	Performance is published and briefed to the WWL Board and Water Committee	Tracking form and progress report format developed. Report provided to Wellington Water Committee.	Quarterly action completed
3.3c: Meet the Foundational Information Disclosure Requirements from the Commerce Commission	Engage with the Commerce Commission	Engagement ongoing and positive. Timely response provided to three requests for information. Commerce Commission published their draft determination for consultation on 11 June 2025. Submission made on the draft determination.	Quarterly action completed
3.3d: Simplify the internal management framework by reviewing existing Management Committee Framework and implement changes	Capture the results of the first stages of streamlining post-organisational change	An initial review of the existing Management Committee Framework has been partially completed, and 12 of the 39 committees were identified as being no longer required. In the main, this reflects the recent consolidation of Operations Groups, which has reduced the need for cross-group coordination by these committees, and cessation of consultancy panels. The next step involves completing the review, staff consultation and discussion, and ELT approval to formally decommission these committees.	Quarterly action completed

Wellington Water

Organisational Capability Plan

Progress Report
Q3 2024/25

WWL Strategic Outcome 4: Services delivered by Wellington Water are compliant

Maintain a relentless focus on effective fluoridation in both the short and long term, strengthen the control and oversight of our suppliers, and strengthened financial controls that protect the integrity of financial transactions.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome 4.1: Maintain a relentless focus on effective fluoridation in both the short and long term			
4.1a: The 2022 Phase 1 response focused on restoring full fluoridation to the Wellington region's drinking water supply with containerised solutions with a lifespan of 7 years. This has given time for Phase 2 to be well planned and invested in through the LTP. The objective is to establish permanent fluoride dosing systems at all four Drinking Water Treatment Plants, ensuring they are safe for operators and capable of consistently meeting WWL's fluoride performance targets.	Completion of the Phase 2 options investigations into an Activity Brief	Phase 2 options investigations completed.	Quarterly action completed
Outcome 4.2: Strengthen the control and oversight of our suppliers			
4.2a: Improve Wastewater Treatment Plant compliance	Make an assessment that changes to contract management and capital programme governance is reflected in improving compliance data	Over Q4 intense contract management has been applied involving formal correspondence. We are seeing improvements in the delivery of renewal projects by Veolia. We have also made progress in contract management, which is reflected in the latest compliance data. Currently, two out of four plants are achieving compliance. The other two plants are progressing toward compliance, with daily compliance already being met.	On track for completion by 30 June 2026

Wellington Water

Organisational Capability Plan

Progress Report
Q3 2024/25

WWL Strategic Outcome 4: Services delivered by Wellington Water are compliant

Maintain a relentless focus on effective fluoridation in both the short and long term, strengthen the control and oversight of our suppliers, and strengthened financial controls that protect the integrity of financial transactions.

Objective	Q4 action	Progress made this quarter	Progress rating
Outcome 4.3: Strengthened financial controls that protect the integrity of financial transactions			
4.3a: Strengthen financial controls including large purchase orders, automatic payments of invoices, approvals for spending and payment (including Alliance statement of claim), financial system access, stop disclosing operational and capital budget information	No large purchase orders and automatic payment of invoices	Consultant Statements of Claim Purchase Orders disestablished from 1 July 2025, replaced by POs per project. Amended approval process for consultant and Fulton Hogan payments implemented requiring Chief Operating Officer approval prior to payment.	Quarterly action completed
4.3b: Reduce the conflicts of interest in key roles associated with the consultant panel through building internal project management capacity and ensuring client project managers are independent from the panel	Recruit internal project managers and ensure project managers are sourced from outside of the panel	Recruitment of Internal Project Managers has begun with FTEs recruited and in place. Every prudent opportunity is being taken to switch these to internal Project Managers.	Quarterly action completed
4.3c: Implement a comprehensive set of company wide delegations	Approved internal delegations from Chief Executive to employees	The internal delegations for finance, contracts and people have been approved by the Chief Executive and Letter of Delegation will now be provided to Delegates	Quarterly action completed
4.3d: Increase transparency and quality of delivery/investment planning information shared with Councils. Standardised approach to contingency management (for programmes of capital investment and delivery provided to Councils), including separate line for corporate costs for increased transparency.	Agree the final allocation methodology and reporting	Allocations finalised at 10% of projects and shown as a separate item, at a programme level	Quarterly action completed



To Dougal List, Programme Director Wellington Metro Water Services Delivery **17 July 2025**

From Pdraig McNamara and Graeme Palmer

Subject Select Committee Report and Recommendations on Local Government (Water Services) Bill

Introduction

1. This memorandum sets out the main issues arising out of the Finance and Expenditure Committee's Report (**Report**) on the Local Government (Water Services) Bill (**Bill**), including the Select Committee's recommended changes to the Bill.
2. We will first summarise how the Committee has responded to the key matters raised in Part 1 of the Wellington Councils' submission. We will then identify some of the other more significant matters arising out of the Bill as reported back.
3. The structure of the Select Committee report is to discuss certain matters under thematic topics, rather than clause by clause. This means that not all changes (or decisions not to change) are identified or explained in the report.
4. As a general comment, the recommended changes to the Bill by the Committee are largely technical in nature or matters of detail. There has been no reassessment of the fundamentals of the Bill or simplification to remove undue prescription. The approach has been to make relatively limited changes to address some specific matters raised in submissions, as well as to add new content which (we assume) there was insufficient time to address or was overlooked in the Bill as introduced. The overall result is a more comprehensive version of original Bill with improved drafting, but with limited policy changes of substantive significance.

Response to key matters in Councils' submission

"The Bill needs to set broader and stronger objectives for water service providers"

Supporting housing growth and urban development in their service area

5. The Councils submitted that the objectives of WSPs in cl 15 should be supplemented by the objective of supporting housing growth and urban development in their service area. This submission was **accepted**, and cl 15 now includes "to support housing growth and, if applicable, urban development in its service area" as one of the objectives of a water service provider (**WSP**). We assume the "if applicable" is to recognise that urban development may not necessarily be appropriate throughout the service area.
6. The Committee has made other changes to the objectives:

Summary of Select Committee Report(42660199.1)

- (a) a new objective has been **added** of using water services efficiently when providing water services;
- (b) the objective of providing water services that do not have adverse effects on the environment has been **deleted**. This is explained on the basis that adverse environmental effects will be regulated under the Resource Management Act 1991;
- (c) the objective of providing safe drinking water to consumers has been **deleted**. (see next key issue).

Safety should not be confined to drinking water

- 7. The Councils submitted that the objective of providing safe drinking water to consumers should be extended to cover the provision of safe wastewater and stormwater services. This submission was **not accepted**, and no such objective was added.
- 8. Indeed, the objective of providing safe drinking water has been deleted. No reason for this is given in the Report but it may be because this duplicates s 21 Water Services Act, as mentioned in the submission.

Exhibiting a sense of social and environmental responsibility

- 9. The Councils' submission that the cl 15 objectives should include "to exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates." was **not accepted**. No reasons were given.

Relationships with iwi/Māori

- 10. The Councils' submissions made relating to Māori issues and relationships with Māori were **not accepted**. See separate discussion below.

Objectives are merely aspirational, and should become requirements

- 11. The Bill sets out principles of WSPs but does not expressly connect those principles to the decision-making and other activities of the WSP. The Councils submitted that the Bill should include an obligation to comply with the principles.
- 12. This submission was **not accepted**. There is still no specific link between the objectives and the actions of WSPs, such as a requirement to act in accordance with its objectives.

Single set of objectives for all WSPs ie territorial authorities (TAs) and water organisations (WOs)

- 13. The Councils also submitted that all WSPs should be subject to the same objectives – WSPs which are TAs will also be subject to the LGA with its own statutory purpose and role for local government. This submission was **not accepted**. The position remains that although all WSPs have the same objectives under the Bill, WSPs which are WO will have the additional overlay of the LGA, which has a broader purpose.

14. This is one example of the wider issue under the Bill of different regimes applying to WSPs which are TAs and those which are WOs. There is no evidence that the Committee has sought greater harmonisation, even in areas where there seems little need for different treatment. In many areas, WSPs which are TAs will still be subject to both the LGA and the Bill.

“The Bill gives TA shareholders extensive controls over WOs, which conflicts with the rationale for establishing a WO and blurs accountability to communities”

15. The Committee has **accepted** this submission to some extent.
16. The focus of the Councils’ submission on this issue was that the statement of expectation (SOE) prepared by the shareholders should not include the setting of priorities and strategic direction of the WO. The Committee has **accepted** this submission, saying “We agree with submissions that strategic priorities should be set by the board of the water organisation in the water services strategy, rather than by shareholders in the statement of expectations.” The clauses dealing with the SOE and water services strategy (WSS) have been amended accordingly.
17. We note that the statutory purpose of an SOE is still to “guide and inform” the WO’s WSS, but this has now been amended as “including its strategic priorities” (cl 184(3)(c)(ii)).
18. However, at the same time the Bill has been changed to say that an SOE may now include “expectations relating to the strategic priorities to be included in the water organisation’s water services strategy” (cl 187(2)(ba)). Given that a WO must give effect to the SOE (cl 186), indirectly this may mean that the shareholders’ expectations must be reflected in the WSS. At the very least, there is a tension between cl 187 and the “guide and inform” language in cl 184.
19. There is therefore still potential for the shareholders to have significant influence over the priorities and direction of the WO.
20. Further, the Committee has, despite submissions in opposition, retained cl 196(2) which says the shareholders must determine the nature of their involvement in finalisation of the WSS, and this may include (subject to the WO’s constitution and shareholders’ agreement) requiring the WO to amend its draft WSS and/or approving the final WSS. Therefore, the shareholders could still have final say over the WSS (which contains the WO’s strategic priorities).
21. In addition, the Bill still provides that a transfer agreement may specify that the TA is responsible for making final decisions about the WO’s capital and operating expenditure and its level of charges and revenue recovery (cl 7(1) Schedule 2). Overall, therefore, the level of potential control by shareholders remains significant.
22. The Councils’ submission sought greater alignment with the more hands-off CCO provisions in the Local Government Act 2002 (LGA). However, the Committee says in its report that it was deliberate that the Bill did not use the CCO model in the LGA to “reflect that water organisations are not intended to be like other council-controlled organisations”.

“The Bill needs to define the relationships all WSPs, including WOs, are expected to have with iwi/Māori, and refer to the principles of Te Tiriti and Te Mana o te Wai.”

23. This submission was **not accepted**. The requirements in the Bill continue to be limited to an obligation to act consistent with Treaty settlement obligations, with no reference to the principles of Te Tiriti and/or Te Mana o te Wai. The Treaty settlement clause has been given greater prominence by relocation earlier in the Bill and extended to apply to all persons exercising functions and powers under the Bill (new clause 6A). Otherwise, however, the Bill’s provisions (or lack of them) relating to Māori interests and relationships with Māori are unchanged.
24. The Committee Report does not engage at all with the Councils’ submissions that:
 - (a) the effect of the Bill is to create a perverse difference between WSPs which are TAs, and who will be subject to the LGA’s requirements relating to Māori and issues affecting Māori, and WOs, who will not be subject to any such obligations;
 - (b) the effect of the Bill’s obligations on a WSP to act consistent with Treaty obligations is uncertain at best. It is unclear what/whose settlement obligations are being referred to, where the WSP is not itself a party to them.
25. It remains the case under the Bill that in areas where there is no relevant Treaty settlement the new clause 6A will not apply (and there are no other provisions in the Bill dealing with a WSP’s relationship with Māori).
26. The Councils submitted that cl 41 of the Bill should require a WSP to give effect to Te Mana o te Wai when performing its functions, power, or duties under the Act, to be consistent with s14(2) of the Water Services Act 2021, which states that “when exercising or performing a function, power, or duty under this Act, a person must give effect to Te Mana o te Wai, to the extent that Te Mana o te Wai applies to the function, power, or duty”. This submission was **not accepted**.
27. The submission that the mix of skills, knowledge, and experience required on the Board of a WO (see cl 40) includes knowledge and understanding of Te Mana o te Wai outcomes and Te Tiriti o Waitangi was also **not accepted**.

“The Bill should strengthen its current protections against future privatisation of water services”

28. The Councils sought an “avoidance of doubt provision” saying that a local authority or trustee of a consumer trust is prohibited from transferring its shareholding in a WO to anyone other than another local authority or trustee of a consumer trust that owns or co-owns a WO. This submission was **not accepted**, perhaps on the basis that the Committee did not consider there to be doubt under the current drafting.
29. The related submission that cl 55(5), which provides for an exemption from the requirement of local authority or consumer trust ownership of a WO, be deleted, was **accepted in substance**, or at least the intent was clarified. Now the Bill says that the possible exemption only applies where there is a nominal number of non-transferable shares owned by

consumer shareholders in a co-operative company, but otherwise the WO has local authority or consumer trust ownership.

“The Bill should be simplified to reduce unnecessary complexity and compliance costs for WSPs, and WOs in particular”

30. The Councils’ submission referred to the sheer length of the Bill and the level of prescription about matters which could be addressed through more general provisions, undermining the Bill’s overriding purpose of flexibility and cost effectiveness in the delivery of water services. Comparison was drawn with the lean statutory regulation applying to Watercare, with the suggestion that the approach in the LGA could largely be adopted.
31. In view of the new form of the Bill, this was **not accepted**. The Bill still avoids reliance on or adoption of existing LGA provisions, preferring the creation of a bespoke regime which in our opinion creates undue complexity as well as uncertainty for WSPs which are TAs and which in many cases are simultaneously subject to the LGA.
32. The level of regulation, and thus compliance costs and risk, is if anything greater under the Bill now compared to the version introduced, with further policies and processes introduced. Our impression is that new matters have been added whenever a perceived gap was identified, rather than taking a “stand back” assessment of what is really needed and in particular the level of prescriptive detail necessary to address them. In general, there has been a reluctance to rewrite but only to supplement. The result is an extremely complex piece of legislation which we anticipate will be very demanding and costly for WSPs to navigate.
33. In one respect, however, the Councils’ submission relating to undue complexity has been **accepted**. It was submitted that TAs should not be responsible for preparing a drinking water catchment plan where a WO is providing drinking water services, but should rest with the WO. The Committee has deleted the relevant clause (cl 143).

“The Bill should not require the Councils to enter into a transfer agreement with a WO within 6 months”

34. The Councils’ submission referred to the special circumstances in Wellington, where it will not be possible for the Councils to enter into a transfer agreement with Wellington Water Limited, or a new WO, within 6 months of the Bill coming into force. It referred to a DIA factsheet stating that *“a territorial authority that is a shareholder in a CCO that becomes a water organisation has six months in which to provide a transfer agreement, to formalise the responsibilities and other matters held by the organisation and the authority”*, and sought clarification of where the Bill required this.
35. This submission has been accepted **accepted**. The Bill now says that where there is an existing CCO which will automatically become a WO when the Bill comes into force (e.g Wellington Water Ltd), there must still be a transfer agreement documenting the existing arrangements and any modifications, but within 3 years of commencement of the Bill: see Schedule 1, clause 8(4). Where a CCO has become a WO before commencement of the Bill and is later disestablished and replaced by a new WO (the Wellington water Ltd scenario), a transfer agreement must be entered into with the new WO.

“The Bill’s provisions regarding works on private land will hinder infrastructure provision”

36. The Councils submitted that the regime proposed in the Bill for entry into private land (cls 116 to 120) did not sensibly balance the rights and interests of the landowner with those of the WO and would be unworkable. They urged the use of the more straightforward regime under the LGA, which staff involved in water services are already familiar with.
37. The main objections were:
 - (a) the lack of a general power for a WSP to enter land even for non-intrusive actions. In every case the WSP must go through a notice procedure which, if consent is not given or unreasonable conditions are imposed, or agreement cannot be reached, escalates to the District Court. In the meantime, the land cannot be entered even, say, to carry out a visual inspection;
 - (b) the onus of referring the matter to the District Court was on the WSP, not the landowner. This means there would likely be significant delay (waiting for a court hearing and decision) if there was no consent on reasonable terms, or even if the landowner did not engage with the process at all;
 - (c) the process was highly prescriptive, especially as compared to the equivalent process under the LGA.
38. In general, these submissions were **not accepted**. The more straightforward LGA process has not been adopted, but some anomalies have been corrected. We note there is no discussion of this issue, or other explanation, in the Committee’s report.
39. A general power of entry, e.g. where there are no physical works, is still not expressly covered (or is treated in the same way as if there are proposed physical works).¹ The powers relate to “works”, which are defined as including operation or even inspection of water services infrastructure. There must be prior notice to the landowner, although there is now a reduced notice requirement (reasonable notice by telephone or otherwise) for proposed work to operate or inspect existing infrastructure. The landowner has 10 days to impose conditions (even for inspection) which if considered by the WSP to be unreasonable will trigger the internal review process leading to a determination which can be appealed to the District Court.
40. One welcome change is that the onus is now on the landowner to appeal the determination to the District Court in all situations, rather than requiring the WSP to obtain the Court’s permission in certain cases as under the original Bill.
41. The Bill does not expressly state when works may commence if there is a review. However, if there is an appeal to the District Court, the works cannot proceed until the Court has decided the matter. As the landowner has 20 working days from the date of the determination to lodge an appeal, the WSP could not safely proceed with the works until

¹ There is a power of entry for compliance officers but not for general operational purposes.

those 20 days has elapsed - to be sure there is no appeal. The potential for delay is significant, even for something as minor as a proposed inspection of existing works.

42. These power of entry provisions remain very unsatisfactory, especially in relation to very minor works or activities of a WSP which may require entry onto private land.

Other, more significant, matters in the updated Bill (in the order they appear in the Bill)

Residual obligations on a TA which has transferred responsibility to a WO

43. Under the Bill, TAs have the fundamental responsibility for providing water services in their district (cl 8(1)). The Bill as introduced left some doubt as to whether a TA which transfers responsibility for water services to a WO retains any residual responsibility itself. This has now been clarified by the Bill saying (cl 8(2)) that entering into a transfer agreement *discharges* the TA's responsibility i.e. there will be no residual responsibility where there is an agreement in place.
44. The effect of a transfer agreement is now that the WO replaces the TA as the WSP (cl 12(2)). However, despite the Councils' submission, the Bill does not go further and include a deeming provision which says that the WO succeeds to relevant water services-related contracts of the transferring TAs. Clause 12(2) is unlikely to achieve that, in our view. We can foresee problems with TAs remaining the contracting parties notwithstanding the transfer. Normally transfer of a contract requires the consent of the other party.
45. The updated Bill adds cl 11A which prescribes the process a TA (or TAs) must follow before entering into a transfer agreement.

Payment of a dividend

46. The Bill does not rule out the payment of a dividend by a WO to its shareholders. It contemplates that possibility, so long as doing so does not compromise the WO's ability to act in accordance with the Bill's financial principles for WOs (cl 16(3)). The Committee's Report says:

We received submissions that opposed allowing water organisations to provide dividend payments to their shareholders. These submissions said that any dividends should be reinvested into water infrastructure, given historic underinvestment. They also raised concerns about the potential for privatisation and higher water charges for users.

We acknowledge these concerns, but do not agree that dividend payments should be banned. Water organisations are unlikely to make significant payments to their shareholders in the next 10 to 15 years due to pressures on their infrastructure investment programmes and increased scrutiny on prices and revenue provided by the bill. However, over time the ability for shareholders to authorise their water organisation to pay a dividend would provide incentives for improved efficiency.

Change proposals – relationship with Local Government (Water Services Preliminary Arrangements) Act 2024

47. The Bill as introduced was unclear as to the relationship between the change proposal provisions in the Bill and Part 3 of the Preliminary Arrangements Act.
48. The updated Bill purports to address this by adding cl 25A, the effect of which is:
- (a) the alternative requirements in the Preliminary Arrangements Act apply to decision making and consultation done in relation to a water services delivery plan;
 - (b) Clauses 25 to 29 of the Bill apply to any decision making and consultation in relation to a change proposal that may occur after a water services delivery plan has been accepted under the Preliminary Arrangements Act, including an amendment to a plan.
49. The Bill also clarifies the consultation procedure which applies to a shareholder of a WO which is not itself making the change proposal. This TA must consider options and determine its position, and if it wishes to maintain the existing approach, it must consult on that as its proposal.

Significance and engagement policy

50. WOs must now adopt a significance and engagement policy. New clauses 30C to 30F contain detailed and prescriptive provisions relating to the content of the SEP and the process for adoption. The SEP is referenced as a required consideration in numerous decision-making contexts in the Bill.

Application of CCO provisions in LGA to WOs

51. New cl 40(6) says ss 57 to 60 LGA do not apply. Clause 181 says ss 64 to 69 and Schedule 8 do not apply to WOs. In combination, it appears that only sections 61 to 63 and 71 to 74 of the LGA will apply to WOs.

Other roles of WSPs

52. New subpart 4 of part 2 sets out a WSP's obligation to carry out a water services assessment, with detailed provisions relating to content and process. It also carries over the LGA provisions relating to the closure or transfer of small water services; and sets out a WSP's obligations when an existing supplier faces significant problems.

Charging

53. The Bill now confirms that a WO may not charge for providing water services except as provided in the Bill. This rules out any contractual charging. This illustrates another anomaly as compared to WSPs which are TAs, because in our view TAs may rely on their general powers to provide water services under contract.
54. The Bill introduces various elements to the charging regime which echo those applying to local authority rates, such as the ability to charge based on separately used or inhabited parts of a property, the power to waive a charge or penalty etc (having adopted a waiver policy). The Bill as introduced permitted penalties to be added for unpaid rates, but it now specifies

the upper limit on penalties: no more than 10% in the first six months after the due date; and no more than 21% in the year after the due date.

Development contributions (DCs)

- 55. The Committee's report confirms that the DC provisions in the Bill are an interim measure while the Government works on new development levy regime. It is intended that they will be repealed by that new legislation.
- 56. Clause 84 is a key provision setting out the circumstances in which DCs may be required by a WO. Clause 84(1)(b) is limited to capital expenditure incurred by the WO, however cl 84(2) seems to envisage that the predecessor TA's capex may also be covered. The Councils submitted that the Bill should be clear that all growth-related capital expenditure on water infrastructure, whether incurred by the predecessor TA or the WO, and either in the past in anticipation of development or in the future, is recoverable by the WO through development contributions.
- 57. This submission was **not accepted**. Clause 84(1)(b) still requires as a prerequisite that the WO has incurred the capex itself; and the inconsistency with cl 84(2) remains. This is despite the fact that the Committee's report says (p 3) its recommended amendments are to ensure that water organisations can calculate development contributions based on previous capital expenditure incurred by the council, and new cl 87(4)(b) says that.
- 58. Important additions to the Bill are cls 93A and 93B which provide for the transfer of DCs from a shareholder TA to the WO. Under cl 108 the WO's obligation to refund DCs to developers in specified circumstances also applies to such transferred DCs.

Stormwater network risk management plans

- 59. Detailed procedural requirements for adoption of stormwater network risk management plans, including consultation obligations, have been added (cl 168A).



Water services transition

- Draft financial projections

Prepared 5 August 2025

The memo covers the key assumptions and financial projections related to the water services transition and the impact on our long-term Financial Strategy. This information follows on from previous projections reported to Council in August 2024 and incorporates the latest Annual Plan 2025–26 updates.

In summary the financial projections show:

- A decrease in revenue due to water services transferring to the new entity. The 2026–27 rates revenue reduction is \$96M.
- Capital investment reduces significantly with the transfer of water services investment to the new entity, being a \$1.5B reduction over 8 years.
- Water services asset transfers are expected to be valued at around \$2B.
- Debt transfer of \$295M to new entity, with overall Council debt reducing year on year and improvements in our debt headroom in the long run. Net debt to revenue ratio reduces from the current peak of 222% in 2030 to 113% in the same year.

The removal of water services assets, liabilities and revenue and expenses will have a significant impact on the LTP 2024–2034. There will be a need for a full review of the Financial Strategy, together with the Revenue and Financing Policy. It is likely that public consultation will take place as part of the LTP amendment process as there will be a range of trade-offs and choices to be worked through off the back of the impact of water services changes. Rates revenue settings into

the future and rates affordability will be a key consideration that will need to be addressed. Officers are working towards delivering advice to the new incoming Council in relation to this.

Further details:

1. Rates revenue

The following rates increase assumptions have been factored into the financial modelling. These are based on the Annual Plan 2025–26 increases.

Table 1: Assumed rates revenue increases %

Rates %	2027	2028	2029	2030	2031	2032	2033	2034
Increase	12.9%	12.9%	12.7%	12.3%	7.8%	7.8%	7.8%	7.8%
Growth	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Total increase	13.8%	13.8%	13.6%	13.2%	8.7%	8.7%	8.7%	8.7%

The indicative rates impact per average property category is presented below. These are based on the rating information as at 1 July 2025 and are subject to change. The new water entity will be responsible for billing for water services charges from 1 July 2027, and the Council rates bill will exclude these.

Table 2: Early indicative rates per average property category

Property Category	1/07/2025 Capital Value	2025-2026 Rates including waters	2026-27 Rates excluding waters @12.9%	Annual change \$	Annual change %
Average Residential	815,000	4,373	2,607	(1,766)	-40.4%
Average Commercial Central	2,350,000	25,648	24,067	(1,581)	-6.2%
Average Commercial Suburban	2,418,000	21,394	19,240	(2,155)	-10.1%
Average Rural (no water or wastewater)	1,247,000	2,936	2,927	(9)	-0.3%

It is expected that the Revenue and Financial Policy (which incorporates rating policy) will undergo a comprehensive review process ahead of setting the Annual Plan 2026–27 rates increases. This could, for example, result in lower rates increases given the rates affordability concerns at present.

The dollar value decrease in rates revenue post transition is shown in the table below; with a total of \$1.2B less in rates revenue over 8 years post transition compared to Annual Plan 2025–26.

Table 3: Rates revenue increases \$

Rates \$'000	2027	2028	2029	2030	2031	2032	2033	2034
Pre Transition	237,172	269,902	306,608	347,081	377,277	410,100	445,778	484,561
Post Transition	141,295	160,794	182,662	206,773	224,762	244,317	265,572	288,677
Difference	(95,877)	(109,108)	(123,946)	(140,308)	(152,515)	(165,783)	(180,206)	(195,884)

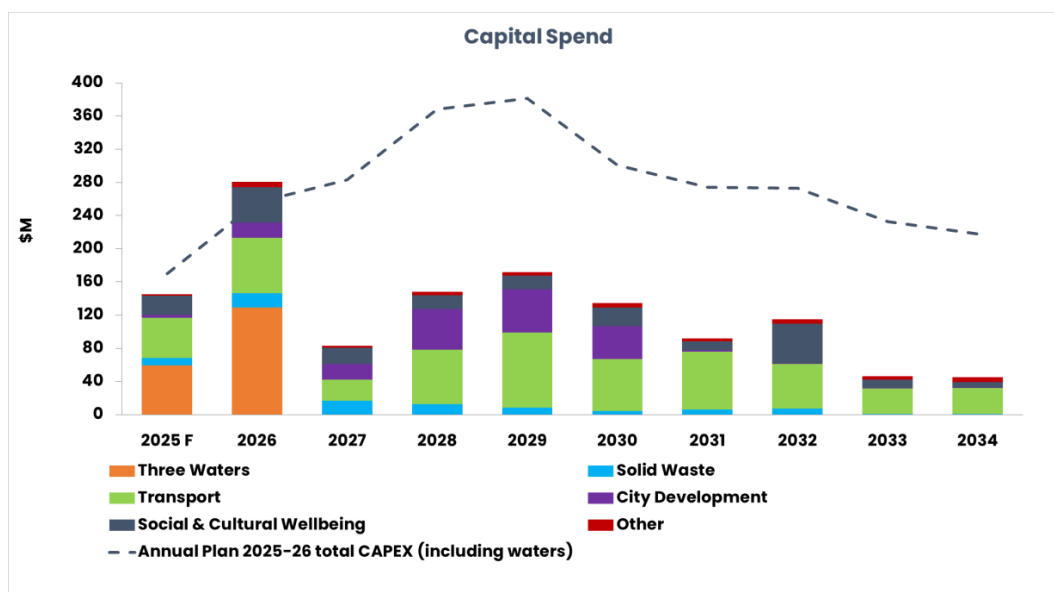
2. Capital programme delivery

We have assumed 100% delivery for Water services capex for the purpose of these projections. Based on this, the financial modelling shows \$189M capex delivery over the period 2025 and 2026 for Water services. These projections include interim unaudited results per Annual report 2024–25 and assumed carryovers of unspent budgets into 2026. These projections also include the Infrastructure Acceleration Fund projects being delivered at 100%, however there are a range of risks with these projects which are still in a planning phase.

Table 4: Capital delivery

Capital Delivery \$'000	2025 interim actual	2026 including assumed carryovers	Total spend
Water Supply	27,200	35,900	63,100
Wastewater	28,900	77,300	106,200
Stormwater	3,400	16,000	19,400
Total	59,500	129,200	188,700

Graph 1: Updated projected capital programme post transition



The forecast capital investment drops down significantly each year post water services transition with the highest spend being \$172M in 2029, this impacts favourably on our projected borrowings. This position may change when the Annual Plan 2026-27 work is progressed, due to cost escalations above budget assumptions or scope increases which are not known at this stage.

3. Asset transfer

All assets and work in progress related to water services are assumed to transfer as at the end of 30 June 2026. The details of the specific assets to be transferred, particularly around land and stormwater are still being worked through but the estimated transfer is expected to be just over \$2B. This is expected to be around 60% of the total Council asset value across all activities.

4. Operational costs

We have assumed all water services operational revenue and costs will transfer to the new entity or be fully offset by funding received from or related to the new entity as from 1 July 2026. The exception is stranded overheads (\$2M per

annum), which is currently assumed to be reallocated across the remaining activities with no offset for the purposes of these financial projections.

There is an expectation that these costs will be offset through costs reductions and reprioritisation through the Annual plan 2026-27 process.

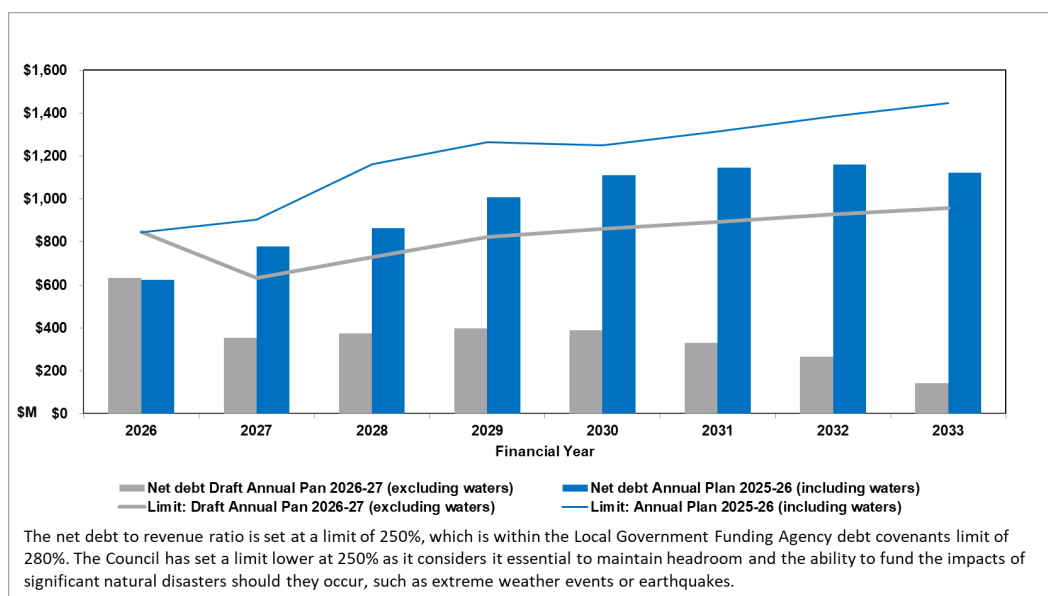
5. **Debt and interest**

The debt and interest on borrowings is assumed to be repaid by the new water services entity in full by 30 June 2027. The debt is estimated to be around \$295M as at the end of 30 June 2026. This assumption is based on current financial projections for 2026 and interim unaudited financial results for 2025.

Table 5: Water services net debt projection as at 30 June 2026

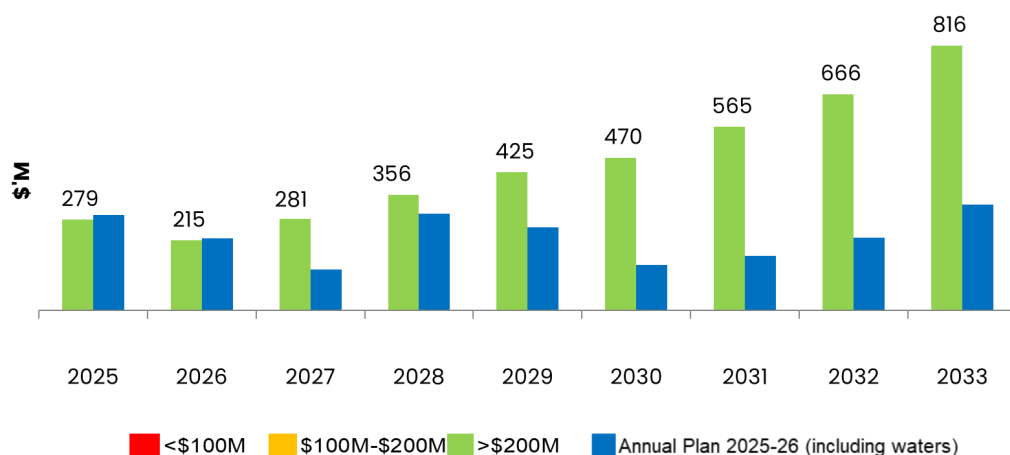
Estimated Debt repayment \$'000	2027
Water Supply	132,876
Wastewater	140,507
Stormwater	21,710
Total	295,093

Graph 2: The comparison of projected debt pre and post transition is presented below, together with the debt to revenue limits in each scenario.



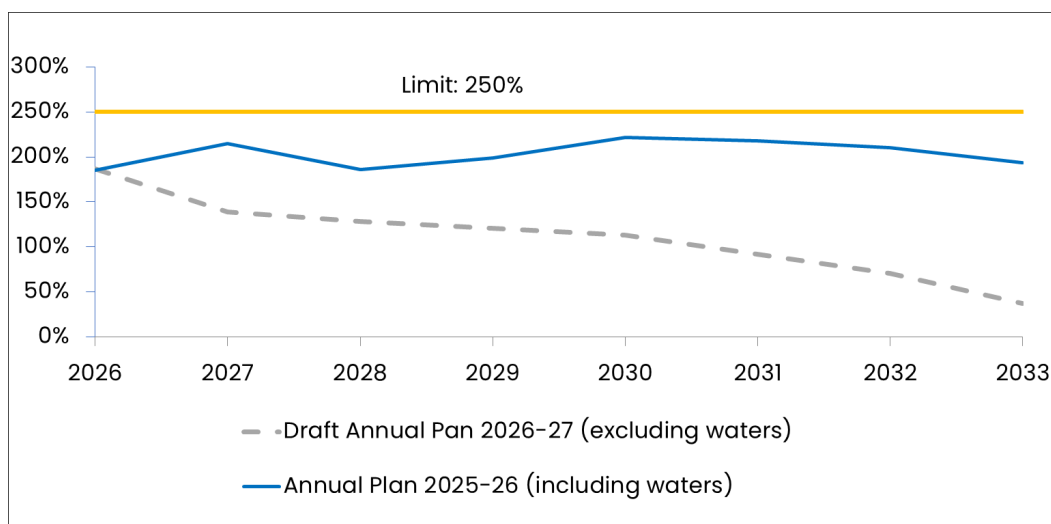
The scenarios presented is the blue bars being the current position including Water services and the grey bars being post transition, excluding Water services.

Graph 3: The comparison of the debt headroom pre and post transition, i.e., projected debt compared to the debt to revenue limit in each scenario, is presented below.



These projections show that the headroom will be in a more favourable position with over \$200M debt head room each year post transition.

Graph 4: The forecast net debt to revenue percentage against the limit of 250% pre and post transition is presented below.



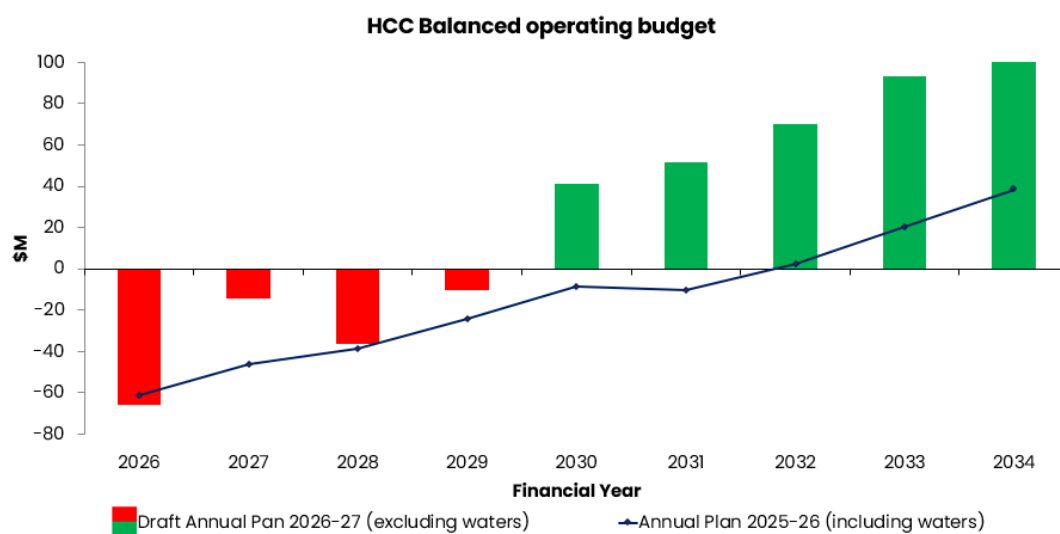
Interest cost savings of around \$276M is expected in the post transition period of 2027 to 2033 based on average debt and average cost of borrowings each year during this period.

6. Balanced operating budget impact

The balanced operating budget position post transition is expected to improve compared to the Annual Plan 2025–26 projections. The balanced budget post transition is projected to be achieved in 2029–30, which is three years earlier than the Annual plan projections. This is largely dependent on:

- the debt repayment being received as assumed in the modelling,
- rates increases in future years being approved at the assumed increases, and
- no significant cost escalations beyond those currently approved and factored into the budgets including interest costs.

Graph 5: Balanced budget position based on Annual Plan 2025–26 budgets



Council does not currently meet the legislative balanced budget requirement as defined in s100 of the Local Government Act 2002 until 2028 of the plan (you can refer to our Financial Strategy for further details). The legislative calculation includes capital grants and subsidies which can only be applied to capital projects and cannot be used to fund everyday operational costs over the period. As Council is projecting to receive significant capital grants and subsidies over the period of the plan, the legislative calculation makes it appear that there is more income available to meet everyday operational costs than there actually is. Therefore, we have excluded capital improvement subsidies and capital grants from the graph to only show the projected operating balanced budget for everyday operational income and costs.

Report no: ARSC2025/4/224

Six monthly update on Health & Safety Performance

Purpose of Report

1. This report highlights Council's Health and Safety Performance for the six-month period from 1 January 2025 to 30 June 2025.
2. This report provides qualitative commentary on activities that have occurred during the period and is presented based on the key areas of focus as outlined in Council's Health and Safety Policy:
 - Leadership
 - Risk management
 - Engagement
 - Overlapping duties

Recommendation

That the Subcommittee receives and notes the report.

Background

Health and Safety Performance Update – Leadership

3. During this period, the Q3 and Q4 2024/25 quarterly Health and Safety reporting was presented to the Corporate Leadership Team (CLT). This reporting provides the CLT with insight into the performance of our health and safety systems and required visibility as staff under the Health and Safety at Work Act.
4. In January 2025, the ComplyWith Survey found three partial compliances in relation to health and safety, which pertained to the previous six-month period from July 2024 to December 2024. Two related to fire extinguisher requirements, which were resolved in the reporting period, and the other related to Health and Safety induction processes in Building Control, where additional training was provided to ensure officers were able to meet their obligations.

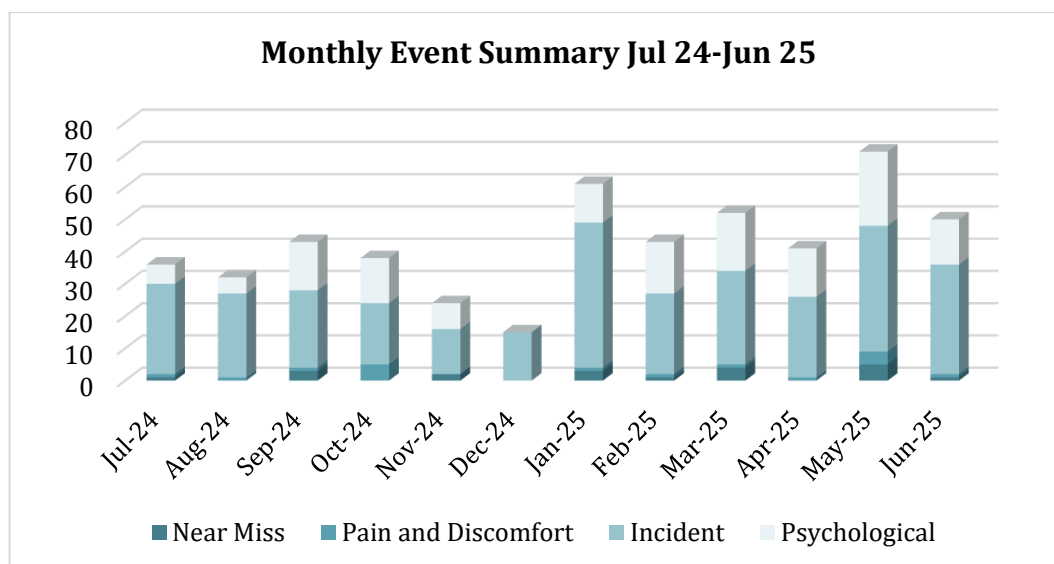
5. The Audit and Risk Subcommittee last received a ComplyWith update in April 2025, and the Subcommittee has received a further update as part of this agenda.
6. 67% of new people leaders who have joined Council in the past six months have attended a Health and Safety leader induction within four weeks of starting. As part of a wider piece of work being undertaken by the Organisation and Capability Development team to review Council's induction processes, Council will be considering the Health and Safety aspects and looking for opportunities to improve this process further.

Risk Management

Events:

7. There continues to be good engagement in health and safety, with reported incidents increasing. This can predominantly be attributed to the opening of Te Ngaengae Pool and their good reporting practices. Approximately a third of events for the period occurred in our Aquatics facilities; most of these events resulted in minor first aid treatment or were medical events involving members of the public. This demonstrates a diligent approach being taken to reporting, with an emphasis on having oversight of what occurs at our sites.
8. During this period, there were a total of 317 events reported into Council's Health and Safety system, Assura. 10% of these events have been reported as resulting in injuries, with nine injuries requiring medical treatment. Most injuries were minor and involved small lacerations and scratches, sprains, strains (including overstressed backs), and slips on uneven or slippery surfaces.
9. In response to recent injuries relating to manual handling, training is being undertaken to equip staff to be able to lift and move equipment and prevent injuries safely. Some guidance is also being developed for inclusion in operating manuals. These should support a reduction in the number of injuries related to manual handling activities.
10. There continues to be a pattern of antisocial behaviour experienced by some Council teams, for this period, in Aquatics, Neighbourhood Hubs & Libraries, and Animal Services. While most events are low in physical harm, the frequency and cumulative exposure can present a psychological safety risk.
11. The Health and Safety team continues to provide advice to minimise the risk and to support staff to both feel and be safe when undertaking their roles. Timely response to these types of events ensures that we escalate appropriately, which may include contacting the Police, and to make sure the appropriate support is put in place for staff, which sometimes includes accessing our Employee Assistance Programme.

12. Frontline roles remain the primary area of exposure to escalating behavioural risks from members of the public. Systems for assurance, training, and reporting are being reviewed and adapted to keep our staff and customers safe. Situational Awareness training continues to be a key way of mitigating risk for Council's frontline staff. During this six-month period, 90 staff members attended this training. The Health and Safety team is working with the City Safety team to strengthen the trespass process, ensuring it is clear and consistently applied. These steps aim to protect staff, clarify behavioural thresholds, and improve the response to escalating conduct.

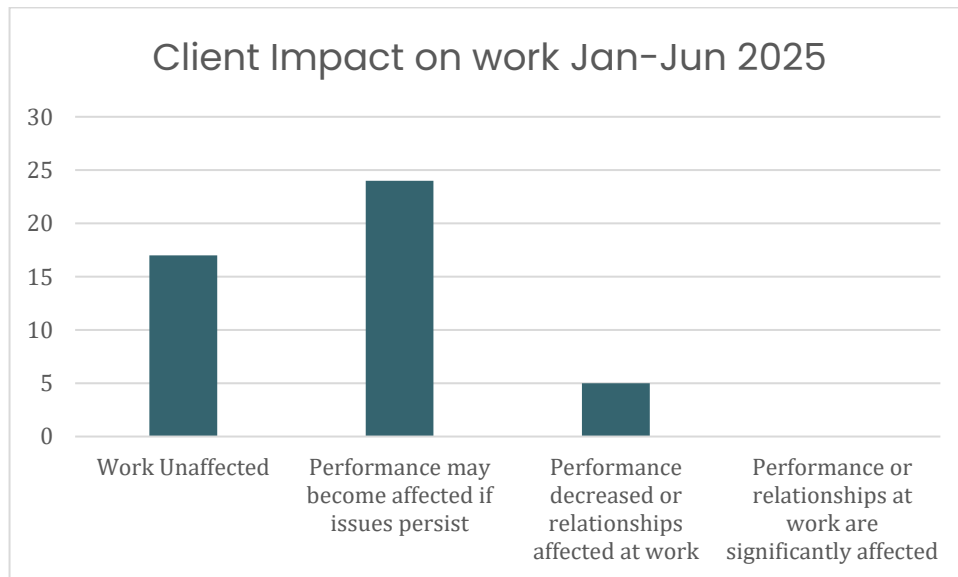


Site Inspections:

13. The Health and Safety team completed 15 site inspections during this period, with 100% of the scheduled site inspections completed. These inspections provide critical assurance that all sites are operating safely and meeting their legal obligations. Most issues identified were minor, with corrective actions assigned and being proactively addressed. Inspections planned for the 25/26 year will expand to include annual scheduled inspections of field-based work.

Employee Assistance Programme:

14. During this six-month period, there have been 47 instances of staff contacting the Employee Assistance Programme (EAP) for support. A high proportion of these cases (74.5%) are for personal issues, with the most common issues continuing to be personal stress and psychological health. The average number of sessions utilised per case has increased slightly to 2.5, which is consistent with brief intervention patterns.
15. Psychological health is a leading indicator of Health and Safety performance. High self-referral use of EAP reflects early help-seeking behaviour, which is a positive cultural signal. As reported by the individuals, in most cases, work performance is not being affected, highlighting how the programme is an effective and proactive support mechanism.



Engagement

16. Bi-monthly Health and Safety Committee meetings have occurred as scheduled during this period, with an attendance rate of 75%. Regular training and upskilling are an important focus of the Committee.
17. Sessions during this period have included: a review of the Health and Safety Representative (HSR) Stage 1 training, an introduction to the concept of 'learning teams', refresher training on managing risks related to overlapping duties (learnings from the Huia Pool incident outlined below), and emergency preparedness.
18. First Aid accreditation is another way Council promotes worker engagement. During this period, 23 staff completed a Level 1 First Aid course. This takes the total staff trained across Council (excluding Aquatics, where this training is mandatory) to 115 (18%), which is broadly in line with our expected staffing ratio of 1:20.

Overlapping Duties

19. During this period, there was a complaint made by a member of the public to WorkSafe. This is related to the refurbishment work of the main and children's pools at Huia, which is being undertaken while the fitness suite and hydrotherapy pool remain open. As part of the maintenance work, a bonding agent was used that had a non-toxic but offensive odour.
20. WorkSafe requested information and inspected the site to ensure that Council had the appropriate practices in place. They confirmed that Council's overlapping duties procedures were compliant. The Assets and Facilities Management and Health and Safety teams continue to work to ensure that staff and customer exposure to offensive odour is being appropriately monitored and managed.

Options

21. This report is intended for informational purposes only, and therefore, no options are included.

Climate Change Impact and Considerations

22. The matters addressed in this report have been considered in accordance with the process set out in Council's [Climate Change Considerations Guide](#).

Consultation

23. There are no consultation considerations.

Legal Considerations

24. There are no legal considerations.

Financial Considerations

25. There are no financial considerations.

Appendices

There are no appendices for this report.

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Reviewed By: Kelly Alkema
Chief People Officer

Approved By: Jo Miller
Chief Executive

Report no: ARSC2025/4/103

ComplyWith Survey - legal compliance report for period 1 January 2025 - 30 June 2025

Purpose of Report

1. The purpose of this report is to present the key findings from the ComplyWith survey on legal compliance.

Recommendations

That the Subcommittee:

- (1) receives and notes the information;
- (2) notes that out of the 17 non-compliances recorded during the survey, 11 are already resolved;
- (3) notes that five corrective actions remain; and
- (4) notes that the list of the five remaining unresolved Corrective Actions and the mitigations that are or will be put in place to address these can be reviewed in Appendix 1 attached to the report.

Background

2. Council uses 'ComplyWith', a legal compliance management tool, to identify and monitor legal compliance risks. Legal obligations are mapped to the responsible roles within Council and updated from time to time. An online compliance survey is completed twice a year, which enables staff to identify and report on legal risks and issues. The 'Corrective Actions' function on ComplyWith allows staff to monitor risks and set Action Plans that require them to lay out the steps needed to resolve non-compliances. The function also helps track unresolved risks by sending staff regular reminders.

Discussion

3. The results from the previous survey were reported to the Audit and Risk Subcommittee on 23 April 2025. All Corrective Actions from the previous survey have been resolved and completed.

4. The ComplyWith survey was sent out to 134 staff on 01 July 2025. The survey covered the period between 01 January 2025 to 30 June 2025 and captured 3,828 obligations under 111 Acts and Regulations. Everyone with whom the survey was assigned completed it.
5. The survey recorded 17 non-compliances, all of which had an Action Plan attached. Out of the 17 non-compliances, 11 are already resolved. Once the duplicate from the remaining six corrective actions is removed, five remain. The list of the six remaining unresolved Corrective Actions and the mitigations that are or will be put in place to address these can be viewed in the attachment titled "List of remaining unresolved Corrective Actions".
6. The next survey will be out on 26 January 2026 and will cover the period between 01 July 2025 to 31 December 2025.

Overview of key results from the survey

Employment

7. Under the Holidays Act 2003, employees must be paid at the correct rate when they are on holiday or leave, or there is a public holiday. Through Phase 2 of the Holidays Act Remediation Project, payments covering March 2022 to February 2025 were made to current staff in July 2025.
8. Staff who have resigned and are still owed money will be contacted. Further remediation is planned and will be completed before a new, fully compliant payroll system is introduced around mid-2026. Please refer to the separate report on the Subcommittee agenda entitled "HRIS and Payroll System (including Holidays Act Remediation Project)" for more details.

Buildings

9. It has been identified that not all accessible buildings display the international symbol of access as required under section 120 of the Building Act. Action is being taken to check these sites and have the required signage to resolve this.
10. Under section 46 of the Building Act, a copy of every building consent application referred to in the relevant MBIE notice published in the Gazette must be given to Fire and Emergency New Zealand (FENZ). One incident was recorded where the consent application was not referred to FENZ at the initial acceptance stage. This issue was identified at the allocation stage and referred to FENZ accordingly. Steps have been taken to ensure Vetting Officers are clear on the referral process to resolve this.

Environment

11. Work is progressing on this long term project to sort through expired enforcement records accumulated over the past 20 years. Section 30 of the Dog Control Act requires enforcement records to be deleted if they are older than 30 months, unless it is an unpaid infringement fine. The goal is to review the records and only identify and destroy the records related to fines that have been paid in full.

12. There were three non-compliances recorded against obligations under the Resource Management Act 1991 and Regulations.
- Effectiveness and efficiency of the District Plan have been assessed in part through the District Plan Review. However, this has not been comprehensive, and there has not been a public report of the monitoring results in the last five years. An action plan for meeting Council's requirements for monitoring the effectiveness and efficiency of the District Plan is currently being developed.
 - Council does not return applications that have been suspended at the request of the applicant after 20 working days. This is common practice as it is not in the interests of the applicant to return the application, and it falls within the scope of section 37 of the Act, which allows Council to extend this time period.
 - Council must approve or decline a survey plan for a subdivision within 10 working days and must only approve the plan if the required conditions are met. If approved, a section 223 certificate must be given by the chief executive or another authorised officer. The team continues to speed up the approval process and respond to urgent requests when required.

Managing information

13. There was continued strong compliance with the Privacy Act in the ComplyWith survey responses, with thoughtful answers reflecting ongoing maturity. Incident reporting remains high, reflecting good engagement and awareness. Incident numbers followed a similar trend to the previous year, with a slight overall reduction in the number of reported incidents.
14. There was one breach notified to the Office of the Privacy Commissioner in Q4 24/25, which has been resolved, with ongoing work by officers to implement recommendations.

Transport

15. Under section 141 of the Land Transport Act 1998, 50% of certain infringement fees received must be paid to the Police via a Crown Bank Account. It has been identified that Council may have been paying an incorrect amount into this account.
16. The team is currently upgrading the infringement management system and improving the use of Crime Reference Numbers to better track court-enforced collections in the future and therefore, improve the accuracy of Council payments to the Crown.

Appendices

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1 ↗	List of remaining unresolved Corrective Actions	76

Author: Lakna Siriwardena, Legal Operations Advisor

Approved By: Bradley Cato, Chief Legal Officer

Attachment 1:

The list of remaining unresolved Corrective Actions

	Non-Compliance/Corrective Action	Action Plans in place
1.	The records required by section 30(1) of the Dog Control Act 1996 must be maintained for the applicable period (or entered into the National Dog Database) and destroyed when that period expires.	Ongoing issue. The Animal Control team is working together with the Information Management team to review the records and only identify and destroy the records related to fines that have been paid in full.
2.	Under section 141 of the Land transport Act, the Police must be provided with 50% of specific infringement fees received, which must be paid into a Crown Bank Account.	Parking team is working on upgrading the infringement management system and improving the use of Crime Reference Numbers to track court enforced collections which will give a better understanding of Council payments to the Crown.
3.	The Privacy principle 9 under the Privacy Act states that personal information must not be kept for longer than is required for the purposes for which the information can lawfully be used.	Parking team is working with the Information Management team to further investigate the retention policy around some historic records. Ongoing issue. Work in progress with the Privacy team around disposal of old contracts and jot forms held in the Libraries & Hubs team space.
4.	Under the Holidays Act 2003, Employees must be paid at the correct rate when they are on holiday or leave, or there is a public holiday.	Further remediation is planned and will be completed before a new, fully compliant payroll system is introduced around mid-2026.
5.	If a building provides access, parking, or sanitary facilities for people with disabilities, the international symbol of access must be displayed.	All sites to be checked to have the required signage.

TO: Chair and Members
Audit and Risk Subcommittee



FROM: Jenny Young, Democracy Advisor

DATE: 06 August 2025

SUBJECT: AUDIT AND RISK SUBCOMMITTEE FORWARD
PROGRAMME 2025

Purpose of Memorandum

1. To provide the Audit and Risk Subcommittee (the subcommittee) with a Forward Programme of work planned for the subcommittee for 2025.

Recommendation

That the Subcommittee receives and notes the Forward Programme for 2025 attached as Appendix 1 to the memorandum.

Background

2. The Terms of Reference for the subcommittee require the subcommittee to have a monitoring and advisory role in reviewing the effectiveness of the way Council discharges its responsibilities with respect to governance, risk management and internal control.
3. The Forward Programme for 2025 provides a planning tool for both members and officers to co-ordinate programmes of work for the year. The forward programme is attached as Appendix 1 to the memorandum.

Forward Programme

4. The Forward Programme is a working document and is subject to change on a regular basis.

Appendices

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1↓	Audit and Risk Subcommittee Forward Programme 2025	78

Author: Jenny Young, Democracy Advisor

Reviewed By: Kate Glanville, Senior Democracy Advisor

Approved By: Kathryn Stannard, Head of Democratic Services

Audit and Risk Subcommittee 2025 Forward Programme

Description	Business Unit	Cycle 4 23 Sep	Pending
Hutt City Council Group Annual Report	Strategy & Policy, Finance	✓	