



greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

If calling please ask for: Democratic Services

11 May 2018

Finance, Risk and Assurance Committee

Order Paper for meeting to be held in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington on:

Thursday, 17 May 2018 at 9.30am

Membership of Committee

Cr Swain (Chair)

Cr Blakeley
Cr Laidlaw
Cr McKinnon

Cr Donaldson
Cr Lamason
Cr Ogden

Kim Skelton

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

Finance, Risk and Assurance Committee

Order Paper for meeting to be held on Thursday, 17 May 2018 in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington at 9.30am.

Public Business

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greater WELLINGTON
REGIONAL COUNCIL
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Report 2018.82

6/03/2018

File: CCAB-22-325

Please note that these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting held on 17 May 2018.

Public minutes of the Finance, Risk and Assurance Committee meeting held on 6 March 2018 in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington at 9:30am

Present

Councillors Swain (Chair), Blakeley, Laidlaw, Lamason, McKinnon and Ogden (from 9:39am), and Kim Skelton.

Public Business

1 Apologies

Moved

(Cr Lamason / Cr McKinnon)

That the Committee accepts the apology for absence from Councillor Donaldson.

The motion was **CARRIED**.

2 Conflict of Interest

There were no conflicts declared.

Kim Skelton advised the Committee she is contracting at the New Zealand Transport Agency until August 2018.

3 Public Participation

There was no public participation.

4 **Confirmation of the minutes of 26 October 2017**

Cr Ogden arrived at the meeting during consideration of this item.

The Committee clarified its expectations in relation to updates it receives on long term economic projections and trends. The Committee expects to receive these updates on an annual basis, with 6 monthly updates. In addition, the Committee requested that any Infometrics “Wellington region at a glance” reports received by the Wellington Regional Strategy Committee be placed on the agenda for this Committee.

Moved (Cr Lamason/Cr Blakeley)

That the Committee confirms the minutes of the meeting of 26 October 2017, Report 17.430.

The motion was **CARRIED**.

5 **Treasury Risk Management – review of the treasury function**

Report 18.49

File: CCAB-22-305

Mike Timmer, Treasurer, spoke to the report.

Moved (Cr McKinnon/ Cr Lamason)

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Endorses a 90 day policy breach exemption in respect of interest rate control and funding maturity risk control limits to reflect timing differences causing temporary non-compliance with limits.*

The motion was **CARRIED**.

6 **Amendment of the Treasury Risk Management Policy**

Report 18.56

File: CCAB-22-316

Mike Timmer, Treasurer, spoke to the report.

Moved (Cr Blakeley/ Cr Lamason)

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Endorses no formal limit being placed on commercial paper issuance.*

4. *Notes that the Treasury Risk Management Policy funding risk control limit is the appropriate mechanism to limit commercial paper issuance.*
5. *Endorses the proposed changes to the Treasury Risk Management Policy as set out in sections 3 and 4 of this Report, and as contained in the draft Policy as set out in attachment 1 to this Report.*
6. *Recommends that Council adopts the Treasury Risk Management Policy.*

The motion was **CARRIED**.

7 **Review of Council's rates remission and postponement policies**

Report 18.62

File: CCAB-22-314

Francis Ryan, Manager, Democratic Services, spoke to the report.

Moved

(Cr Lamason/ Cr Blakeley)

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Requests that a report on the feasibility of a rates postponement policy for over 65s be prepared for a future meeting.*
4. *Endorses the proposed changes to the Council's rates remission and postponement policies as set out in section 4 of this report.*
5. *Recommends that Council approves the draft rates remission and postponement policies, as set out in Attachment 1, for public consultation.*

The motion was **CARRIED**.

Noted: Councillor Ogden voted against motion 3.

The meeting adjourned at 10:50am.

The meeting resumed at 11:00am.

8 **Business assurance – Project ArCee**

Report 18.41

File: CCAB-22-301

David Nalder, Business Assurance/Internal Audit Partner, PricewaterhouseCoopers and Jenni Horton, Systems Accountant, spoke to the report.

Moved

(Cr McKinnon/ Cr Blakeley)

That the Committee:

1. *Receives the report.*

2. *Notes the content of the report.*
3. *Endorses the proposed plan set out in section 3 of this report.*

The motion was **CARRIED**.

9 **Health and safety update**

Report 18.61

File: CCAB-22-312

Lucy Matheson, General Manager, People and Customer, introduced GWRC's new Manager, Health and Safety, David Querido to the Committee. David Querido outlined his background and provided his first impressions of GWRC's Health and Safety framework.

Moved

(Cr Lamason/ Cr Blakeley)

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

10 **Summary risk report**

Report 18.57

File: CCAB-22-320

Mike Timmer, Treasurer, spoke to the report.

Grant Nalder, Manager Harbours (Harbourmaster), gave a presentation on risk management matters affecting the Harbours Department.

The Committee discussed concerns relating to the earthquake resilience of the Masterton administration building.

Moved

(Cr Lamason/ Cr Blakeley)

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Requests that officers provide an update on the risks relating to the Masterton administration building to a future Council workshop.*

The motion was **CARRIED**.

Noted: The Committee requested that officers provide an update on Project Optimus at its next meeting.

11 **Summary of Financial Statements until 31 January 2018**

Mark Ford, Strategic Finance Manager, spoke to the report.

Report 18.47

File: CCAB-22-302

Moved

(Cr Lamason/ Cr Blakeley)

That the Committee:

- 1. Receives the report.*
- 2. Notes the content of the report.*

The motion was **CARRIED**.

12 **General Managers' report to the Finance, Risk and Assurance Committee meeting on 6 March 2018.**

Report 18.37

File: CCAB-22-300

Dave Humm, General Manager Corporate Services/Chief Financial Officer, and Lucy Matheson, General Manager, People and Customer spoke to the report.

The Committee discussed the formation of a Reputation Governance Board (4.2.2 page 107) and requested that in future the board be referred to as a Reputation Management Board.

Moved

(Cr McKinnon/ Cr Laidlaw)

That the Committee:

- 1. Receives the report.*
- 2. Notes the content of the report.*

The motion was **CARRIED**.

The meeting closed at 12:48pm.

P Swain
(Chair)

Date:

Report 2018.109
Date 3 April 2018
File CCAB-22-328

Committee Finance, Risk and Assurance Committee
Author Dave Humm, General Manager, Corporate Services/Chief Financial Officer

Action items from previous Finance, Risk and Assurance Committee meetings

[Attachment 1](#) lists items raised at Finance, Risk and Assurance Committee meetings that require actions or follow-ups from officers. All action items include an outline of current status and a brief comment. Once the items have been completed and reported to the Committee they will be removed from the list.

No decision is being sought in this report. This report is for the Committee's information only.

Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Dave Humm
General Manager,
Corporate Services/
Chief Financial Officer

Attachment 1: Action items from previous Finance, Risk and Assurance Committee meetings

Attachment 1 to Report 18.109

Finance, Risk and Assurance Committee

Meeting date	Action point	Status and comment
6 March 2018	<p>Noted</p> <p><i>The Committee requested that a report on the feasibility of a rates postponement policy for over 65s be prepared for a future meeting.</i></p> <p><i>The Committee requested that officers provide an update on the risks relating to the Masterton administration building to Council.</i></p> <p><i>The Committee requested that officers provide an update on Project Optimus at its next meeting.</i></p>	<p>Status: Commenced Comments: A piece of work is underway and officer's anticipate this will be reported on in the latter half of 2018.</p> <p>Status: Completed Comments: An update was provided to Council on 1 May 2018.</p> <p>Status: Completed Comments: A report has been prepared for the committee to receive on 17 May 2018.</p>



Report 18.181
Date 8 May 2018
File CCAB-22-340

Committee Finance, Risk and Assurance Committee
Authors Shirley Long, Team Leader - Corporate Reporting

Bulk Water Asset Revaluation

1. Purpose

This paper provides an overview of the bulk water assets revaluation process, results, and financial implications to GWRC.

2. Background

GWRC owns bulk water infrastructure, plant and equipment, and building assets across the Region, which are managed by Wellington Water.

Plant and equipment assets including water treatment plants, pumping stations and reservoirs are linked and supported by an array of infrastructure assets that consist of a mains pipeline distribution network, storage lakes, tunnels, roads and bridges, etc. Buildings are predominantly located at Te Marua, Wainuiomata, Gear Island, and Waterloo Treatment plants, together with 16 individual pump stations located across the Region. These assets are classified as infrastructural assets in GWRC's financial statements.

It is GWRC's policy that infrastructural assets are revalued every five years and a water assets revaluation is due to be completed for the 30 June 2018 financial statements.

GWRC has engaged Bayleys Valuations Limited to undertake the valuation process, which concluded in March 2018.

3. Valuation Methodology

Bayleys have used the following approach to the valuation methodology:

- All assets are valued in accordance with Public Benefit Entity accounting standard for 'Property, Plant and Equipment' (PBE IPSAS 17).
- The valuation has followed mandatory Standards set by Property Institute of New Zealand (PINZ).

- The valuation method and process are consistent with the approach used in previous valuations.

4. Optimised Depreciation Replacement Cost (ODRC)

In accordance with PBE IPSAS 17, the valuation was determined by Optimised Depreciation Replacement Cost (ODRC).

The valuation starts with the estimating Optimised Replacement Costs (ORC) which is the minimum cost of replacing the service potential embodied in an asset with its modern equivalent asset. This could be based on costs supplied either by global asset suppliers or recent costs incurred by GWRC/Wellington Water when replacing such assets. Then apply mathematical depreciation formulae to reduce ORC to a level known as ODRC.

Officers from GWRC have met with both Bayleys and Wellington Water's asset manager and are comfortable with the basis of the valuation.

5. Revaluation result

The result of the revaluation is the net book value of our assets based on the ODCR method has increased by \$179m, a 43% increase, as summarised below.

Schedule	BEFORE		AFTER		PERCENT CHANGE	
	Net Book	Replacement	Net Book	Replacement	Net Book	Replacement
Pipelines	\$201,371,334	\$452,662,940	\$323,642,609	\$688,681,500	61%	52%
Other infrastructure, plant and equipment	\$162,096,328	\$326,540,495	\$210,940,079	\$399,524,800	30%	22%
Buildings	\$25,021,111	\$44,221,695	\$32,441,000	\$63,280,000	30%	43%
Items not revalued (includes Land and miscellaneous)	\$28,748,843	\$4,670,337	\$29,251,016	\$5,090,702	2%	9%
Total	\$417,237,616	\$828,095,467	\$596,274,704	\$1,156,577,002	43%	40%

The increase is due to a combination of factors, including the rise in market price, which is mainly driven by increases in inflation, property valuation, supplier labour costs, construction costs and higher requirements for health and safety and earthquake resilience. There has also been considerable improvement to the quality of information available since the previous valuation, due to an ongoing focus on improved asset management practice.

6. Financial Implications for GWRC

Strengthened balance sheet - The increase in valuation strengthens GWRC's balance sheet, both Water Infrastructure Assets and Revaluation Reserve balances increase by \$179 million as at 30 June 2018.

Profit and loss – As a result of revaluation, after 30 June 2018, the depreciation for the remaining life of the assets is higher due to the higher value of the Water Infrastructure Assets. This reduces the operating surplus.

Rates and funding impact – The revaluation has no impact on rates or any other funding sources. The increase in valuation is an accounting adjustment,

doesn't require any additional funding. GWRC doesn't include depreciation in its Funding Impact Statements.

Balanced budget benchmark – Although there is no impact on funding requirement, the depreciation is included in the balanced budget benchmark calculation. Therefore the increase in depreciation will impact Council's ability to meet the balanced budget benchmark.

Asset Management planning – Wellington Water has reviewed the bulk water capex programme from a revaluation perspective. There is little for renewals in the first 10 years that will be affected by the increased valuation and the provisions for Water Treatment Plant reactive replacements is included in the LTP. The planned cost for replacing major assets such as the Kaitoke main will need to increase significantly as a result of the revaluation, however this will not be required until the late 2040's which will be reflected in the future LTP.

7. Next Steps

After various discussions with Bayleys Valuations Limited, the Finance team is comfortable with the revaluation results. The next step is to update the Long Term Plan financial information to reflect the revaluation.

8. Communication

No communication of the matters considered in this report is necessary.

9. Consideration of climate change

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

9.1 Mitigation assessment

Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

9.2 Adaptation assessment

Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

10. The decision-making process and significance

No decision is being sought in this report.

11. Engagement

Engagement on this matter is unnecessary.

12. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Shirley Long
Team Leader
Corporate Reporting

Report approved by:

Dave Humm
General Manager, Corporate
Services/Chief Financial Officer

Attachment 1: [Asset Valuation Report- Infrastructure, Plant & Equipment](#)

Attachment 2: [Asset Valuation Report- Building](#)



Asset Valuation Report

Greater Wellington Regional Council
Infrastructure, Plant & Equipment
Asset Valuation for
Financial Reporting Purposes

Prepared by
Bayleys Valuations Limited
30 June 2018

31 March 2018

The Chief Financial Officer
Greater Wellington Regional Council
PO Box 11646
Wellington 6142

Attention: Mr Dave Humm

Dear Sir

Re: Valuation of Specific Assets for Financial Reporting Purposes

In accordance with instructions received we have now completed our investigations into the above matter and attach our final valuation report for your information.

The assets that have been valued are specific Infrastructure, Plant and Equipment assets operated by Wellington Water but owned by Greater Wellington Regional Council (GWRC) located around the Greater Wellington area.

We can confirm the Fair Value of such assets based on an Optimised Depreciated Replacement Cost approach to be NZ\$534,582,688 exclusive of GST effective 30 June 2018.

Bayleys Valuations Limited has undertaken the valuation of the assets and can confirm relevant issues in respect of this particular aspect of the overall project as follows:

- All assets are valued in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 'Property, Plant and Equipment' (PBE IPSAS 17) as issued by the New Zealand Accounting Standards Board.
- The valuation utilises the appropriate Financial Reporting and Valuation Standards as issued by the NZ Accounting Standards Board and the Property Institute of New Zealand (PINZ).
- PINZ standards are mandatory for PINZ members and are as set out in the latest edition of the relevant PINZ Professional Practices documentation.
- The valuation also takes cognisance of international valuation standards as issued by the International Valuation Standards Committee (IVSC) plus the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines as issued by the National Asset Management Steering (NAMS) Group.
- The undersigned is currently a practising Fellow of the Property Institute of New Zealand (FPINZ), a PINZ Registered Plant and Machinery Valuer, a Member of the Royal Institution of Chartered Surveyors (MRICS) and RICS Registered Valuer.
- He has undertaken the asset valuations and is experienced in such matters, having completed several other similar projects. These include financial valuations in respect of similar if not identical assets for Wellington City and Greater Wellington Regional Council, Porirua City Council and also for New Plymouth District Council.

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- Mr Freeman has also been providing financial reporting valuations in respect of the assets subject to this current review since 2009 and insurance values since 2004.
- In completing this asset valuation, our valuers have no interest or relationship with any party that would impair their objectivity or independence.
- We can confirm that we know of no reasons why reliance cannot be placed upon the work undertaken by Bayleys Valuations Limited for GWRC by Audit New Zealand as auditors to GWRC.

If we can be of any further assistance on this matter please feel free to contact us in Wellington.

Yours faithfully

Bayleys Valuations Limited



John Freeman

Director, RICS Registered Valuer
PINZ Registered Plant and Machinery Valuer
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1. Purpose of this Valuation

Greater Wellington Regional Council (GWRC) owns specific Infrastructure and Plant and Equipment assets which are operated by Wellington Water at various locations around the Greater Wellington Area.

Plant and Equipment assets including Water Treatment Plants, Pumping Stations and Reservoirs are linked and supported by an array of Infrastructure assets that consist of a Mains Pipeline Distribution Network, Storage Lakes, Tunnels, Roads and Bridges etc.

GWRC from its current Asset Management System (SAP) has provided Bayleys Valuations Limited (Bayleys) with a schedule of such assets at all locations; these assets now require valuation for financial reporting purposes in accordance with the appropriate accounting and valuation standards, guidelines and conventions effective 30 June 2018.

This means that the overall valuation process has been undertaken in accordance with guidelines and recommendations as follows:

- All assets are valued in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 'Property, Plant and Equipment' (PBE IPSAS 17) as issued by the New Zealand Accounting Standards Board.
- The valuation utilises the appropriate Financial Reporting and Valuation Standards as issued by the NZ Accounting Standards Board and the Property Institute of New Zealand (PINZ).
- The valuation also takes cognisance of international valuation standards as issued by the International Valuation Standards Committee (IVSC) plus the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines as issued by the National Asset Management Steering (NAMS) Group.

PBE IPSAS 17 is based on the principle of Fair Value - this approach is generally seen as an objective market assessment and therefore producing the most reliable valuation for financial reporting and requires all assets to be valued to their highest and best use.

This is defined as most probable use of an asset which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

Fair Value under International Financial Reporting Standards is generally accepted as being consistent with the concept of Market Value. Market Value is defined in International Valuation Standards as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Fair Value in respect of all assets is to be determined by utilising one or both of the following approaches:

- Those assets that are of a "tradeable nature" whereby there is market-related evidence to draw upon should be assessed based on sales/market evidence.
- Assets considered to be of a "non-tradable" or of a specialised nature should be assessed having regard to optimised depreciated replacement cost methodology.

Prior to the valuation commencement, consultation between GWRC, Wellington Water and Bayleys determined whether the assets subject to this review were to be classified as "specialised" or "non-specialised" or "infrastructural".

This classification is essential, as it determines the valuation approach to be utilised for each specific asset category in order for an entity to comply with PBE IPSAS 17.

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In general terms “specialised and infrastructural assets” will be valued using the Optimised Depreciated Replacement Cost (ODRC) approach whilst “non-specialised” assets will be valued using the sales evidence approach as described below.

GWRC considers that all of the assets subject to this valuation, given their utilisation within a business entity that rarely if ever sells on the open market, are considered of a specialised and infrastructural nature and therefore should be valued by utilising the ODRC approach.

Bayleys can confirm that indeed this is the approach that has been utilised for all assets subject to this valuation effective 30 June 2018.

2. Asset Componentisation

In compliance with PBE IPSAS 17, the overall Fair Value of any asset is also required to reflect the highest and best use of the asset either as a whole or where applicable on a component-by-component basis.

This componentisation factor has to take into account the varying economic lives that each component of an asset may have. It has also to be subject to a “materiality” judgement that has to be made by the instructing entity in conjunction with its valuation accounting and auditing advisors prior to the commencement of the valuation process.

In terms of the assets subject to this review, Bayleys has been advised and instructed by GWRC that the level of componentisation considered necessary must directly reflect the SAP asset schedule provided for this review which takes cognisance of the asset ages, overall and remaining economic lives.

From a valuation perspective therefore, Bayleys can confirm that componentisation has been undertaken for the purposes of this review as discussed and agreed with GWRC.

It should be understood by all interested parties that this report deals solely with Infrastructure, Plant and Equipment assets operated by GWRC at specific locations operated by Wellington Water around the Greater Wellington.

The Land upon which and Buildings within which these assets are located are subject to separate reports.

3. The Assets Valued

GWRC has initially provided Bayleys with a detailed schedule of Infrastructure Assets, Plant and Equipment from SAP, effective 30 November 2017.

Basically, these assets comprise the following generic categories.

- Infrastructure Assets comprising but not necessarily limited to Culverts, Bridges, Fords, Weirs, Fencing and Gates, River Protection, Storage Lakes, Tunnels and Railway Lines, Access Roads, Intakes together with the Main Pipeline Distribution Network including all pipes, valves, nodes, manhole covers and chambers.
- Plant and Equipment at Treatment Plants, Pump Stations and Reservoirs comprising but not necessarily limited to Pumps, Motors, Variable Speed Drives, Flow, Turbidity, Colour and Test Meters, Mixers, Blowers, Reservoirs and associated equipment, Fluid Storage Units including Tanks, Filters, Clarifiers and Hoppers, PLCs and associated Computer Equipment, Radios and Telemetry Systems, Flow, Level and Pressure Switches, Indicators, Sensors and Transmitters, Internal Pipe Work Systems, Valves, Actuators, Analysers, Compressed Air Systems and Electrical Control and Power Systems including Switchboards, Control Panels and Generators.

The locations where the assets subject to this review are installed are as follows:

- Ascot Park Reservoir.
- Bradey Reservoir.
- Cathodic Protection to Region.
- Churton Park Reservoir.
- Churton Park Valve Chamber.
- Cruickshank Reservoir.
- Gear Island Water Treatment Plant including surrounding Artesian Wellfields.
- Gracefield Reservoir.
- Grenada North Reservoir.
- Haywards Pump Station.
- Haywards Reservoir.
- Highland Park Reservoir.
- Johnsonville Pump Station.
- Johnsonville Reservoir.
- Kaiwharawhara Pump Station.
- Karori No 1 Reservoir.
- Karori No 2 Pump Station.
- Karori Raroa Tunnel.
- Kelburn Reservoir.
- Khandallah Pump Station.
- Kingsley Pump Station.
- Kingsley Reservoir.
- Lincolnshire Pump Station.
- Linden Reservoir.
- Mani Pipelines Distribution Network.
- Maldive Reservoir.
- Manor Park Reservoir.
- Mark Avenue Pump Station.
- Messines Road Reservoir.
- Naenae Reservoir.

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- Ngaio Reservoir.
- Ngauranga Pump Station.
- Ngauranga Reservoir.
- Ngauranga Valve Chamber.
- Onslow Reservoir.
- Paremata No 1 Reservoir.
- Paremata No 2 Reservoir.
- Pembroke Reservoir.
- Pinehaven Pump Station.
- Pinehaven Reservoir.
- Plateau Road Reservoir.
- Plimmerton No 1 Reservoir.
- Plimmerton No 2 Reservoir.
- Point Howard Pump Station.
- Point Howard Reservoir.
- Pomare Pipelines Depot.
- Porirua High Reservoir.
- Porirua Low Reservoir.
- Pukerua Bay Reservoir.
- Rahui Reservoir.
- Raroa Road Valve Chamber.
- Sar Street Pump Station.
- Silverstream Valve Chamber.
- Stuart McCaskill Lakes.
- Tawa Reservoir.
- Te Marua Water Treatment Plant including various locations around Kaitoke.
- Thorndon Pump Station.
- Timberlea Pump Station.
- Timberlea Reservoir.
- Trentham Reservoir.
- Wainui No 1 Pump Station.
- Wainui No 2 Pump Station.
- Wainui Water Treatment Plant including various locations in the Orongorongas.
- Warwick Street Pump Station.
- Waterloo Water Treatment Plant including surrounding Artesian Wellfields.
- Water mains & associated assets.
- Whitby Reservoir.

It should be accepted by all parties that infrastructure assets of any nature such as pipelines and valves buried in trenches or chambers under urban or suburban streets, paddocks and farmlands, state highways, etc. could not be inspected without digging large trenches or holes for such purposes.

In relation to such assets therefore, Bayleys has accepted the data held within SAP to be correct after perusing appropriate schematics and drawings of these assets.

John Freeman, MRICS, FPINZ, Property Institute of New Zealand (PINZ) Registered Plant and Machinery Valuer, Royal Institution of Chartered Surveyors (RICS) Registered Valuer and Director of Bayleys, undertook the physical asset inspection and review at the properties during the period late November 2017 to mid-February 2018.

At all locations Mr Freeman was accompanied by members of Wellington Water staff who are either based at or who are directly involved with the operation of each particular facility.

In completing this asset valuation, the Valuers have no interest or relationship with any party that would impair its objectivity or independence.

In addition to this no Bayleys staff involved in this project have any material or financial connection to the company owning and/or operating the assets subject to this review and are experienced and competent to undertake such work in an independent, professional and unbiased manner.

It should be noted that only the assets detailed in the schedules provided (see Section 4 of this report) have been included within this valuation.

Other GWRC owned assets associated with the Wellington Water business entity have been excluded from this report and valuation, and may have been included with other reports and valuations (e.g. Land and Buildings, etc.).

4. Data Provided by GWRC

In order that Bayleys could commence the asset valuation review, GWRC provided us with detailed electronic copies of specific Infrastructure Assets, Plant and Equipment from its Asset Management System known as SAP effective 30 November 2017.

We understand the assets contained within the SAP download was not a full schedule of all assets but only included the following generic asset categories:

- Aggregate Assets and equipment.
- Water Mains and related equipment.
- Pump Stations and their related equipment.
- Treatment Plants and their related equipment.
- Stuart Macaskill Lakes and their related equipment.
- Valve Chambers (either individual or included as part of the Distribution Network) and their related equipment.
- Reservoirs and their related equipment.
- Other - any other assets and equipment that are not scheduled or included under the above headings.

These assets were contained in 2 downloaded schedules named “BW Schedule” and “Pipelines Schedule”.

In addition to the SAP asset download, GWRC provided Bayleys with plant layout and process plans, drawings and other documentation to assist with the current asset valuation.

Generally, the initial base SAP data provided by GWRC to Bayleys has been found to be sufficient for the purposes of commencing this review especially in relation to asset inspections and verification.

5. Valuation Process Overview

As has been previously noted, there are two recommended approaches to ascertaining the Fair Value of an asset under PBE IPSAS 17, these being:

- By reference to available sales and market evidence, or
- By the application of the ODRC methodology.

Fair Value as noted under PBE IPSAS 17 is “the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms-length transaction”.

Fair Value is generally accepted as being synonymous with the term Market Value as defined in International Valuation Standard 1 Market Value Basis of Valuation (IVS 1) and adopted in IVA 1. In accordance with this, Market Value is defined as follows:

- The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where the Fair Value of a property, plant and equipment asset cannot be reliably determined using market-based evidence for the same or similar asset, Optimised Depreciated Replacement Cost or ODRC is to be used to estimate Fair Value.

In the case of property, plant and equipment, this equates to the Optimised Replacement Cost (ORC) of the asset, less allowances for physical deterioration and optimisation for obsolescence and any relevant surplus capacity to provide ODRC.

ORC can be defined as the minimum cost of replacing or replicating the service potential embodied in an asset with its modern equivalent asset. The modern equivalent asset can be further defined as the most cost efficient, currently available asset that will provide the same stream of services that the existing asset is capable of producing. It allows for technology changes and improvements, and efficiencies in production and installation technologies.

Optimisation refers to the process by which a least cost replacement option is determined for the remaining service potential of an asset. This process recognises that an asset may be technically obsolescent or over-engineered, or the asset may have a greater capacity than that required.

Hence optimisation minimises rather than maximises a resulting valuation where alternative lower cost replacement options are available. In determining depreciated replacement cost, optimisation is applied for obsolescence and relevant surplus capacity.

6. Asset Valuation Process

Bayleys, as appointed valuer to GWRC, has undertaken the valuation of the relevant assets and we now detail the process undertaken to arrive at Fair Values.

6.1 Verification of Assets

As noted prior to the commencement of the facility inspections GWRC provided Bayleys with an electronic file download from SAP of the assets to be valued; this download was effective 30 November 2017 however the age of all assets was effective 30 June 2018, the actual date of valuation.

Basic detail such as asset description including size, quantity, functional location, technical identification number, make, model, serial number and age was available in respect of most assets, whilst other detail such as ORC in 2013 or actual purchase cost and date of acquisition if purchased since that time was also available.

These details formed the initial base data for the PBE IPSAS 17 asset valuation undertaken. For the purposes of this review Bayleys has inspected and /or reviewed detailed information relating to the majority of GWRC assets subject to this review with asset validation inspections undertaken as noted earlier.

At the end of the facilities inspection period several meetings between Bayleys and appropriate Wellington Water staff were held during January and February 2018 to clarify certain aspects of the valuation and issues that had arisen as a result of the facility inspections.

Amongst these issues were the requirements for GWRC to edit and amend the initial base SAP data to reflect asset information collected during the asset inspection phase of the project.

As a result a final SAP download of assets to be valued was provided to Bayleys via email on 1 February 2018 which contained the actual assets to be valued in two separate files noted previously as the "BW Schedule" and the "Pipelines Schedule" which contained jointly over 9,000 line assets .

These are the actual assets as instructed by GWRC to be valued effective 30 June 2018.

In addition at the meetings noted above Bayleys was provided with further relevant information on purchase costs, asset useful and remaining lives, and asset optimisation (see next section).

As a result of the actions taken by all parties concerned during the three month period between November 2017 and February 2018 we are satisfied that the process undertaken to verify asset existence either by physical inspection or other data has been appropriate can be reliably utilised for base asset valuation purposes.

6.2 Optimisation of Assets

The optimisation of assets as required by PBE IPSAS 17 is vitally important as it recognises that an entity may have more assets than it requires in order to provide an appropriate level of service, and that some of these assets may be over-engineered or technically obsolete. The optimisation process thus accounts for such issues.

Bayleys has held detailed discussion with senior Wellington Water staff in respect of optimising the current assets subject to this review during the meeting noted earlier. It is the general consensus that the assets as they exist are "optimised" based on all opinions canvassed.

The assets are not considered to be "over designed" based on volumes/production throughputs and service requirements and are not currently considered to be surplus in relation to GWRC Asset Management Plans.

Therefore, for the purposes of this review Bayleys can confirm that the existing assets can be considered to be fully optimised and have been valued as such.

Greater Wellington Regional Council – 30 June 2018

6.3 Optimised Replacement Costs (ORC)

ORC can be defined as the minimum cost of replacing or replicating the service potential embodied in an asset with its modern equivalent asset.

The modern equivalent asset can be further defined as the most cost efficient, currently available asset that will provide the same stream of services that the existing asset is capable of producing. It allows for technology changes and improvements, and efficiencies in production and installation technologies.

In addition to the “basic ex-factory” price of the modern equivalent asset, allowances have to be added for freight, customs and/or tax duties (where applicable), installation, all relevant professional fees and commissioning.

Figures attributed for this basis of valuation have been ascertained in the following ways:

- Through contact with agents and/or asset manufacturers by way of internet searches.
- From costs held in our extensive cost libraries that have been obtained as a result of valuing similar assets in recent times.
- Resulting from discussions held with senior Wellington Water staff based on their knowledge of the assets, in accordance with recent costings received from equipment suppliers and consultants and/or original purchase costs.
- By updating recent original costs for assets purchased and/or constructed by and/or for GWRC and/or Wellington Water at the various facilities in recent times.

In some cases direct equivalent machines are no longer available from the original manufacturers in terms of the existing assets, mainly due to their age. Agents and machinery dealers contacted have assisted us with the ORC of machines currently available from either themselves or other manufacturers which would be suitable replacements under the ORC situation, and we have utilised this information for the purpose of this review.

As is standard practice for such valuation projects, all ORC ascribed are exclusive of Goods and Services Taxation. Further to this, any purchasing discounts that GWRC and/or Wellington Water may have enjoyed in the past as owners/operators of the assets have been ignored.

General valuation principles advise that taking cognisance of any such discounting factors could lead to under valuation of assets.

Cost data in respect of Infrastructural Assets’ construction is currently available in the public domain through publications such as Rawlinson’s New Zealand Construction Handbook. Comparison with data obtained during our investigations has been made with such other sources as a final check on the ORC levels utilised.

Our conclusion is that the overall Bayleys approach to establishing ORC in respect of the specific GWRC assets under review is realistic and appropriate for the purposes of this review.

6.4 Optimised Depreciated Replacement Costs

This valuation approach takes the estimated ORC of an asset (see Section 6.3 of this report) and then through the utilisation of mathematical depreciation formulae reduces such costs to a level known as Optimised Depreciated Replacement Cost (or ODRC).

The ODRC of assets recognises and takes into account the following factors in respect of each asset or asset category under review:

- Current effective age.
- Current and future utilisation.
- Estimated total overall and remaining useful life.
- Current condition.
- Technical obsolescence.
- Method of depreciation most suited to the nature of the asset under review.
- Estimated residual value at the end of the asset's economic life.

Data gathered and utilised for the assessment of the above factors in terms of this particular review is detailed in the following sections of this report.

6.5 Asset Age & Condition

Details on the respective ages of assets are shown in the SAP asset schedule as provided by GWRC prior to the commencement of this project. We understand that the dates noted reflect either the original date of the commencement of operations or capitalisation date of each asset.

We have also discussed with various GWRC and/or Wellington Water staff the condition of the assets in order to assist us with this aspect of the valuation project and been provided with recent condition/ maintenance reports into several assets.

Subsequent to these discussions, physical inspections and previous experience of similar assets at GWRC and other similar facilities, we are of the opinion that the condition of assets valued can generally be designated as average to above average considering current age, past utilisation and maintenance procedures.

6.6 Asset Utilisation, Overall & Remaining Useful Lives

Discussions with GWRC and/or Wellington Water staff were held to assist with ascertaining this facet of the review at the meeting on 8 February 2018.

These discussions focused on issues such as the following:

- Current age.
- Maintenance and repair programme.
- Current and future anticipated asset utilisation factors.
- Asset lives based on the current GWRC and/or Wellington Water replacement experience.
- Generally accepted industry and other relevantly sourced asset life expectancies.
- Current GWRC asset replacement strategies based on Asset Management Plans.
- The term "current" in the context of these discussions denotes issues effective the date of valuation, i.e. 30 June 2018.

Bayleys through its own experience of valuing similar assets elsewhere in New Zealand, has developed ideas on the issue of asset useful lives. In addition to this there are a range of recommended useful lives for such assets published by NAMS as previously noted.

Wellington Water itself has an internally created schedule of asset economic lives known as "Standard Assets Lives -Water Supply Version 7" which they provided to Bayleys for the purposes of this review.

Greater Wellington Regional Council – 30 June 2018

Bayleys has reviewed and discussed all relevant useful life data for the assets subject to this review with GWRC and/or Wellington Water, especially noting the overall experience in respect of previous valuations of these assets; we have attributed overall asset economic lives in line with all relevant and appropriate data to hand effective the date of valuation.

Where individual assets valued have already exceeded the anticipated overall useful lives Bayleys has added five years to the existing age of the asset and this figure has been adopted as the asset useful life.

During the review of the valuation project on 8 February 2018, these facets were discussed and the vast majority of economic and remaining lives agreed upon by GWRC and/or Wellington Water and Bayleys.

In general terms of the assessment of each asset's remaining useful life, the mathematical process of the deduction of current age from anticipated overall useful life has been utilised.

In addition to this there were approximately 25 assets that had amendment made to their initially calculated remaining lives based on currently available Wellington Water projected capital asset replacement data and with further reference to GWRC Asset Management Plans in respect of future operational and asset replacement strategies and requirements

Based on the results of such a process overall economic and remaining useful lives calculated appear to be acceptable in the case of all assets installed within each facility, again based on GWRC Asset Management Plans in respect of future operational, and asset replacement strategies and requirements.

6.7 Basis of Depreciation

It is generally accepted in valuation terms that there are two different bases of depreciation that can be utilised for asset valuation purposes as follows:

- Straight line depreciation – this allows for a constant percentage of the replacement with new cost of the asset to be deducted from the reducing balance in each period.
- Diminishing value depreciation – this method calculates depreciation for each period by using a constant percentage of the asset's reducing value.

In general valuation terms, it is accepted that specialised assets utilise the straight line methodology and both GWRC and Bayleys consider that the assets subject to this review can be included within this asset category.

Therefore for the purposes of calculating ODRC in respect of the assets subject to this review, we have utilised the straight line depreciation methodology.

6.8 Asset Residual Value

The residual value of an asset is generally expressed either in percentage or dollar terms having due regard to the likely "net monetary amount" that will be received by the asset owner when the asset is sold and removed from its present location at the purchasers cost at the end of its useful economic life.

In the case of the GWRC assets under review, evidence suggests that there seems to be little if any residual value for such assets. Given the design, size and special nature of the majority of the assets generally, it is our experience that the costs incurred in the potential purchase, removal and relocation of such assets are significant, to say the least.

This being the case, it is our opinion that any vendor of such assets (GWRC in this case) is unlikely to receive any financial payment when wishing to dispose of tunnels, bridges, roads, reservoirs, storage lakes, railway lines, culverts, tanks, clarification and filtration plants, piping and associated assets.

It may be argued that individual assets such as pumps, chlorinators, compressors, blowers, valves, computers and telemetry equipment in general may have a dollar value at the end of their economic lives.

However, we understand that GWRC does not have any relevant evidence that such assets have generated any significant cash return in the past at disposal time.

This being the case, it is our opinion that when disposal time arrives any vendor of such assets (GWRC in this case) is unlikely to receive any financial payment when wishing to dispose of its assets.

Therefore, in terms of a residual value for all assets valued, Bayleys has utilised a figure of zero that, as has been noted, is in accordance with our previous experiences of such equipment.

6.9 Valuation Process Conclusion

As a result of the detailed investigations noted in this section of our report, Bayleys concludes that the process undertaken to value the GWRC asset subject to this review is in accordance with accepted valuation standards and guidelines.

Thus the figures and values ascertained are relevant for PBE IPSAS 17 purposes.

Confirmation of the acceptance of the Fair Value figures has been provided in various emails on behalf of GWRC by Wellington Water sent to Bayleys during March and April 2018. Copies of these emails are naturally held on file for reference purposes.

7. Exclusions from the Valuation

The following assets have been excluded from our Fair Value assessment for PBE IPSAS 17 financial reporting purposes.

- The Land, Buildings, Building Services and Fitout at all locations upon and from which the assets are physically situated and operate.
- Borrowing or financing costs of any kind that may or may not have been incurred by GWRC as a result of asset purchase or creation up to and including 30 June 2018.
- Any GWRC assets purchased capitalised in SAP, installed and delivered to any location post 30 November 2017.
- Any capital costs incurred to date by GWRC that we understand GWRC are or will be treating as Work in Progress, as opposed to fixed assets effective the date of valuation.
- Any asset not noted in the final asset schedule provided by GWRC on 1 February 2018 but effective 30 June 2018 for utilisation during this review.
- Goodwill.
- GST.
- Stock and Materials in Trade including all piping stocks held at Pomare.
- Business Records and Stationery.
- GWRC and/or Wellington Water Employee Effects.
- Any other GWRC business entity owned or operated fixed assets at any location not described within any sections of this valuation report.

8. Asset Value Summary

It is standard practice that, as a result of a large scale asset valuation such as the one undertaken for GWRC, a schedule detailing the results is provided electronically; the size of that data makes it impossible to attach a hard copy printout to the rear of this report.

Therefore Bayleys has emailed the appropriate information electronically to GWRC, returning the 1 February 2018 provided SAP schedule in Microsoft Excel format including all amendments as necessary.

For the purposes of this report, the appendix at the rear of this report summarises the Fair Values assessed on a per asset category basis and / or per location in line with the schedule provided electronically.

9. Disclosure Requirements

We now detail the following Disclosure Requirements that are important for confirming that the valuations provided are compliant for the required audit process. These disclosures form part of and must be read in conjunction with and not in isolation from this valuation report.

- The valuation instructions given to Bayleys emanated from GWRC as a result of the Bayleys Scope of Works and fee proposal dated 16 November 2017.
- These instructions were issued to as a result of internal Wellington Water discussions relating to GWRC financial reporting requirements effective 30 June 2018.
- The effective date of the valuation is 30 June 2018.
- All assets are valued in accordance with PBE IPSAS 17 as issued by the New Zealand Accounting Standards Board.
- The valuation utilises the appropriate Financial Reporting and Valuation Standards as issued by the New Zealand Accounting Standards Board, PINZ, IVSC and the NAMS Group.
- Classification of the appropriate valuation and accounting standards utilised for this valuation have been issued to Bayleys by GWRC.
- The assets under review have been valued for Fair Value purposes using the Optimised Depreciated Replacement Cost (ODRC) approach.
- Valuation depreciation has been calculated on a straight-line basis over the useful life ascribed to the asset incorporating a nil residual value at the end of the assets' useful life.
- All Bayleys consultants involved with the preparation of this valuation report have acquired and maintain appropriate New Zealand and/or international valuation qualifications, and have undertaken many similar previous assignments.
- In completing this asset valuation, the Valuers have no interest or relationship with any party that would impair its objectivity or independence.
- In addition to this no Bayleys staff involved in this project have any material or financial connection to the company owning and/or operating the assets subject to this review and are experienced and competent to undertake such work in an independent, professional and unbiased manner.
- Information relating to the replacement or construction costs of the assets, sources that have provided such data and other assistance in terms of economic lives, optimisation and other issues is noted within the appropriate sections of this Valuation Report.
- In accordance with instructions received verbally from GWRC we have not made any allowance within our valuation for borrowing and/or financing costs.
- We are not aware of any reason why GWRC auditors should not place reliance in the Valuation Report prepared.
- The valuations are based on a revised asset register as originally provided by GWRC, utilising appropriate optimised replacement costs and lives.
- Bayleys can confirm that in terms of the assets subject to this review, componentisation has been necessary to the level as noted within the SAP asset schedule provided by GWRC at the commencement of this review.
- We would advise that the following qualification to the Fair Value assessment should be considered because, as noted, we have utilised the ODRC approach for the assets.
- The valuation is based on the assumption that the items currently installed and operating within the company's premises are capable of being utilised as assets of a profitable undertaking.
- It takes due cognisance of the value of the total assets employed, and assumes the assets will benefit from the continuity of tenure and access to existing Land and Buildings for the foreseeable future.

10. Valuation Principles

For the assistance of clients, we list below the general principles upon which our Valuation Reports are normally prepared and these shall apply unless specifically mentioned otherwise in the body of the report.

These principles as adopted by Bayleys form part of the report.

The Valuation Report has been prepared for the sole purpose of assessing the Fair Value of the subject assets for financial reporting purposes under the convention of PBE IPSAS 17 and should not be utilised for any other purposes.

This report has been prepared on the basis that full disclosure of all information and facts, which may affect our findings, have been made to Bayleys. We cannot accept any liability or responsibility for the report unless full disclosure has been made.

Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility is accepted for reliance on the valuation and report for other purposes.

Further, Bayleys and our employees, shall not be liable on any grounds whatever to any persons other than the party to whom the valuation and report is addressed for any errors or omissions, whether of fact or opinion.

Bayleys shall not be responsible for any loss, damage or liability incurred by such persons as a result of reliance on the valuation and report.

Neither the whole nor any part of our report, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without our written approval of the form and context of such publication or disclosure.

Such approval is required whether Bayleys is referred to by name and whether or not the report is combined with others.

The report also assumes as being complete and correct, information provided to us by the sources detailed in the report on any relevant matters. We accept no responsibility, however, for the completeness and accuracy of information provided to us.

Whilst due care has been taken to note any defects in respect of the assets under review, no detailed physical engineering, service installation or mechanical survey has been undertaken, this being beyond the parameters of our company's expertise.

This report does not purport to be a building or site engineering survey and no responsibility is taken for the omission of building or other defects which may not be apparent without such surveys.

No deductions have been made from our valuation in respect of any statutory grant available or received, or any outstanding amounts owing under any hire purchase, lease or other financial agreements.

Neither Bayleys nor any of its employees have any financial interest in the company and/or business to which the assets subject to this report belong.

Bayleys consultants involved with the preparation of this report have acquired and maintain appropriate New Zealand and/or International valuation qualifications, and have undertaken many similar previous assignments.

Registered Property and Plant and Machinery Valuers involved in this review hold annual practising certificates issued by PINZ and RICS.

The fee for our professional services is calculated on a time plus costs basis and therefore is not contingent on the level of cost or value ascribed for any valuation basis.

Greater Wellington Regional Council – 30 June 2018

During the course of this project and within the Valuation Report, all valuation approaches utilised and results noted are in accordance with accepted Valuation Standards and Guidelines effective the date of this assessment.

The New Zealand Accounting Standard Board, PINZ, IVSC and the NAMS Group issue such Standards and Guidelines.

Greater Wellington Regional Council – 30 June 2018

12. Conclusion

The review and investigation carried out in respect of the asset owned by GWRC and operated by Wellington Water has been a lengthy and detailed one in order that Fair Values for financial reporting purposes for these assets can be ascribed.

As a result of the detailed investigations noted in this section of our report, Bayleys concludes that the process undertaken to value these assets is in accordance with accepted valuation standards and guidelines.

Thus the figures and values ascertained are appropriate for PBE IPSAS 17 purposes.

Appendix

1. Asset Location Summary

SUMMARY OF ASSET VALUES GREATER WELLINGTON REGIONAL COUNCIL EFFECTIVE 30 JUNE 2018

Location/ Asset Description	Optimised Replacement Cost (ORC) 30 June 2018	Optimised Depreciated Replacement Cost (ODRC) 30 June 2018
Ascot Park Reservoir	\$46,700	\$23,018
Bradey Reservoir	\$50,400	\$26,819
Cathodice Protection to Region	\$763,600	\$689,624
Churton Park Reservoir	\$12,300	\$6,654
Churton Park VC	\$51,000	\$32,678
Cruickshank Reservoir	\$63,700	\$35,741
Gear Island	\$10,373,100	\$4,297,228
Gracefield Reservoir	\$43,700	\$13,382
Grenada North Reservoir	\$102,700	\$82,390
Haywards Pump Station	\$2,406,600	\$850,517
Haywards Reservoir	\$7,032,400	\$2,909,606
Highland Park Reservoir	\$15,700	\$6,730
Johnsonville Pump Station	\$812,700	\$398,121
Johnsonville Reservoir	\$28,400	\$18,274
Kaiwharawhara Pump Station	\$869,000	\$366,513
Karori No 1 Reservoir	\$1,485,900	\$465,470
Karori No 2 Pump Station	\$1,104,500	\$627,025
Karori Raroa Tunnel	\$6,416,800	\$2,393,486
Kelburn Reservoir	\$21,800	\$8,479
Khandallah Pump Station	\$238,500	\$203,616
Kingsley Pump Station	\$516,500	\$189,662
Kingsley Reservoir	\$48,100	\$26,779
Lincolnshire Pump Station	\$857,700	\$696,179
Linden Reservoir	\$97,700	\$54,063
Maldive Reservoir	\$133,800	\$98,656
Manor Park Reservoir	\$36,000	\$14,600
Mark Avenue Pump Station	\$12,400	\$8,145
Messines Road Reservoir	\$74,600	\$59,042
Naenae Reservoir	\$12,300	\$6,757
Ngaio Reservoir	\$37,800	\$22,514
Ngauranga Pump Station	\$2,549,500	\$1,138,430
Ngauranga Reservoir	\$7,707,400	\$5,600,769
Ngauranga VC	\$76,000	\$37,036
Onslow Reservoir	\$45,300	\$19,125
Paremata No 1 Reservoir	\$70,000	\$35,637
Paremata No 2 Reservoir	\$75,500	\$37,444
Pembroke Reservoir	\$5,100	\$3,506
Pinehaven Pump Station	\$261,900	\$173,438
Pinehaven Reservoir	\$40,500	\$16,612
Plateau Road Reservoir	\$58,800	\$36,626
Plimmerton No 1 Reservoir	\$66,400	\$45,507
Plimmerton No 2 Reservoir	\$25,100	\$8,496
Point Howard Pump Station	\$500,000	\$327,567
Point Howard Reservoir	\$67,300	\$53,411
Pomare	\$1,346,300	\$1,104,775
Porirua High Reservoir	\$54,200	\$26,465
Porirua Low Reservoir	\$384,200	\$302,942
Pukerua Bay Reservoir	\$118,800	\$58,710
Rahui Reservoir	\$47,300	\$17,532
Raroa Road VC	\$51,000	\$49,676
Sar Street Pump Station	\$101,700	\$40,595
Silverstream VC	\$208,400	\$119,391
SM Lakes	\$77,008,900	\$59,586,404
Tawa Reservoir	\$98,800	\$45,723
Te Marua Water Treatment Plant	\$138,817,500	\$69,565,141
Thorndon Pump Station	\$978,900	\$373,935
Timberlea Pump Station	\$194,700	\$53,253

SUMMARY OF ASSET VALUES GREATER WELLINGTON REGIONAL COUNCIL EFFECTIVE 30 JUNE 2018

Location/ Asset Description	Optimised Replacement Cost (ORC) 30 June 2018	Optimised Depreciated Replacement Cost (ODRC) 30 June 2018
Timberlea Reservoir	\$48,800	\$22,526
Trentham Reservoir	\$101,400	\$70,287
Wainui No 1 Pump Station	\$660,500	\$261,052
Wainui No 2 Pump Station	\$625,000	\$274,542
Wainui Water Treatment Plant	\$109,775,300	\$46,767,682
Warwick Street Pump Station	\$435,200	\$142,997
Waterloo Water Treatment Plant	\$23,072,300	\$9,844,808
Whitby Reservoir	\$80,400	\$46,267
Water Mains & Associated Assets	\$688,681,500	\$323,642,609
Grand Total	\$1,088,206,300	\$534,582,688

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BAYLEYS

Asset Valuation Report

Greater Wellington Regional Council

Water Assets Portfolio - Valuation of Fixed Assets Employed in
Water Supply

Prepared by
Bayleys Valuations Limited
30 June 2018

1 May 2018

The Chief Financial Officer
Greater Wellington Regional Council
P O Box 11646
Wellington 6142
Attention: Mr Dave Humm

Dear Sir

Re: Valuation of Fixed Property Assets Employed in Water Supply

In accordance with instructions received we have now completed our investigations into the above matter and attach our Draft Valuation Report for your information.

The assets that have been valued are specific Infrastructural assets operated by Wellington Water but owned by Greater Wellington Regional Council (GWRC) located around the Greater Wellington area. As per Valuation Standards, the assets have been assessed at a fair value based on their highest and best use, utilising either sales/market evidence or optimised depreciated replacement cost methodologies.

Physical inspections of all building assets were undertaken during December/January 2018 and we confirm this report and values concluded have been assessed for financial reporting purposes, effective 30 June 2018.

We can confirm the Fair Value of such assets based on an Optimised Depreciated Replacement Cost approach to be NZ\$32,441,000 exclusive of GST, effective 30 June 2018.

Bayleys Valuations Limited has undertaken the valuation of the assets and can confirm relevant issues in respect of this particular aspect of the overall project as follows:

- All assets are valued in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 "Property, Plant and Equipment" (PBE IPSAS 17) as issued by the New Zealand Accounting Standards Board.
- The valuation utilises the appropriate Financial Reporting and Valuation Standards as issued by the NZ Accounting Standards Board and the Property Institute of New Zealand (PINZ).
- PINZ standards are mandatory for PINZ members and are as set out in the latest edition of the relevant PINZ Professional Practices documentation.
- The valuation also takes cognisance of international valuation standards as issued by the International Valuation Standards Committee (IVSC) plus the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines as issued by the National Asset Management Steering (NAMS) Group.
- The undersigned is currently a practising Fellow of the Property Institute of New Zealand (FPINZ) and a PINZ Registered Valuer.

Mr Butchers has been providing financial reporting valuations in respect of the assets subject to this current review since 2009 and insurance values since 2004.

In completing this asset valuation, the valuers have no interest or relationship with any party that would impair its objectivity or independence.

Water Asset Portfolio - 30 June 2018

We can confirm that we know of no reasons why reliance cannot be placed upon the work undertaken by Bayleys Valuations Limited for GWRC by Audit New Zealand as auditors to GWRC.

If we can be of any further assistance on this matter please feel free to contact us in Wellington.

Yours faithfully

Bayleys Valuations Limited



Paul Butchers

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1. Executive Summary

A schedule of the individual property assets forming part of the GWRC portfolio was supplied. The assets are predominantly clustered in four locations, together with 16 individual pump stations located around the region.

All buildings have been physically inspected and a summation (rounded) of those buildings in each location and the combined total of all pump stations is detailed as follows:

Location	Optimised Replacement Cost	Optimised Depreciated Replacement Cost
Te Marua / Lake 3	\$28,352,449	\$15,442,518
Wainuiomata/Orongorongo	\$9,914,018	\$5,415,562
Gear Island	\$2,756,000	\$779,209
Waterloo & Surrounding Regions	\$8,076,740	\$3,963,000
Pump Stations	\$14,181,336	\$6,839,543
TOTALS	\$63,280,542	\$32,439,832

A full breakdown of individual buildings by location is detailed later in the report.

2. Site Details

Location

The four Water Treatment Plants and pump stations are identified as follows:

Water Treatment Plants:

- Te Marua/Kaitoke
- Wainuiomata
- Gear Island
- Waterloo

Included as part of the Waterloo schedule are the Pomare depot building and portacom, and the TDI huts at Mt Climie and Porirua.

Pump Stations:

- Wainuiomata No.s 1 & 2
- Timberlea
- Pinehaven
- Kingsley
- Point Howard
- Haywards
- Kaiwharawhara
- Sar Street
- Thorndon
- Karori – plus reservoir annex
- Warwick Street
- Ngauranga
- Johnsonville
- Khandallah
- Lincolnshire

The 16 pump stations are strategically located throughout Wellington, pumping water to various Council-owned reservoirs that supply drinking water throughout the greater region.

3. Improvements

3.1 Te Marua Treatment Plant

The largest water treatment plant is located at Te Marua and was constructed during the early 1980s in conjunction with the two large Te Marua storage lakes. Water is taken from the Hutt River at Kaitoke and the plant has a design capacity of approximately 140 million litres daily.



Typically, improvements are of a specialised nature and contain various plant and equipment utilised in the water treatment process. Facilities within the building are connected by various networks of pipes and services, either overhead or underground. Several additional buildings have been constructed on site during the 1990s. The improvements situated at Kaitoke were originally constructed circa 1950s/60s.

We have valued the assets on the basis that all improvements were erected with relevant building consents, they comply with the Building Act 2004 and the buildings are not affected by any onerous encumbrances or other restrictions. This applies to all locations.

We have previously physically measured all improvements and have relied upon the supplied schedule regarding construction dates.

In general, most buildings have been maintained although many contain architectural features of the era that would not necessarily be replicated if constructed today.

In determining the value of the improvements there has needed to be a clear delineation between the building asset and infrastructure, to avoid duplication of assessed values. We highlight the following for clarification purposes.

- The Main Treatment Plant building includes the pipe gallery but excludes the adjoining holding and filter tanks.
- The Lake 1 and 2 entrance structures and towers are included as building assets, whereas the connecting tunnels form part of the plant and machinery infrastructural valuation.
- Only the garage structure over the intake value chamber is included. The chamber beneath is excluded.
- Curtilage, retaining and sealed carparking surrounding the building have been included. The main loop road and perimeter fencing forms part of the plant and machinery infrastructural valuation.

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- At Kaitoke, the intake control hut is included as a building asset, along with the rock protection wall. The connecting shaft and tunnels are included as part of the infrastructural valuation.
- The strainer house at Kaitoke includes the concrete foundations but excludes the strainer drums.

All dwellings, farm related buildings and site improvements comprising Lake 3, Kaitoke, have been inspected and are included as part of Te Marua.

3.2 Wainuiomata Treatment Plant

The Wainuiomata Water Treatment Plant is located off Moore's Valley Road and is the newest treatment plant in GWRC network, opened in 1993. The treatment plant sources water from the Wainuiomata and Orongaronga Rivers plus three smaller creeks.



The plant's design capacity is 60 million litres per day but production is typically around 30 million litres daily, or just under 20% of the total supply each year. The Wainuiomata plant supplies water for Wainuiomata and together with the Waterloo Water Treatment Plant, Wellington's business district, and the city's southern and eastern suburbs.

The main water treatment plant incorporates the part sub-ground pipe gallery, side workshops, staff areas, electrical and control rooms. Various other specialised buildings are situated nearby, interconnected by underground services and pipes.

A road leads further up the valley to additional small outbuildings and the tunnel entrance that extends through to the Orongaronga Valley and intake weir. Located along the main access road leading to the treatment plant are distribution and workshop sheds, a residential house, gate valve hut and TDI huts.

Overall, most of the buildings appeared to be reasonably well maintained although periodic water ingress around the some of the skylights within the main treatment plant building is problematic. Again, we suspect that if such buildings were constructed today, there would be less detail to such features which over time have required ongoing maintenance and repair.

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For clarification purposes we highlight the separation between building assets, and plant and machinery infrastructure where relevant:

- The main treatment plant building includes the pipe gallery, all workshop rooms, staff and laboratory facilities, control room, roofing structure and side areas surrounding the filter tanks. The internal filter tanks and those adjacent outside are excluded from the building asset valuation.
- The diesel generator enclosure excludes all fuel tanks, exhausts and shelter structures.
- Curtilage and sealed yard areas surrounding all buildings are included, but the main access road to the treatment plant building and entrance to the tunnel are excluded.
- The perimeter fence line, reservoirs, valve chambers and weirs are all excluded from our valuation.

3.3 Gear Island Treatment Plant

The Gear Island Water Treatment Plant sits beside the Hutt River at the eastern end of the Petone foreshore. The plant was commissioned in 1935 and like Waterloo, treats water from the Waiwhetu aquifer via three wells.



Various additional buildings have been constructed on-site including the aeration, chlorination, pump station and Wellfield Control Hut (TDI). All buildings and site improvements are well maintained with the surrounding yard sealed and fenced. The Gear Island treatment plant is capable of producing 27 million litres of water per day.

For clarification purposes, we highlight the separation between building assets and plant and machinery infrastructure where relevant:

- The Aeration Building excludes the tank upon which it is constructed.
- The Pump Station includes the basement chamber below.

3.4 Waterloo Treatment Plant

The Waterloo Water Treatment Plant was commissioned in 1981 and draws water from eight wells from the Waiwhetu aquifer beneath Lower Hutt. Waterloo has a maximum production capacity of 120 million litres of water per day, but typically produces about 60 million litres or roughly 40% of our total annual supply. Water treated at Waterloo supplies Greater Lower Hutt and, mixed with water from Wainuiomata, Wellington's business district, southern and eastern suburbs.



Like Gear Island, improvements are limited to the main building which incorporates all facets of the water treatment process, together with supporting control room, staff facilities, motor room, electrical and workshop facilities. More recently, an enclosed lean-to garage type structure containing the mobile emergency generator has been constructed to the rear.

For clarification purposes we highlight the separation between building assets and plant and machinery infrastructure where relevant:

- The Lime Building situated above the reservoirs adjoining the southern end of the main building structure is included. The reservoirs below are included as an infrastructural asset.

The Pomare depot building is a single storey pre-fab type structure providing an open plan office plus three partitioned offices. Internally, the depot is gib lined, contains surface mounted lights and split a/c units. Construction consists of weatherboards, aluminium joinery and an iron roof. Amenities are provided alongside in a separate structure and are excluded from our valuation.

The re-locatable portacom is situated within a large warehouse alongside.

3.5 Pump Stations

The 16 stand-alone pump stations are located throughout the region and typically comprise purpose-built structures dating back to circa 1920s though to modern day facilities, the latest constructed in 2014. In most cases, pump stations are of low maintenance construction and several are set-back into sloping sites, necessitating heavy retaining and in some cases, rock anchors.

The larger pump stations have split floor levels accommodating pump and motor room facilities. The smaller stations generally have channels within the floors housing pipework with metal grille mesh or walkways above. The Haywards Pump Station contains basic workshop and staff facilities, whilst other pump stations contained basic amenities.

A brief description of all assets is included within the schedules.

4. Occupancy Arrangements

GWRC own and occupy all improvements. As the improvements are of a specialised nature, their respective values have been determined utilising Optimised Depreciated Replacement Cost (ODRC) methodology. No formal lease arrangements are in place.

5. Valuation Rationale

Wellington Water forms part of the region's critical infrastructure and supplies drinking water throughout the wider city. Due to the nature of the asset, no market exists from an occupant or purchaser's perspective, and as such, assets are not typically traded on the open market.

As has been previously noted, there are two recommended approaches to ascertaining the Fair Value of an asset under PBE IPSAS 17, these being:

- By reference to available sales and market evidence, or
- By the application of the ODRC methodology.

Fair Value as noted under PBE IPSAS 17 is "the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms-length transaction".

Fair Value is generally accepted as being synonymous with the term Market Value as defined in International Valuation Standard 1 Market Value Basis of Valuation (IVS 1) and adopted in IVA 1. In accordance with this, Market Value is defined as follows:

The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where the Fair Value of a property, plant and equipment asset cannot be reliably determined using market-based evidence for the same or similar asset, Optimised Depreciated Replacement Cost or ODRC is to be used to estimate Fair Value.

In the case of property, plant and equipment, this equates to the Optimised Replacement Cost (ORC) of the asset, less allowances for physical deterioration and optimisation for obsolescence and any relevant surplus capacity to provide ODRC.

ORC can be defined as the minimum cost of replacing or replicating the service potential embodied in an asset with its modern equivalent asset. The modern equivalent asset can be further defined as the most cost efficient, currently available asset that will provide the same stream of services that the existing asset is capable of producing. It allows for technology changes and improvements, and efficiencies in production and installation technologies.

Optimisation refers to the process by which a least cost replacement option is determined for the remaining service potential of an asset. This process recognises that an asset may be technically obsolescent or over-engineered, or the asset may have a greater capacity than that required.

Hence optimisation minimises rather than maximises a resulting valuation where alternative lower cost replacement options are available. In determining depreciated replacement cost, optimisation is applied for obsolescence and relevant surplus capacity.

All of the buildings forming part of this valuation are either of a "specialised nature" or form a critical part of the GWRC operation. Under PBE IPSAS 17, surplus and/or functionally obsolete buildings are optimised. We have been advised that all of the retained buildings are fully occupied and therefore no optimisation for surplus capacity is required.

To assess the fair value of the building assets we have utilised the ODRC approach. To assess ORC values, we have had regard to current building materials, standards and construction costs, recent building and refurbishment work completed on various sites, and actual construction costs of new pump station facilities.

We have also referred to historic construction costs for some buildings and have indexed these based on construction cost indices over the intervening period.

Allowances for up-front professional fees have been included within our calculations, and depreciation has been applied on a straight line basis with nil residual life or salvage value ascribed to assets at the end of their assessed economic life.

5.1 Componentisation

Due to the limited inclusion of building plant and services within most assets, and from a materiality perspective, we have been advised by GWRC that no componentisation is necessary. The expected life applied to each building is therefore applied over all of its individual components rather than segregating the asset and applying differing lives over the same.

5.2 Age and Condition of Structural and Services Assets

The ages of the assets under review have been sourced from information and data provided by GWRC. Where it has not been possible to source any age information, physical inspection of the asset and comparison with similar assets whose ages are known, has been undertaken and estimates applied thereto.

Typically, an economic life of 60 to 70 years has been ascribed to most major buildings. In cases where the asset is older than 70 years, a maximum additional life of 20 years as advised has been applied to the likes of the Thorndon and Kaiwharawhara Pump Stations.

For those buildings of a less durable construction such as garages, sheds and the like, an economic life of 25 to 35 years has been adopted.

5.3 Assets Excluded from this Review

Due to the nature of this re-valuation and with various parts undertaken by different experts in their field, care has been exercised to avoid any risk of double counting an asset. We highlight in the Improvements Section of this report a clear delineation of those assets at each location where possible overlap could occur.

5.4 Land Value

As per our instructions, all underlying land has been excluded from our assessments.

6. Valuation Conclusion

6.1 Te Marua / Kaitoke

Comm Code	Building	Unit ID	Description	Area (m ²)	Age (New)	Std Ltn	ORC	ORRC
24336	De-watering Building	TM-BLD1501DE	Two storey concrete bldg, steel & timber roof framing and an iron roof. Light internal partitions, w/c, lined office, metal grate floor to most of the upper level, metal int stairs to lower, gantry hoist, shuttle doors. Fire protection systems. Front canopy, pitched roof supported on steel rafters and concrete columns. Sealed forecourt, retaining wall to rear.	282.2	01-Jan-97	70	\$927,788	\$642,929
23776	Old TDI Hut (WW Recovery)	TM-BLD1602IN	Concrete walls and concrete roof with a concrete slab floor. Painted plaster finish.	5.8	01-Jan-89	70	\$12,672	\$7,333
23996	Gate Flowmeter Hut	TM-BLD1002IN	Concrete walls and roof with a concrete slab floor. Painted plaster finish.	15.1	01-Jan-57	70	\$34,020	\$4,135
24331	Thickener Pump Station	TM-BLD1401TH	Single level reinforced conc / blk structure extending beneath ground and retaining to sides, profile iron roof, open roof timbers, limited aluminium glazing. Galv grate internal walkway and handrail to part, gantry	53.0	01-Jan-97	70	\$216,240	\$149,848
24217	Waste water pump station	TM-BLD1601WW	Single level reinforced conc / blk structure extending beneath ground and retaining to sides, profile iron roof, limited glazing. Galv grate internal walkway (6.1 sqm) and handrail to part, gantry. Steel strengthening to one end.	39.9	01-Jan-97	70	\$224,810	\$158,787
24002	Wash Water Pump Station	TM-BLD0601BW	Underground conc structure with reinforced conc slab walls, floor and roof. Floor drains into sump at one corner. Stairs from ground level allows entry below ground.	45.8	01-Jan-89	70	\$581,440	\$337,827
24359	Sludge Lagoon Pump Shed	TM-BLD1701LA	Basic structure, lightweight timber framed with horizontal metal profile cladding & profile iron roof. Conc floor, no windows.	7.0	01-Jan-98	40	\$8,232	\$4,015
24077	Caustic Soda Bldg	TM-BLD1101CS	Lightweight timber framed bldg, reinforced conc foundations and floor, part set below ground, part metal grate flooring, walls clad in cement panels and ply, timber roof trusses overlaid in an alum profile roof, lined to underside, skylight and tube lighting, roller door. Fire protection systems, large split a/c unit.	44.9	01-Jan-96	60	\$145,444	\$90,916
24078	Garage (Tractor)	TM-BLD1102CS	Lightweight timber framed bldg, reinforced conc fdns and floor, walls clad in cement panels and ply, bi fold vehicle door, timber roof trusses overlaid in an aluminium profile roof. Fire protection systems	44.9	03-Jan-96	60	\$134,670	\$84,194
23834	Utility Shed (Skyline)	TM-BLD0102IN	Lightweight timber framed structure on a reinforced conc floor and fdns, horizontal metal profile cladding to walls and roof. Single manual door.	28.0	01-Jan-89	40	\$21,522	\$5,654
24691	Poly Store	TM-BLD0103IN	Galv columns, iron side walls and roof plus wire mesh front	22.1	01-Jan-89	40	\$11,576	\$3,041
24337	Garage (over Valve Chamber)	TM-BLD0101IC	Lightweight timber structure clad in horizontal metal profile iron and long run to roof. No windows, full height roller door. Three metre chamber beneath - reinforce conc fdns, floor and walls	54.0	02-Jan-97	40	\$36,450	\$16,868
24017	Chlorination Bldg	TM-BLD1201CB	Reinforced conc fdns & floor, conc column & beam, tilt slab walls, alum joinery, long run iron roof. Structural steel braces. Roller door, gantry support, various alarms, plasterbd internal linings. Truck dock overhang (24.3 sqm) included in stated area.	154.5	01-Jan-89	60	\$668,550	\$339,934
23424	Pump Station	TM-BLD1001PS	Reinforced conc fdns & floor, conc column & beam, tilt slab roughcast aggregate walls. RSJ trusses, long run iron, lmted windows, lined ceilings, sealed tube lights. High stud (12m) to motor / pump room, gantry, part sunken below gnd, extensive galvanised metal grate walkway with handrails / ladders, slide control room, light partitions, lined, vinyl flooring, cable ducts, separate public amenities, roller door entry point. Fire protection systems. Generator enclosure	1390.2	01-Jan-84	70	\$6,807,011	\$3,452,693

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Comp Code	Building	Unit ID#	Description	Area m ²	Age New	Std Life	ORC	ODRC
24022	Treatment Building	TM-BLD0201IN	Reinforced conc fdns & floor, conc column & beam, tilt slab walls, sections of vertical cedar cladding, alum joinery, long run pitched iron roof draining into boxed lined concrete gutters. Multiple single and roller door entry points, gantry hoists to various parts, fire protection systems, plasterbd and industrial internal linings. Part single and two storey, providing various chemical stores and workshop, electrical room, lab, office and control rooms. Northern wing contains amenities, kitchen, store room and first aid rooms. Full length pipe galley below, concrete construction with steel bracing, sealed lighting, extensive metal grate flooring, light and ventilation hoods, viewing gallery.	2133.5	01-Jan-89	70	\$12,177,962	\$7,352,927
23513	Lake 1 Entrance Structure	TM-BLD1902L1	Concrete walls and concrete hip roof with a concrete slab floor, constructed over a 6.6 metre deep chamber. Concrete platforms extend out either side of the hut.	41.4	01-Jan-85	70	\$754,830	\$391,670
23512	Lake 1 Tower	TM-BLD1901L1	Concrete tower constructed with a below ground chamber, extending through Lake 1 to a viewing platform above the lake level. (excls tunnel)	163.0	01-Jan-85	70	\$1,120,625	\$584,452
23514	Lake 2 Entrance Structure	TM-BLD1904L2	Concrete walls and concrete hip roof with a concrete slab floor, constructed over a 8.8 metre deep chamber. Concrete platforms extend out either side of the hut.	42.2	01-Jan-85	70	\$939,040	\$490,165
23510	Lake 2 Tower	TM-BLD1903L2	Concrete tower constructed with a below ground chamber, extending through Lake 2 to a viewing platform above the lake level. (excls tunnel)	163.0	01-Jan-85	70	\$1,120,625	\$584,452
24039	EX Waste water pump station	TM-BLD1603WW	Small conc blk structure with pre fab conc roof, Conc int floor, 1/2 with sump and drains plus part mesh floor.	10.1	01-Jan-95	75	\$45,360	\$31,151
23299	Intake Control Hut	TM-BLD0001KS	In-situ cast concrete structure with a single pitch concrete slab roof constructed over an 8.9m deep basement accessing a tunnel below the river. Galvanised steel stairwell provides access below. Includes new rock protection wall - concrete and steel const.	11.5	01-Jan-55	70	\$47,648	\$4,429
23304	Strainer House	TM-BLD0002SH	Corrugated metal profile clad, steel portal framed structure constructed upon a 2m high reinforced concrete foundation which also houses the strainers and a channel	270.8	01-Jan-55	70	\$780,034	\$72,504
23325	Strainer Generator Hut	TM-BLD0003SH	Light timber framed structure with horizontal timber weatherboard cladding and corrugated metal profile roof constructed on a reinforced concrete floor and foundations.	11.0	01-Jan-65	70	\$15,840	\$1,735
24639	Activated Carb Lower Contair	TM-BLD2101AC	20 foot container		30-Jun-07	25	\$5,000	\$2,800
24656	Activated Carb Upper Contair	TM-BLD2102AC	20 foot container		30-Jun-07	25	\$5,000	\$2,800
24834	TM Pac Storage Contalner	TM-BLD2103AC	40 foot container		30-Jun-10	25	\$8,500	\$5,780
24883	Te Marua Pipe Storage	TM-BLD0202IN	20 foot container		30-Jun-11	25	\$5,000	\$3,600
24978	Pac Plant Carbon Del Bldg	TM-BLD2104AC	20 foot container		30-Nov-12	25	\$5,000	\$3,884
Lake Three								
30016	Garages /Toolshed		Conc slab, timber framed, w/b clad, iron roof	157.8	30-Jun-16	5	\$99,404	\$59,670
30017	Half Round Shed		Nissen Hut - steel lattice roof trusses, iron roof, earth floor	100.8	30-Jun-16	5	\$21,168	\$12,707
30018	Hay Fertiliser Shed		Conc floor, dockway, sarked ceiling, timber roof trusses, bbw/bs. Part blown away - damaged	61.1	30-Jun-16	5	\$25,662	\$15,404
30019	Woolshed & covered yards		Timber framed, tim floor, c/iron walls and roof, tube lights, power, windows, side area, w/c.	144.8	30-Jun-16	5	\$111,237	\$66,772
30029	Covered Yards Alongside		Covered yards under	200.0	30-Jun-16			
			RSJ Column, timber framed, c iron, open side	425.9	30-Jun-16	5	\$134,171	\$80,539
30020	Toolshed (3 carport structure by lunchroom)		3 bay crport, timbr post, ply, fibre cement ext, iron roof	59.5	30-Jun-16	5	\$18,749	\$11,254

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Comp Code	Building	Unit ID#	Description	Area m ²	Age New	Std Life	ICRC	CDRC
30021	Half Round Haybarn Plus Lunchroom		Nissen Hut, conc slab, steel lattice, timber purlins, iron ext, sliding door	103.1	30-Jun-16	5	\$55,411	\$33,262
			Lunchroom, timber const, lined, 2 w/cs, roller door	31.2	30-Jun-16	5		
30022	Dairy TB Laboratory		Single storey, timber framed, w/b clad, iron roof	60.0	30-Jun-16	5	\$100,800	\$60,508
30023	Half Round Haybarn		Nissen Hut, earth floor, steel lattice, timber purlins, iron ext, open both ends, rear wall part blown off - damaged	101.6	30-Jun-16	5	\$25,601	\$15,368
30024	Dwelling WV28		3 bed dwelling, timber, w/b, tim joinery, iron roof. 1970s service fitout	144.1	30-Jun-16	5	\$361,375	\$216,924
			Basement Garage	28.0	30-Jun-16			
			Carport	24.9	30-Jun-16			
30025	Dwelling WV27		2 bdrm dwelling, basic fitout. 1960's	54.1	30-Jun-16	5	\$124,190	\$74,548
			Carport	20.9	30-Jun-16			
30026	Shed and Garage (by WV 25)		Garage - single, conc floor, timber framed, tim door, iron roof	17.8	30-Jun-16	5	\$15,074	\$9,049
			Carport - dbble, timber post, c / Iron + rear	30.1	30-Jun-16			
30027	Office		2 bdrm dwelling / office, basic fitout. 1960's	54.1	30-Jun-16	5	\$118,929	\$71,390
30028	Dwelling WV 25 (house in bush)		3 bdrm 1960s dwelling, conc piles, BB w/b, iron roof, tim joinery, PB lined, basic service rooms - sold for relocation	103.3	30-Jun-15	5	\$0	\$0
30030	Sheep Yards (behind nissen hutt 30017)		PC sum (approx 100 m fencing)		30-Jun-16	5	\$8,000	\$4,802
30014	Land Improvements		PC Sum - see separatæ valn		30-Jun-16	5	\$69,000	\$69,000
TOTALS							\$28,352,449	\$15,442,518

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6.2 Wainuiomata

Asset #	Building	Unit ID#	Description	Area m ²	Age New	Std Life	CRU	ODRC
26391	Treatment Plant Building	WI-BLDO905IN	Significant structure of mixed construction accommodating laboratories, offices, control rooms, meeting rooms, workshops, high stud storage, filter tanks, filter galleries, pipe galleries, lime room and various plant rooms. Floor area incl Observation balcony but excludes glazed veranda sections. Filter and Flocculation Basins incl in Plant values.	1871.0	1-Jan-93	60	\$7,282,198	\$4,188,219
26378	Chlorination Building	WI-BLDO101CL	Concrete block on reinforced concrete floor and foundations with painted plaster exterior finish and metal profile clad roof. Internally divided with concrete block walls. Verandah @ 6.48 sqm	109.4	1-Jan-93	60	\$495,715	\$285,101
TBA	Diesel Generator Building	WN-BLD1402OS	Building housing diesel generator, of concrete block construction on reinforced concrete floor and foundations. Painted plaster finish to the exterior and single pitch metal profile roof.	26.3	1-Jan-95	60	\$49,406	\$30,061
26365	Centrifuge Building	WI-BLDO801WW	Concrete block structure with timber roof trusses supporting metal profile clad roof. Floor is concrete slab over a basement chamber of insitu cast reinforced concrete floor and walls.	75.0	1-Jan-93	60	\$329,470	\$189,488
26363	Sludge Storage Shelter	WI-BLDO802WW	Semi-circular shelter constructed on a concrete foundation and floor. Timber poles support timber trusses braced with plywood supporting a long run metal profile clad roof.	166.4	1-Jan-93	60	\$164,696	\$94,722
25951	Jigger Shed	WI-BLDO902IN	Lightweight timber framed structures with painted horizontal timber weatherboard clad walls and corrugated metal profile clad roof.	19.1	1-Jan-65	60	\$16,799	\$1,822
25953	Jigger Shed	WI-BLDO903IN	Lightweight timber framed structures with painted horizontal timber weatherboard clad walls and corrugated metal profile clad roof.	11.1	1-Jan-65	60	\$9,742	\$1,057
25954	Jigger Shed	WI-BLDO904IN	Lightweight timber framed structures with painted horizontal timber weatherboard clad walls and corrugated metal profile clad roof.	18.8	1-Jan-65	60	\$16,500	\$1,790
25960	Nissen Hut	WI-BLDO906IN	A semi circular, open wire truss framed workshop with corrugated profile cladding to the exterior, constructed on a concrete floor and foundation.	78.6	1-Jan-65	60	\$69,190	\$7,505
25962	Fluoride Building	WI-BLD2101FL	Older building of concrete block construction on reinforced concrete floor and foundations. Corrugated metal profile roof. Two full height doors to the rear elevation. Excls ext veranda @ 32.4 sqm	294.9	1-Jan-65	70	\$537,652	\$126,793
25952	Gate Valve Hut	WI-BLDO901TW	Concrete floor and foundations, walls and roof with a painted plaster exterior.	15.0	1-Jan-65	60	\$52,875	\$5,735
25959	Orongorongo W/shop Smk	WI-BLD1405OS	Lightweight timber framed structures with painted horizontal timber weatherboard clad walls and corrugated metal profile clad roof.	18.0	1-Jan-65	60	\$55,440	\$6,013
26601	House #3	WI-BLDO912IN	Residential dwelling, single garage + carport.	99.8	1-Jan-70	65	\$239,550	\$60,835
26457	Big Huiā Instrument Hut	WI-BLD1403HS	Semi-portable precast concrete hut with painted plaster finish.	3.2	1-Jan-96	50	\$7,040	\$3,873
26681	TDI Hut beside vehicle was	WI-BLDO916IN	Semi-portable precast concrete hut with painted plaster finish.	5.1	1-Jul-04	50	\$11,220	\$8,079
26228	Wainui Intake TDI Hut	WI-BLDO909WS	Semi-portable precast concrete hut with painted plaster finish.	5.1	1-Jan-93	50	\$11,220	\$5,500
26229	Orongo/Gorge TDI Hut	WI-BLDO910WS	Semi-portable precast concrete hut with painted plaster finish.	5.1	1-Jan-93	50	\$11,220	\$5,500
26713	Orongorongs TDI	WI-BLDO914OS	Semi-portable precast concrete hut with painted plaster finish.	5.1	30-Jun-07	50	\$11,220	\$8,751
26454	Orongorongo Instrument H	WI-BLD1404OS	Semi-portable precast concrete hut with painted plaster finish.	5.1	1-Jan-96	50	\$12,342	\$6,790

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Asset #	Building	Unit ID#	Description	Area m ²	Age New	Std Life	ORC	QBRC
26499	Truss Bridge TDI Hut	WI-BLD1401OS	Semi-portable precast concrete hut with painted plaster finish.	5.1	1-Jun-98	50	\$12,342	\$7,386
25967	Distribution Workshop	WI-BLD0907IN	Steel portal framed, medium stud workshop with metal profile clad exterior. Lean-to wings extend from the side elevations and a mezzanine level is provided within.	129.7	1-Jan-87	50	\$160,655	\$59,463
26392	Slam Shut TDI Hut	WI-BLD0915IN	Semi portable precast concrete structure with painted plaster finish to the exterior.	5.1	1-Jul-93	50	\$12,342	\$6,172
26820	Mini Hydro		Raised Concrete blk structure, removeable roof, galvanized landing and stairs @ 7.41 sqm.	54.1	30-Jun-11	60	\$345,183	\$304,908
TOTALS							\$9,914,018	\$5,415,582

6.3 Waterloo / Pomare

Asset #	Building	Unit ID#	Description	Area m ²	Age New	Std Life	ORC	QBRC
27969	Treatment Plant Building	WL-BLD0101IN	Substantial building adjoining the Waterloo Railway Station. Concrete column and beam construction with pre-cast concrete infill walls over two main levels. Roof level lime room, tiered motor room, switchroom, basement and sub-basement levels, pipe galleries. Reservoirs not incl in value but incl roof structure over. Area excld reservoir roof structure.	1537.8	01-Jan-81	70	\$7,538,000	\$3,509,000
28137	Generator Enclosure to	WL-BLD0102IN	Lean to structure to rear, steel construction overlaid in iron, sodium lights, roller door.	123.5	28-Jun-04	60	\$207,000	\$159,000
21940	Pomare Depot Office Bldg	PD-BLD001IN	Single storey relocateable office bldg, tana piles, timber framed, metal profile weatherboards, iron roof, alum joinery. Gib lined, surface tube lights, mostly open plan, three offices. Four a/c units. Timber ramp access plus weather shealters	110.0	31-Oct-12	60	\$261,700	\$237,400
26880	Pomare Portacom Distribution Office / Tearoom	WI-BLD0913IN	Relocateable portacom, Timber framed, external ply lined, alum joinery. Situated at Pomare.	39.1	30-Jun-13	40	\$27,600	\$24,200
22013	Pipeline Storage Container		Relocateable container		30-Jun-13	25	\$6,000	\$4,800
22014	Pipeline Storage Container		Relocateable container		30-Jun-13	25	\$6,000	\$4,800
23250	Small Shipping Container		Relocateable container		06-Jun-14	25	\$5,000	\$4,200
21638	Mt Climie TDI Hut	MT-BLD0101EC	Semi-portable precast concrete hut with painted plaster finish.	5.1	30-Jun-09	50	\$14,220	\$11,700
	Porirua Pressure Monitor	PO-BLD001	Semi-portable precast concrete hut with painted plaster finish.	5.1	30-Jun-03	50	\$11,220	\$7,900
TOTALS							\$8,076,740	\$3,963,000

6.4 Gear Island

Asset #	Building	Unit ID#	Description	Area(m ²)	Acq. Date	Est. Life	ORC	ODRC
28797	Aeration Building	GI-BLD0001AR	Part level light timber framed profile clad structure situated on top of the aeration tank (tank excluded). Stairs and handrail.	69.12	1-Jan-77	50	\$124,000	\$21,296
28758	Treatment Building	GI-BLD0003IN	Older single level building with three part basement levels, built 1935/36, side extension built 1950 with part sunken floor, plus an attached conc blk extension built 1975. Fenced enclosure for transformer.	245.56	1-Jan-36	100	\$1,044,000	\$183,590
28923	Chlorination Bldg	GI-BLD0201CL	Single level conc blk structure with two full height roller doors, iron roof, sealed tube lights, extraction system, security and chemical alarms.	39.9	30-Jun-02	65	\$117,000	\$88,343
28791	Pump Station	GI-BLD0101PS	High stud building constructed over a basement enclosure, steel portal frame, profile iron clad and the basement is in-situ cast concrete walls and floor. Fire protection systems.	154.98	1-Jan-75	65	\$1,457,000	\$483,856
28790	Wellfield Control Hut (TDI)	GI-BLD0002WF	Pre fab concrete hut on conc foundations - situated off main site. Not sighted.	5.76	1-Jan-76	50	\$14,000	\$2,124
TOTALS							\$2,756,000	\$779,209

6.5 Pump Stations

Asset #	Building	Unit ID	Description	Area (sqm)	Acq. Date	Std. Life	ORC	NRIC
19875	Wainui #1	W1-BLD001PS	Partially below ground concrete structure with membrane over concrete roof. Brick veneer clad to end elevations with retaining walls extending from northern elevations.	32.9	01-Jan-60	70	\$173,000	\$28,436
19880	Wainui #2 (Moore's Valley)	W2-BLD001PS	Concrete block structure on reinforced concrete floor and foundations with metal profile roof on timber roof trusses.	53.3	01-Jan-93	70	\$225,000	\$143,061
20624	Timberlea	TB-BLD001PS	Concrete column and beam construction with concrete infill walls. Timber roof trusses support the metal profile roof. Submerged by approximately 500mm t/o with 1.35m deep channel, internally along the southern elevation.	17.8	01-Jan-90	70	\$108,000	\$64,040
20014	Pinehaven	PN-BLD001PS	Concrete block construction on reinforced concrete floor and foundations with metal profile roof. Attached to substation - not included.	25.7	01-Jan-74	70	\$139,000	\$50,650
20035	Kingsley	KG-BLD001PS	Steel portal framed structure with concrete block lower walls to 1m and vertical metal profile cladding above. Long run metal profile clad roof. Reinforced concrete floor and foundations with channels to accommodate pipework and cabling.	83.8	01-Jan-76	90	\$374,000	\$197,413
21407	Pt Howard	PH-BLD001PS	Reinforced, decorative concrete tilt slab walls with concrete slab hip roof. Set into hillside and retained to eastern and northern elevations.	31.5	30-Jun-07	70	\$680,000	\$573,136
19955	Haywards	HY-BLD001PS	Medium stud structure with pre-cast concrete walls on a concrete column and beam framework. Pipe gallery and chamber network beneath main floor and workshop with full height r/door to eastern elevation.	443.8	01-Jan-68	70	\$2,986,000	\$832,062
20074	Kaiwharawhara	KI-BLD001PS	Concrete block construction between concrete column and beam buildings. Metal profile roof. B/ground level floor to main pumphouse.	83.9	01-Jan-32	90	\$562,000	\$21,892
20390	Sar St	SA-BLD001PS	Pre fab concrete hut on conc foundations - essentially a TDI hut.	4.0	01-Jan-81	70	\$16,000	\$7,430
19617	Thorndon	TN-BLD001PS	Concrete column and beam construction with 2 metal joinery windows to street frontage. Submerged b/ground to the interior with galv metal grille flooring. Elevated office at southern end.	152.6	01-Jan-35	90	\$962,000	\$69,547
21320	Karori	K2-BLD001PS	Decorative pre-cast concrete slab walls. Basement level structure with ground level, part mezzanine floor supported on concrete columns and beams. Retained to rear and northern elevations.	73.8	30-Jun-06	70	\$2,182,000	\$1,807,943
19867	Karori Reservoir Anne	KA-BLD003PS	Concrete block structure - remainder of previous pump station.	42.0	01-Jan-58	70	\$148,000	\$20,101

Continued...

Water Asset Portfolio - 30 June 2018

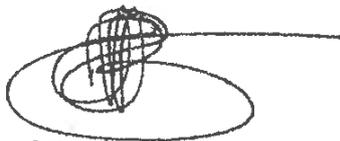
Asset #	Building	Unit ID#	Description	Area (m ²)	Age New	Std. Life	ORC	ODRC
21231	Warwick St	WA-BLD001PS	Concrete column and beam structure with concrete infill walls, membrane over concrete roof and reinforced concrete floor and foundations. Amenities and accommodation for transformer at northern end. Roof top security fence	119.7	01-Jan-61	70	\$66,000	\$118,100
20730	Ngauranga	NG-BLD001PS	A modern high stud structure with part basement, construction comprising concrete walls, barrel vaulted iron clad roof, aluminium glazing, roller door and suspended lights. Low stud side annex contains kitchen and amenities and transformer. Good condition. Asphalt and cobblestone paving surrounding	507.2	01-Jan-92	70	\$3,685,336	\$2,290,479
19855	Johnsonville	JO-BLD001PS	Old concrete and brick structure with a concrete roof, set back into a sloping site. Concrete floor with channels, accommodation for transformer to the south end. Roof edge security and fencing. Side steps	109.6	01-Jan-57	70	\$676,000	\$82,162
22012	Lincolnshire	LN-BLD001PS	New concrete / blk structure with an iron roof, channelled floor to part, dble swing entry doors, side accommodation for transformer.	94.1	01-Jan-09	70	\$464,000	\$401,081
23257	Khandallah	KHD-BLD	New Hume concrete chamber part buried with stone finish to exterior, concrete roof. Metal hatch and side door, galvanized ladder, tube lighting.	7.3	30-Jun-14	70	\$140,000	\$132,000
TOTALS							\$14,181,336	\$6,839,543

6.6 Signatory

We thank you for your instructions in this matter and if you require any further assistance, please contact the undersigned.

Yours faithfully

Bayleys Valuations Limited



Paul Butchers

BBS, FPINZ, FNZIV
 Director - Registered Valuer
 +64 21 333 990
paul.butchers@bayleys.co.nz



7. General Principles

PINZ: Valuation Standards & Guidance Notes	All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand. The definition of Market Value as defined by the International Valuation Standards (IVS) 2017 is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Basis	No allowances are made in our valuations for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.
Information Supplied	The valuation assumes as being complete and correct information provided to us by the sources detailed in our report on any relevant matters including, without limitation, items such as rents, operating expenses, tenure, tenancies and tenants improvements. We accept no responsibility, however, for the completeness and accuracy of information provided to us.
Documentation	Our inspection has included searching of the Certificate(s) of Title and if appropriate and where available, the ground and/or building lease(s) and other relevant tenancy schedules and documents. We recommend that reliance should not be placed on our interpretation thereof without prior verification by your lawyers.
Title	Unless specifically stated in the report, we assume that each property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there were no unusual or onerous restrictions, easements, covenants or other outgoing which would adversely affect the value or negotiability of the relevant interest(s).
Title Boundaries	We have not carried out a detailed site survey and we have of necessity assumed for the purposes of the valuation that all structural improvements have been erected within the Title Boundaries. We do not undertake a measurement of the site or survey but calculate the site areas by reference to identified boundaries of the property and the appropriate Computer Register.
Resource Management Act 1991	Our valuation is on the basis of uses indicated on our copies of the Transitional District Plan, Proposed District Plan and District Plan (as the case may be) and our enquiries of the Territorial Authority as to any Resource Consents for the land.
LIM & PIM	Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Project Information Memoranda (PIM) from the Territorial Authority. It is considered an obligation of the recipient of the report to request a Land Information Memorandum from the appropriate local authority and search legal registrations on the relevant Computer Register, in order to satisfy themselves as to the suitability of the property for their specific purpose.
Valuation	The valuation provided is our opinion of the market value. This value may change in the future due to market conditions and changes to the state of the property. For the purposes of our valuation we have assumed there will be no adverse market changes in the short to medium term.
Validity	Should a period of greater than three months elapse from the date of preparation of the report, it is recommended that the person to whom it is addressed seek confirmation from the Valuer concerned that the valuation can still be relied upon in context of relevant current market situation. Failing to do so will nullify the validity of the report as well strict reliance upon a copy of the same unless previously agreed to in writing between us and the recipient and/or end user. If a copy of the report is relied upon, we cannot guarantee the accuracy of the same which could be at variance with the original document. Furthermore, the reference to the 3 month time period does not imply that the value will remain static during this time. From the perspective of Bayleys Valuations Ltd, this valuation is valid by valuer signature.

Practising Certificate	This valuation has been carried out by a Registered Valuer carrying a current practising certificate.
Insurance	BVL hold Professional Indemnity cover that is at a level accepted by our large corporate clients and banks and it is at/or above industry standards. A copy of our certificate is available upon request.
Acceptance of Reports	The use of this report by the client/instructing party for market value/mortgage purposes in its current format is deemed an acceptance by the same of all value, terms, conditions and specification contained herein unless advised to the contrary immediately.
Inspections	We undertake such inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstance.
Legislation	Building Act 2004, Health and Safety at Work Act 2015, Fire Safety and Evacuation of Buildings Regulations 2006, Disabled Persons Community Welfare Act 1975. Unless otherwise stated in our report, our valuation is on the basis that the property complies with this legislation or it has no significant impact on the value of the property.
Structural Surveys	The valuation report does not purport to be a structural survey and we accept no responsibility for the omission of building or other defects which may not be apparent without such a survey.
Deleterious Materials	Unless stated in our report, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless notified, our valuations assume that no such materials or methods have been used (e.g. asbestos, PCBs).
Site Conditions	We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment potential, we assume that the site has load bearing capacity suitable for the anticipate form of redevelopment without the need for additional and expensive foundations or drainage systems.
Environmental Contamination	Our valuations assume that no contaminative or potentially contaminative use is, or ever has been, carried out at the property. Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.
Plant & Machinery	Our valuations include items usually regarded as forming part of the building and comprising fixtures, such as lifts, boilers, heating, ventilation, air conditioning, water, drainage, electrical, lighting, fire detection and sprinkler systems. We have assumed the fixtures are in proper working order and functioning for the purpose for which they were designed.
Taxation, GST	In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. In respect to Goods and Services Tax we specifically draw your attention to the fact that our valuation is on the following basis: <ul style="list-style-type: none"> • Non Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that valuation is plus GST (if any). • Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
Publication	Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without any written approval of the form and context of such publication or disclosure. Such approval is required whether or not Bayleys Valuations Ltd referred to by name and whether or not the reports are combined with others.

BAYLEYS

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Report	18.159
Date	30 April 2018
File	CCAB-22-334
Committee	Finance, Risk and Assurance Committee
Author	David Querido, Manager, Health & Safety

Health and Safety update

1. Purpose

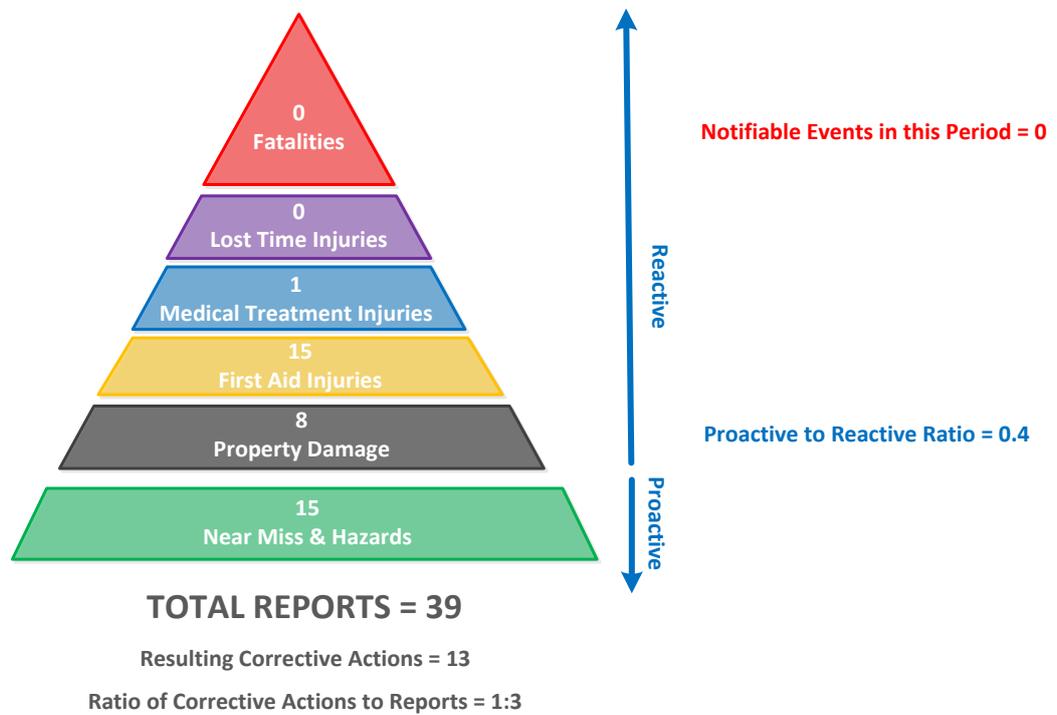
To inform the Finance, Risk and Assurance Committee on the health and safety performance of the organisation and activity associated with our critical risk areas.

2. Background

The full Greater Wellington Regional Council (GWRC) Organisational Performance Report contains an overview of the GWRC's health and safety management against key metrics during the third quarter. This report contains some of the recent activity and performance since the previous report to the Committee, as well as an update on other key initiatives and activities undertaken by the Health and Safety Team relating to GWRC's critical health and safety risk.

3. Understanding our health and safety risks

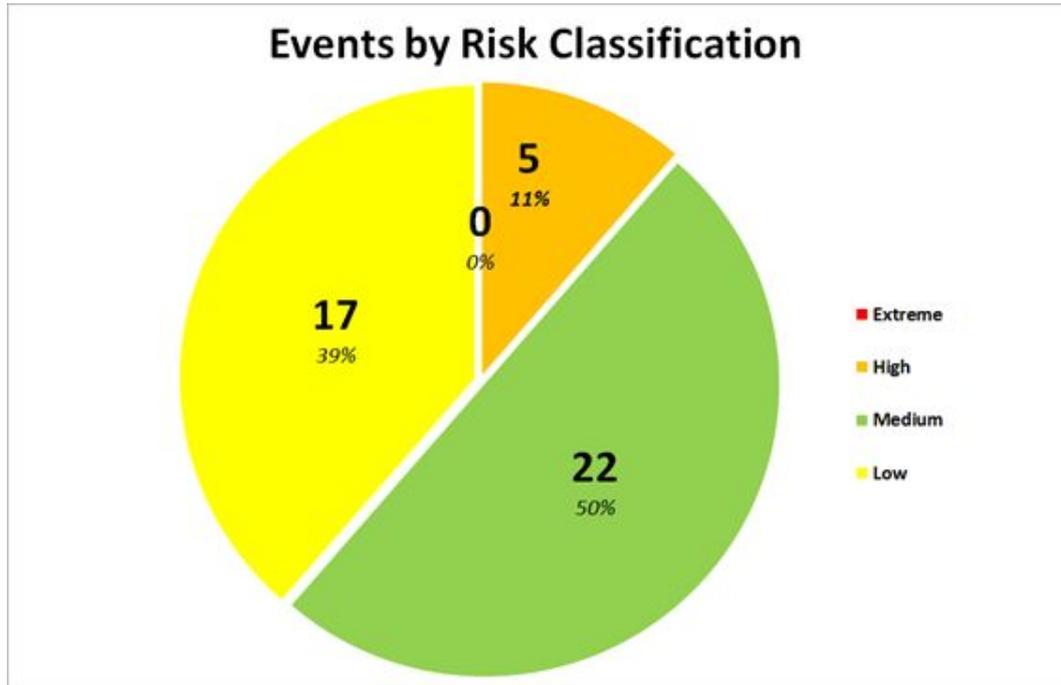
During the period from 1 March 2018 to 30 April 2018, a total of 44 health and safety-related events were recorded in KESAW (Keeping Everyone Safe at Work). 39 of these directly related to activities of our staff and a further five related to reported events involving our response to events triggered by members of the public (e.g. Members of the public camping or using the parks for recreational activities). The following diagram is a breakdown of the 39 events that directly involved staff, by outcome.



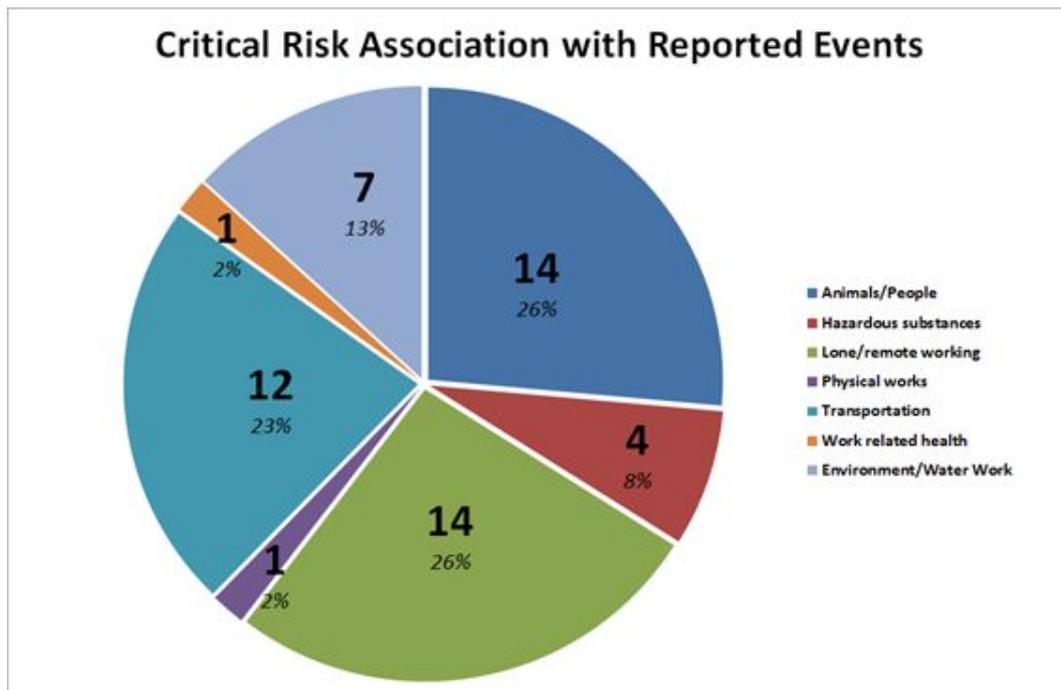
While there were no lost time injuries (LTI) reported in this period, two events in the previously report period (December 2017 to February 2018) were reclassified LTI, as these required staff to take time off work due to the injuries sustained. One related to a sprained ankle and the other to a gradual process injury.

With the LTI count for February 2018 being 3, our LTI frequency rate (LTIFR), being a calculation based on the number of hours worked and the number of LTI sustained, has raised from 0.61 to 0.98. This surpassed the 0.90 LTIFR performance target set for GWRC. LTIFR is expected to drop below the 0.9 LTIFR by the end of Q4. However, this is dependent on there being no further LTI and Safety Leadership training planned for staff.

The following table shows the 44 events against the risk classification, as recorded by the staff member reporting them:



Further analysis shows that across all 44 events recorded in KESAW, 40 of these related to one or more of GWRC’s critical risk categories. These are detailed in the table below:



4. Health and safety critical risk initiatives.

The following section provides a brief update on initiatives and activities associated with several of GWRC's identified critical risk areas over the period since the previous report, or planned for the near future.

4.1 Critical Controls Project

A project was initiated to identify the critical controls that need to be implemented to prevent or mitigate the adverse effects of critical risks. A critical control is a control that is crucial to preventing an event or mitigating the consequences of an event. The absence or failure of a critical control would significantly increase the risk, despite the existence of other controls. A series of working groups have been established to undertake bowtie analyses, where critical controls will be identified, and their presence and effectiveness assessed. Where absent and ineffective controls exist, these will be further investigated and implemented where 'reasonably practicable'.

4.2 Hazardous substances management

A project is currently underway to review the storage of hazardous substances at GWRC sites, with a view to improving the management of hazardous substances with a specific focus on reducing quantities to reduce risk, compliance costs, and waste hazardous substances.

4.3 Safety Summit

GWRC's new Health and Safety journey kicks off on 16 May 2018, with the launch of the first Safety Summit. Over 20 participants, with a strong representation from field staff, from across the business will assemble in a workshop to craft a new health and safety vision, develop golden safety rules, and will become the sounding board for health and safety matters, moving forward.

4.4 Safety Leadership training

A key aspect of GWRC's new health and safety journey is the implementation of Safety Leadership training, as core health and safety training for GWRC staff. Aimed at people leaders, function leaders, managers and those who are exposed to dynamic risks, the two-day training course delivered by PAMU Academy, will equip participants with the skills to identify and address risk and consider effective controls, undertake safety conversations and communicate these effectively, and the tools required for operational safety leadership.

The first group of GWRC staff will attend Safety Leadership training at the end of May 2018. Over 200 GWRC staff are expected to complete this training over the next 12–18 months.

5. Communication

There is no communication required.

6. Consideration of Climate Change

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

6.1 Mitigation assessment

Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

6.2 Adaptation assessment

Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

7. The decision-making process and significance

No decision is being sought in this report.

8. Engagement

Engagement on this matter is unnecessary.

9. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

David Querido
Manager, Health & Safety

Report approved by:

Lucy Matheson
General Manager, People and
Customer



Report 18.158
Date 11 May 2018
File CCAB-22-333

Committee Finance, Risk and Assurance Committee
Author Mike Timmer, Treasurer

Summary risk report

1. Purpose

To update the Committee on changes to the risk register in the March quarter, and to provide a presentation to the Committee on the Public Transport group's risk management, as part of the on-going reporting by each group within GWRC.

2. Background

Each quarter, the risks at group level are considered and reported to the Chief Executive.

This process involves adding new risks, archiving old risks if they are no longer relevant, reviewing the controls (risk mitigation/modifying management strategies) and checking that the scoring of the risk reflects its current state.

Each group's risks are reviewed by the Chief Executive, in conjunction with the General Managers and the General Manager, Corporate Services/Chief Financial Officer, at the quarterly review meetings.

3. Comment on risk changes during the quarter

During the March quarter, there have been no new risks added to the register and no risks archived.

The Public Transport group has reviewed their risk and they have made a number of adjustments to their risk scoring. One of the main areas of scoring change was in the Stakeholder/Reputation risk criteria (recall risks are scored using 5 consequence criteria, and 1 likelihood of occurrence criteria). This has seen the severity of the risks reduced down, which has impacted the top ten risks of Council. Four risks from Public Transport moved out of the top ten, and a further three risks from Public Transport and one from Catchment Management moved into the top ten.

It is important to note that the adjustment to the risk scoring noted above is more of a tweaking exercise, rather than a significant change. The risks still exist and are being monitored. The ranking of risks, while mathematically derived, nevertheless has a degree of subjectivity.

3.1 Change in Residual Risk level (High, Medium Low) and Risk score (number)

Two risks in Public Transport were impacted, with one of the risk's residual risk level moving down, and another risk's residual score move up, but still maintaining the same risk level.

1. *Failure of KiwiRail network assets or network operations causes damage to GWRL assets or cancellation of multiple services*
The residual risk changed from high to medium. Based on past events the residual stakeholder/reputation consequence was changed from moderate to single
2. *Rolling stock unable to meet passenger demand due to multiple vehicles not being operational*
The residual risk score has remained at medium. However, its score within the category has moved up, reflecting the likelihood of occurrence moving from unlikely to likely. This is in relation to contractual performance issues with Transdev which are in the process of resolution in relation to the maintenance of the Matangi fleet.

Risks that entered the Top 10 risk during the March quarter:

1. *Rolling stock unable to meet passenger demand due to multiple vehicles not being operational*
This risk moved up over the quarter with the residual likelihood score changing from unlikely to likely.
2. *Fatality to harm to staff working near water*
There has been no change to the risk scoring. It moved in to the top ten due to other risks being re-rated.
3. *Unsafe work practices, medical event, or error by one of our contractors or public transport operators causes serious injury*
There has been no change to the risk scoring. It moved into the top ten due to other risks being re-rated.
4. *Failure of KiwiRail network or third party assets, or network operations causes serious injury*
There has been no change to the risk scoring – It move in to the top ten due to other risks being re-rated.

Risks that exited the Top 10 risk during the March quarter:

After a reassessment, the following four Public Transport risks dropped out of the top ten risks as their *residual / reputational risk were changed from moderate to single for the first three risks below.*

1. *Currently contracted bus services fail to meet acceptable levels of service reliability and/or quality targets due to reasons within the control of the bus operator.*
2. *Delivery of the Regional Public Transport Plan (RPTP) put at risk due to delay or cancellation of one or more interrelated projects.*

3. *Contracted rail services fail to meet acceptable levels of service, reliability and/or quality targets*
4. *Unnecessary costs or delays incurred as a result of poor Public Transport procurement – Impacted by lower residual likelihood of occurrence and financial impact.*

4. **Public Transport Group presentation**

Officers from the Public Transport Group will attend the meeting and provide insight into the topical and emerging risks for them.

5. **Definition of report heading**

A brief description of the GWRC's risk report columns in relation to **Attachment 1**, and what they mean, is as follows:

Overall ranking: by residual risk score: Residual risk is the risk that remains after controls have been applied and is discussed further below. A lower number means it has a higher residual risk relative to others. The risk rating as per the end of the last quarter is shown in brackets.

Risk ID: This is a unique system number assigned to a risk.

Risk Category: This is a category/ies of risk that the risk belongs to. Each category has a risk appetite which measures GWRC's propensity to accept risk. Health and safety to staff and contractors, legislative and regulatory environment damage are areas where we have a low appetite to risk.

Description: Brief description of the risk.

Inherent Risk level: The risk is assessed/scored and placed into a classification category (Very High, High, Medium, or Low) before any controls are in place. Or put another way, without them working.

Controls: These are processes which mitigate/modify a risk. They reduce the likelihood of occurrence of a risk, or reduce the consequences when it occurs, or both.

Residual Risk level: This is the risk classification category after the controls have been put in place and are working as expected. The residual score as per the end of the last quarter is shown in brackets.

Risk Owner/Business Unit: The person/group responsible for the risk. There is also a person assigned to each control which is not normally the risk owner.

Comment/Details: This provides a discussion around the risk.

6. **Communication**

There is no communication required.

7. Consideration of climate change

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

7.1 Mitigation assessment

Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

7.2 Adaptation assessment

Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

8. The decision-making process and significance

No decision is being sought in this report.

9. Engagement

Engagement on this matter is unnecessary.

10. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Mike Timmer
Treasurer

Report approved by:

Dave Humm
GM Corporate Services/Chief
Financial Officer

[Attachment 1: Top ten risks](#)

QUARTERLY RISK REPORT 31 MARCH 2018									
Overall ranking by residual score 1)	Risk Id	Risk category(s)	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Status Change since last quarterly review plus risk treatments being considered
1 (3) ↑	77	<ul style="list-style-type: none"> Health and safety of staff and contractors & volunteers Environmental damage Legislative and regulatory Political 	Contaminated site(s) either known or unknown that results in harm to environment and/or health	Very High Risk	Resourcing - additional admin resource has been provided to ensure that the database is updated regularly. Also the reports provided to the public have been reviewed and reformatted to be more user friendly. Additional technical expertise has also been allocated to review the data provided by the TA's.	Medium Risk	Lucy Baker	630 (630)	We continue to manage our contaminated land through the SLUR database and have an allocated resource for this. We also manage contaminated land through Rule 55 of the pNRP. One of Mfe's top ten contaminated sites is Miramar gasworks and an investigation is underway on this site. Soil gas vapour testing on the boundary of the site was completed in late January and it was found that there was a low risk of gas vapour migrating beyond the contaminated site. Further investigations of soil and groundwater contamination are to be completed as the next stage, but these contaminants are not considered to pose a health risk. The project team comprised of Wellington City Council, Regional Public Health and MfE is still in place and all parties have an agreed Communication plan. It is likely we will apply to MfE's remediation fund to help with costs for this next investigative phase. There will be an issue who pays the 'other half' as MfE only contribute half. It is unclear at this stage, but it is possible that Poly Flouro Alkyl Substance (PFAS) contamination may also become an issue in the region, as airports, fuel terminals and fire-fighting agencies may have used foam containing that chemical.
2 (7) ↑	141	<ul style="list-style-type: none"> Legislative and Regulatory Political 	Breach of privacy	High Risk	Enforceable Contracts with suppliers Statutory Compliance Training Privacy Policy	Medium Risk	Francis Ryan	525 (525)	Overall risk ranking has moved from 7 to 2. This change is not due to any change in the categorisation of this risk. Work is being undertaken to embed Privacy Impact Assessments for projects undertaken by GWRC.
3 (8) ↑	123	<ul style="list-style-type: none"> Services are severely curtailed Financial Political 	Reduction of bus service levels with transition to a new network, fleet and contracts	High Risk	Appropriate programme management in place - projects identified - responsibility allocated - regular monitoring - escalation - staggered transition - contingency planning	Medium Risk	Andrew Cooper	490 (490)	In the quarter GW has: <ul style="list-style-type: none"> Monitored progress with bus operators with regular transition meetings Facilitated forums for PT operator CEOs Facilitated meetings between bus driver unions and bus operators Reviewed this risk – ranking changed from 8 to 3 following reassessment
4 (31) ↑	59	<ul style="list-style-type: none"> Services are severely curtailed Loss, failure or damage to assets Political 	Rolling stock unable to meet passenger demand due to multiple vehicles not being operational	Medium Risk	Ensure maintenance inspection regimes are followed GW ensures that maintainer effectively manages fleet failure modes and issues through FRACAS process, and ensures GW maintains full visibility of this Train manufacturer undertakes maintenance Maintain close working relationships with train suppliers, original equipment manufacturers (OEM's), operational and maintenance contractors Employ appropriately skilled and trained people Regulatory obligations of operators and providers	Medium Risk	Barry Fryer	490 (120) ↑	In the quarter GW has: <ul style="list-style-type: none"> Maintained strong relationships with operators, including regular meetings & performance reporting Continued to closely monitor operational activities across the rail system to ensure that safety, quality standards and reliability of information are maintained by the operators, maintainers and network owners Reviewed this risk - ranking changed from 31 to 4 following reassessment.

1) The number in brackets is the risk ranking as per the end of the previous quarter.

2) The number in bracket is the residual risk score as at the end of the previous quarter.

Finance, Risk and Assurance Committee - Summary risk report

QUARTERLY RISK REPORT 31 MARCH 2018									
Overall ranking by residual score 1)	Risk Id	Risk category(s)	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Status Change since last quarterly review plus risk treatments being considered
5 ↑ (9)	103	<ul style="list-style-type: none"> Health and safety of staff, contractors and volunteers Political 	Fatality or permanent disability to CM staff arising from use of a quad bike in a manner that doesn't comply with organisational Health and Safety	Very High Risk	Department Hazard Registers Working Alone Procedures & Equipment Departmental Plans - Maintenance Schedules Health & Safety Plan Standard Operating Procedures	Medium Risk	Wayne O'Donnell	468 (468)	Biosecurity: Regular quad and off road bike maintenance is ensured by regular pre use inspections as well as more thorough quarterly inspections at the beginning of each quarter. Recently Biosecurity have purchased new trailer to ensure quad and trailer weight complies with the car manufacturers recommendation of towing no more than 750kg unbraked. Only staff assessed as competent quad riders (by internal and/or external assessors) are allowed to use quads. Land Management: Light Utility Vehicles (LUV's) assessed as higher risk than quads. All staff have been trained in LUV use and 2-yr refresher LUV course already scheduled for staff. Quarterly maintenance checks arranged by qualified mechanic, Jim Spencer. Procurement template modified to improve fit for purpose selection criteria. Contractor site induction processes has been improved to identify and avoid high risk access routes in hill country.
6 ↑ (10)	136	<ul style="list-style-type: none"> Services are severely curtailed 	Inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event	Medium Risk	Insurance is in place Department Business Continuity Plans Disaster Recovery Plan	Medium Risk	Dave Humm	456 (456)	The November 2016 earthquakes in Kaikoura have significantly raised the chances of another magnitude 7 event that could impact shed 39 again. Alternative accommodation in Wellington is in high demand; it might be difficult to relocate again. Longer term plans in terms of accommodation are presently being considered with the assistance of Colliers International.
7 ↓ (1)	115	<ul style="list-style-type: none"> Services are severely curtailed Financial Political 	Failure of KiwiRail network assets or network operations causes damage to GWRL assets or cancellation of multiple services	High Risk	GW ensures that KiwiRail has a robust emergency response plan that: <ul style="list-style-type: none"> - provides for efficient bus replacements - provides for effective customer communications in the event of a failure - includes a separate set of operational parameters relating to earthquake magnitudes and readings from network based ground acceleration sensors GW ensures that KiwiRail has a robust network management plan that: <ul style="list-style-type: none"> - focuses funded renewal activities on critical components of the network - provides for infrastructure maintenance, monitoring and inspections Maintain strong relationships with network owner and the rail operator, including regular meetings and reporting against a clear set of performance targets GW partners an application to the crown (via MoT) for additional funding for 'catch up renewals' for network infrastructure GW participates in Metro Operating Model review led by MoT & Treasury \$98.5m received for traction poles	Medium Risk	Angus Gabara	455 (665)	In the quarter GW has: <ul style="list-style-type: none"> • Maintained strong relationships with operators, maintainers and network owners including regular meetings & performance reporting • Continued to closely monitor operational activities across the rail system to ensure that safety, quality standards and reliability of information are maintained by the operators, maintainers and network owners • Worked with KiwiRail to improve Network Asset Management Plan • Provided support to obtain additional deferred renewal funding from MoT to continue face renewal of the overhead traction system on the Hutt Line • Provided support to obtain \$200m of capital funding for network upgrades Reviewed this risk - ranking changed from 1 to 7 following reassessment

1) The number in brackets is the risk ranking as per the end of the previous quarter.

2) The number in bracket is the residual risk score as at the end of the previous quarter.

Finance, Risk and Assurance Committee - Summary risk report

QUARTERLY RISK REPORT 31 MARCH 2018									
Overall ranking by residual score 1)	Risk Id	Risk category(s)	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Status Change since last quarterly review plus risk treatments being considered
8 (11) ↑	126	<ul style="list-style-type: none"> Health and safety of staff, contractors and volunteers Physical harm to the general public 	Fatality or harm to staff working in or near water	High Risk	FPSOP46 Working in or near water Driver training general and 4WD	Medium Risk	Wayne O'Donnell	432 (432)	<p>Biosecurity: A number of CMG staff attended the "Working around water safely" workshop and training at Otaki George in the last quarter. The training was organised by the GWRC H&S team.</p> <p>Flood Protection. All staff who work in or near water have been on an approved training course.</p> <p>Land Management: All Operations staff are trained in wader/water safety.</p>
9 (12) ↑	118	<ul style="list-style-type: none"> Health and safety of staff, contractors and volunteers 	Unsafe work practices, medical event, or error by one of our contractors or public transport operators causes serious injury	High Risk	GW ensures that: <ul style="list-style-type: none"> - appropriate health and safety clauses are included in contracts, including health and safety plans and reporting - health and safety is adequately funded - audits, monitoring and site inspections take place - SPAD management plan is in place - development of a pathway to implement ETCS - additional train stops installed - simulator 	High Risk	Wayne Hastie	430 (430)	<p>In the quarter GW has:</p> <ul style="list-style-type: none"> • Attended bus operator H&S committee meetings • Reviewed process in conjunction with bus operators for incident notification • Reviewed internal process for identification and management of hazards present in the delivery of bus services • Reviewed this risk - no change in status
10 (13) ↑	106	<ul style="list-style-type: none"> Services are severely curtailed Physical harm to the general public Political 	Failure of KiwiRail network or third party assets, or network operations causes serious injury	High Risk	GW ensures that KiwiRail has a robust network management plan that: <ul style="list-style-type: none"> - focuses funded renewal activities on critical components of the network - provides for infrastructure maintenance, monitoring and inspections GW ensures that KiwiRail has an emergency response plan with the network owner and operator	High Risk	Angus Gabara	430 (430)	<p>In the quarter GW has:</p> <ul style="list-style-type: none"> • Maintained strong relationships with operators, including regular meetings & performance reporting • Continued reviewing timetable performance using data available from the Rail Performance Monitoring System • Continued to ensure that safety, quality standards and reliability of information are maintained by the operators • Provided support to obtain additional deferred renewal funding from MoT to continue face renewal of the overhead traction system on the Hutt Line • Provided support to obtain \$200m of capital funding for network upgrades • Reviewed this risk – no change in status

1) The number in brackets is the risk ranking as per the end of the previous quarter.

2) The number in bracket is the residual risk score as at the end of the previous quarter.



Report 18.160
Date 7 May 2018
File CCAB-22-335

Committee Finance, Risk and Assurance Committee
Author Mark Ford, Finance Manager

Summary of financial statements until 31 March 2018

1. Purpose

For the Committee to receive the summary performance report for the nine months to 31 March 2018 and also an updated full year forecast to 30 June 2018.

2. Background

This report provides a review of the financial performance of GWRC activities ([Attachment 1](#)).

Overall, GWRC is in a favourable financial position against budget for the year-to-date position, and currently marginally over budget for the full year forecast.

2.1 Full year forecast

The full year forecast is in line with the previous forecast for the year to January. It shows an operating deficit that is currently **\$1.5m unfavourable to budget**. This is driven by additional water treatment costs at the Waterloo treatment plant, extended pre-capitalisation phases for the alternate water source, Fares and Ticketing, and Optimus (core system replacement) projects, KiwiRail network insurance, and Ganz Mavag train disposal. This is offset by higher fare revenue, lower costs and timing of the trolley bus decommissioning, and additional interest earned from the pre-funding of debt.

There are several items not currently in the forecast which are likely to impact the final full year result. The first of these is the remediation of a historic issue in the rates collection balance between GWRC and Wellington City Council which will adversely impact rates revenue. Additionally, proceeds from the business interruption and material damages insurance claim for Shed 39 following the November 2016 Kaikoura earthquake is now expected to be settled within the current financial year. These two items are expected to offset each other.

Capital expenditure is forecast to be **\$11.0m favourable to budget** due to less expenditure required on the interim ticketing solution, and timing on the alternate water supply and National Ticketing and Project Optimus which are all still in pre-capitalisation phases, as well as timing of costs for heavy train maintenance, Matangi train retrofit, and the Matangi 2 Driver Simulator. Offsetting these items is earlier purchase of RiverLink property acquisitions than budgeted.

2.2 Year to 31 March 2018

The year to date operating position is **\$2.6m favourable to budget** due to the timing of activity across all groups, primarily Public Transport off-set by additional water supply costs.

Capital expenditure is **\$22.0m favourable to budget** primarily due to timing on Public Transport related projects and Riverlink property acquisition timing, offset by additional costs for the Waterloo water quality project.

3. Communication

There is no communication required.

4. Consideration of climate change

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

4.1 Mitigation assessment

Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

4.2 Adaptation assessment

Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

5. The decision-making process and significance

No decision is being sought in this report.

6. Engagement

Engagement on this matter is unnecessary.

7. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

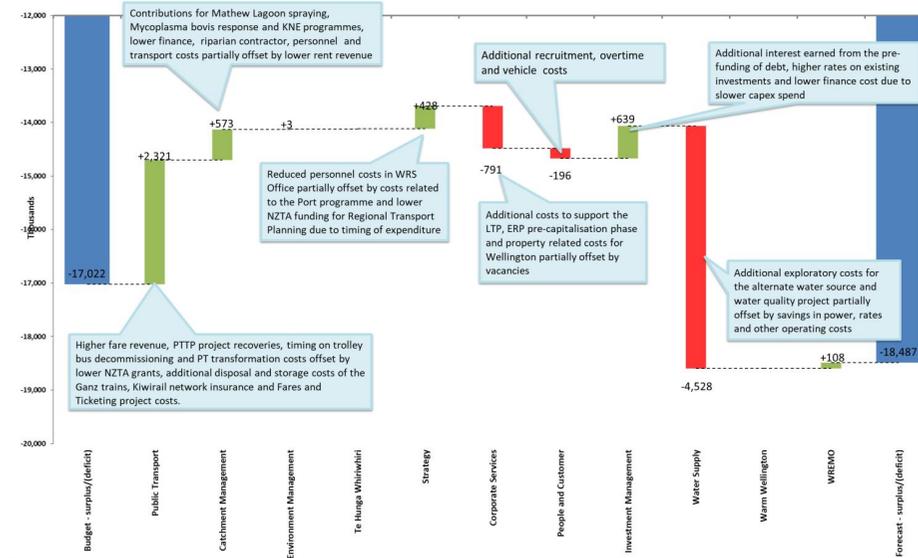
Mark Ford
Finance Manager

Report approved by:

Dave Humm
General Manager Corporate
Services/Chief Financial
Officer

Attachment 1: Financial Summary

Financial Summary - Full Year Forecast – 31 March 2018



Council Summary

Forecast operating deficit (before capital grants) is **\$1.5m unfavourable** to budget. This is driven by additional water treatment costs at the Waterloo treatment plant, extended pre-capitalisation phases for the alternate water source, Fares and Ticketing and Optimus (core system replacement) projects, Kiwirail network insurance, and Ganz Mavag train disposal. This is offset by higher fare revenue, lower costs and timing of trolley bus decommissioning, and additional interest earned from the pre-funding of debt. PT transformation expenses are currently being reviewed, with an expected uplift in forecast transition costs to the new bus operating model.

FY Forecast by Business Group

Operating Revenue \$4.0m favourable

Public Transport is forecast to be **\$1.8 m favourable** to budget which mainly reflects higher rail fare revenue driven by higher patronage (\$2.5m), PTPP project recoveries (\$1.0m), external contributions to National Fare and Ticketing project (planned as capex) (\$2.2m) offset by lower NZTA grants (\$3.9m) due to lower claimable costs and higher revenue.

Catchment is forecast to be in line with budget

Environment is forecast to be **\$0.2m favourable** to budget reflecting additional revenue from RONS consenting (\$0.2m), Navigation Aids and Maritime NZ contributions for Summer Safety campaigns (\$0.1m) offset by reduced revenue from Crown Irrigation Investments (\$0.2m) for Water Wairarapa.

Strategy is forecast to be **\$0.7m favourable** to budget which reflects additional stakeholder contributions to support Regional Infrastructure Resilience Business case (\$0.8m) and additional funding received from ACC for road safety initiatives (\$0.1m) partially offset by lower NZTA funding for Regional Transport Planning due to timing of expenditure (\$0.2m).

Investment Management is forecast to be **\$1.2m favourable** to budget which reflects additional interest earned from the pre-funding of debt and higher interest on deposits due to banks paying higher rates to attract funds.

Operating Expenditure \$5.5m unfavourable

Public Transport is forecast to be **\$0.6m favourable** to budget reflecting lower costs for trolley bus decommissioning (\$4.2m), timing of PT transformation costs (including electric bus fleet premium and interm ticketing solution) (\$1.9m) and other savings (\$0.5m) including interest costs due to the timing of capital expenditure, offset by disposal and storage costs of the Ganz trains (\$0.7m), higher Kiwirail network insurance (\$1.5m), and increases to the Fares and Ticketing project (\$3.8m) due to change of scope to a national solution and the change in nature of the expenditure from capex to opex.

Catchment is forecast to be **\$0.5m favourable** to budget reflecting lower finance costs due to the timing of RiverLink property acquisitions (\$0.2m) and lower riparian contractor costs due to slower uptake from farmers (\$0.2m), personnel costs due to vacancies and transport costs (\$0.1m).

Environment is forecast to be **\$0.2m unfavourable** to budget due to additional rents and building maintenance at Beacon Hill (\$0.1m) and staff resourcing costs (\$0.3m) partially offset by lower Water Wairarapa costs (\$0.2m).

Strategy is forecast to be **\$0.3m unfavourable** to budget which mainly due to additional expenditures to support Regional Infrastructure Resilience Business case (\$0.8m), the road safety cycle course funded by ACC (\$0.2m) and costs related to the Future of the Port programme (\$0.3m) offset by a reduction of operating costs mainly in personnel and depreciation (\$1.0m).

Corporate Services is forecast to be **\$0.7m unfavourable** to budget due to additional long term planning resource, ERP pre-capitalisation phase costs, and additional resource required in preparation for the new Public Transport bus operating contracts (\$0.6m), increase in earthquake related property related costs for the Wellington office (\$0.2m) and increase in IT depreciation due timing of project capitalisation (\$0.2M), partially offset by savings in CFO's consultancy costs and a vacancy in CE office (\$0.3m)

People and Customer is forecast to be **\$0.1m unfavourable** to budget reflecting the additional recruitment and pool vehicle costs.

Investment Management is forecast to be **\$0.6m unfavourable** to budget reflecting additional funding cost of pre-funding debt partially offset by lower interest costs due to slower capex spend by business.

Water Supply is forecast to be **\$4.7m unfavourable** to budget due to the additional exploratory costs for the alternate water source project (\$3.4m), additional treatment requirements in the water quality project (\$1.5m), depreciation (\$0.5m), finance costs (\$0.1m) and insurance (\$0.2m). This is partially offset by savings in power, rates and other operating costs (\$1.0m).

Capital Expenditure \$11.0m favourable

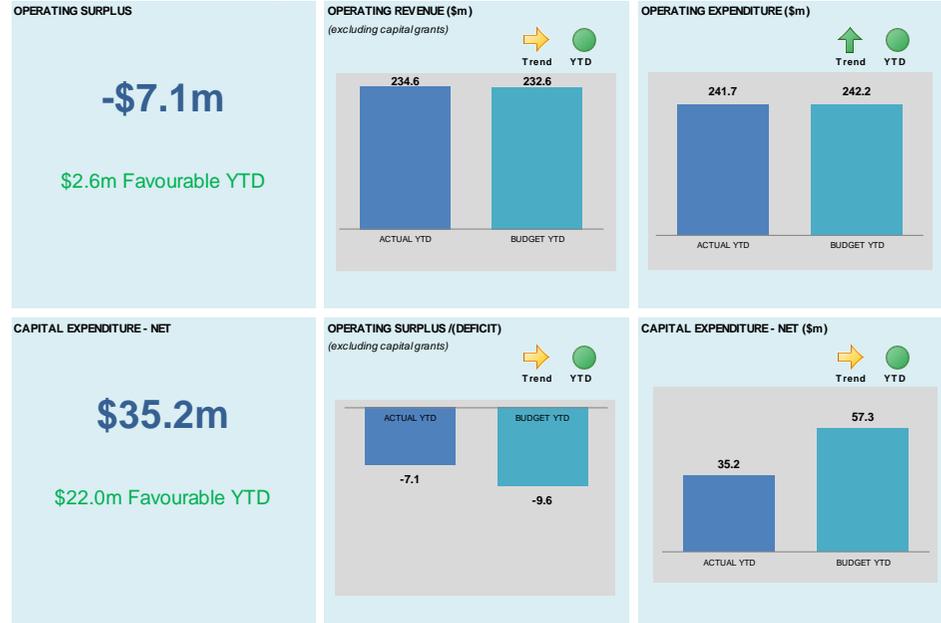
Public Transport is **14.0m favourable** to budget reflecting timing on National Ticketing Solution (\$4.0m), lower costs for Matangi trains heavy maintenance (\$4.9m), retrofit (\$2.0m), and Matangi 2 Driver Simulator (\$2.1m), and Interim ticketing solution (\$1.0m) due to the change in nature of the expenditure from capex to opex.

Catchment is forecast to be **\$3.3m unfavourable** to budget due to timing of commercial property acquisitions for the RiverLink project (\$5.0m), offset by reduced Lower Wairarapa Valley Development stopbank improvements (\$0.9m) due to landowner negotiation delays, and a (\$0.5m) and reduction in Pinehaven implementation expenditure due to programme revision by Wellington Water.

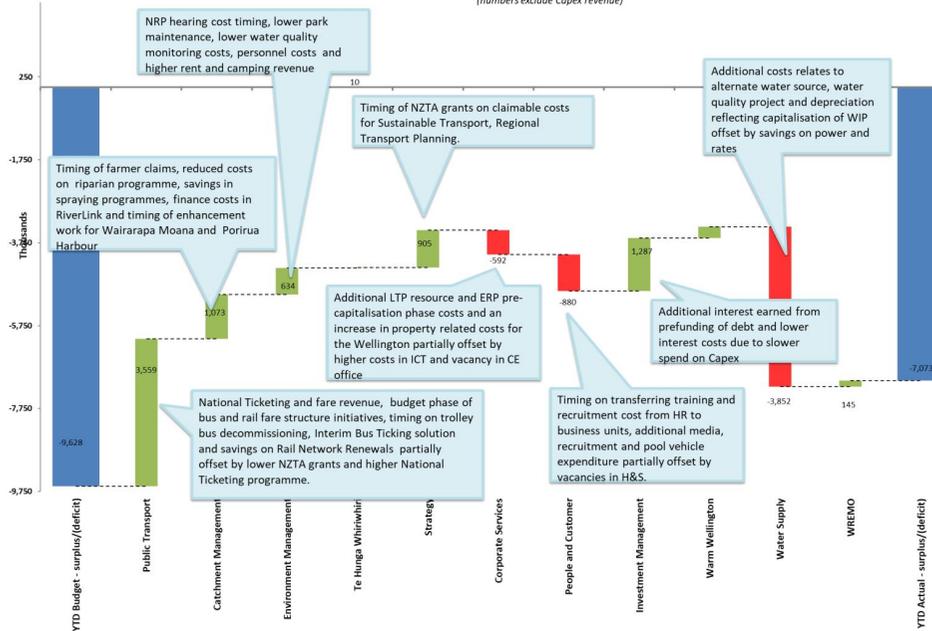
Water Supply is forecast to be **\$2.2m unfavourable** to budget due additional water quality spending (\$5.6m), partially offset by alternate water supply (\$2.7m) due to the timing of drilling the monitoring bore, and timing in catholic protection and reactive renewals (\$0.7m).

Corporate Services is forecast to be **\$2.3m favourable** to budget reflecting timing of Project Optimus.

Financial Summary - Year to Date - 31 March 2018



Operating Surplus/(Deficit): YTD Budget v. YTD Actual
(numbers exclude Capex revenue)



Council Summary

Year to date operating deficit (before capital grants) is **\$2.6m favourable** to budget. The variance is primarily related to reflecting lower cost and timing on interim Bus Ticketing solution, Trolley bus decommissioning, KiwiRail network activity, and higher fare revenue, partially offset by lower NZTA grants, additional Fare and Ticketing project, alternate water source and water quality project costs.

YTD Business Group Commentary:

Operating Revenue \$2.1m favourable

Public Transport is in line with budget reflecting higher fare revenue (\$1.2m), PTPP project recoveries (\$1.0m) external revenue for National Ticketing programme (\$2.0m) offset by lower NZTA grants (\$4.2m) from lower claimable costs.

Catchment is in line with budget due to increased internal KNE recoveries for Mycoplasma response, Didymo programme, Gunnera Tauherenikau Delta and Matthews lagoon spraying (\$0.2m) offset by reduced seedling sales for Akura (\$0.1m) and lower farm consultation activity for Land Management (\$0.1m)

Environment is **\$0.2m favourable** to budget reflecting increased consenting activity mainly in the RONS project (\$0.2m) and higher rent and camping revenue for Parks (\$0.2m), partially offset by reduced revenue from Crown Irrigation Investments (\$0.2m) for Water Wairarapa.

Strategy is **\$0.9m favourable** to budget which due to contributions for Regional Infrastructure Resilience Business case (\$0.8m) and lower NZTA grants from lower claimable costs for Sustainable Transport and Regional Transport Planning (\$0.1m).

Investment Management is **\$0.8m favourable** to budget which reflects additional interest earned from the prefunding of debt (\$0.6m) and higher interest on deposits (\$0.2m) due to banks paying higher rates to attract funds.

Operating Expenditure \$0.5m favourable

Public Transport is **\$3.6m favourable** to budget reflecting savings on Rail Network Renewals (\$1.0m), bus contract costs (\$0.3m) due to diesel inflation fluctuations, Rail contract costs (\$0.6m) due to reliability deductions, timing on Trolley Bus Decommissioning (\$3.0m) and Interim Bus Ticketing solution (\$1.7m), and savings in interest costs due to the timing of capital expenditure (\$0.5m) offset by higher National Ticketing programme (\$3.0m) due to change of the nature from capex to opex and higher Kiwirail network insurance (\$0.5m).

Catchment is **\$1.1m favourable** to budget reflecting the timing of farmer claims for the hill country erosion programme (\$0.2m), slower uptake for riparian programme (\$0.2m), delays for spraying programmes due to weather and timing of enhancement work for Wairarapa Moana and Porirua Harbour (\$0.2m) and timing of expenditure in Flood protection (\$0.7m) including finance savings due to the timing of property acquisitions for RiverLink.

Environment is **\$0.5m favourable** to budget reflecting timing of NRP hearing costs (\$0.1m), lower park maintenance costs (\$0.1m) due to unfavourable weather, lower water quality monitoring activities (\$0.4m), lower expenditure in Water Wairarapa due to reframing the annual programme (\$0.1m) and personnel cost savings due to staff vacancies (\$0.2m).

Strategy is in line with budget reflecting additional costs for Regional Infrastructure Resilience business case (\$0.7m). offset by lower operating expenditure vacancies, and timing of spend in LTP and Future of the Port programme.

Corporate Services is forecast to be **\$0.6m unfavourable** to budget due to additional LTP resource, ERP pre-capitalisation phase costs (\$0.7m) and an increase in property related costs for the Wellington (\$0.2m) offset by a vacancy in the CE office and CFO consultancy cost savings (\$0.3m).

People and Customer is **\$0.8m unfavourable** to budget due to timing on transferring training and recruitment cost from HR and to business units (\$0.2m) and various project costs to be transferred from Customer Engagement to the PTPP programme (\$0.5m), additional media, recruitment and pool vehicle expenditure (\$0.1m) partially offset by vacancies in H&S.

Investment Management is **\$0.5m favourable** to budget reflecting lower interest costs from slower capex spend (\$0.4m).

Water Supply is **\$3.9m unfavourable** to budget reflecting additional costs relating to alternate water source, water quality project (\$3.9) and depreciation (\$0.4m) from capitalisation of WIP offset by savings on power and rates (\$0.4m).

Capital Expenditure \$22.0 m favourable

Public Transport is **\$19.0 m favourable** to budget due mainly to the timing in spending on bus shelter and signage (\$0.7m), station renewals (\$3.1m), park and rides (\$0.5m), change in funding of bus network infrastructure (\$5.1m), PT transition project (\$1.3m), lower interim and National ticketing solution (\$4.4m) and heavy maintenance (\$3.2m).

Catchment is **\$3.5m favourable** to budget due to timing of property acquisition (\$0.2m), Ebdentown, Waiwhetu and Mangaroa FMP's (\$0.6m) in RiverLink, Pinehaven implementation (\$0.5m), resource consent hearings (\$0.5m), LWVD stop bank upgrades (\$0.5m), Waiohine FMP (\$0.2m), and vehicle and plant acquisitions (\$0.2m).

Environment is **\$1.3m favourable** to budget due to timing of Parks projects (\$0.9m) including the Baring Head Bridge replacement and Battlehill track upgrades. Remaining variance is due to deferrals of Harbours projects including the Pencarrow channel upgrade to 2019/20 and Porirua diving platform upgrade due to the withdrawal of funding from PCC.

Water Supply is **\$3.8m unfavourable** to budget due to the accelerated programme of work at the Waterloo Water Treatment plant costs (\$5m) offset in timing of the capital component on the alternate water supply project and reprioritisation of minor projects.

Corporate Services is forecast to be **\$1.9m favourable** to budget reflecting timing of Project Optimus and ICT capex spend.

Council Financial Summary ('000s)

Statement of Revenue and Expense by Business Group - Full Year

\$000	FULL YEAR			FULL YEAR			FULL YEAR		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
	Forecast	Budget	Variance	Forecast	Budget	Variance	Forecast	Budget	Variance
Group									
Public Transport	187,725	185,973	1,752	187,275	187,843	569	450	(1,870)	2,321
Catchment Management	38,076	38,051	25	30,582	31,130	548	7,494	6,921	573
Environment Management	30,024	29,857	167	29,290	29,126	164	734	731	3
Te Hunga Whiriwhiri	1,052	1,034	18	1,034	1,026	9	17	9	9
Strategy	12,340	11,626	715	13,190	12,904	286	(850)	(1,278)	428
Corporate Services	10,202	10,272	70	18,732	18,010	721	(8,530)	(7,738)	791
People and Customer	2,365	2,415	50	10,148	10,002	146	(7,783)	(7,587)	196
Investment Management	(6,105)	(7,307)	1,202	(3,023)	(3,617)	593	(3,081)	(3,691)	609
Water Supply	32,333	32,170	163	39,589	34,897	4,691	(7,256)	(2,727)	4,528
Warm Wellington	3,183	3,183	0	3,180	3,180	0	3	3	0
WREMO	3,545	3,452	93	3,230	3,245	15	314	207	108
TOTAL	314,740	310,725	4,015	333,227	327,747	5,480	(18,487)	(17,022)	1,465

Statement of Revenue and Expense by Business Group -Year to Date

\$000	YEAR TO DATE			YEAR TO DATE			YEAR TO DATE		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance
Group									
Public Transport	138,688	138,703	16	134,342	137,917	3,575	4,345	787	3,559
Catchment Management	28,623	28,637	14	22,094	23,181	1,087	6,529	5,455	1,073
Environment Management	22,732	22,569	164	21,283	21,754	471	1,449	815	634
Te Hunga Whiriwhiri	792	776	16	775	769	6	17	7	10
Strategy	9,600	8,695	905	9,595	9,595	0	6	(900)	905
Corporate Services	7,678	7,704	26	13,754	13,188	566	(6,076)	(5,484)	592
People and Customer	1,778	1,811	33	8,282	7,435	847	(6,505)	(5,624)	880
Investment Management	(4,643)	(5,446)	804	(3,152)	(2,669)	483	(1,491)	(2,778)	1,287
Water Supply	24,150	24,127	22	30,068	26,194	3,874	(5,918)	(2,067)	3,852
Warm Wellington	2,518	2,387	131	2,253	2,386	133	265	0	265
WREMO	2,716	2,589	127	2,410	2,428	18	306	161	145
TOTAL	234,632	232,552	2,080	241,705	242,179	474	(7,073)	(9,628)	2,555

Capital Expenditure by Business Group

\$000	YEAR TO DATE			FULL YEAR		
	Actual YTD	Budget YTD	Variance	Forecast	Total Budget	Variance
Group						
Public Transport (incl investment)	6,851	25,883	19,033	23,308	37,350	14,042
Catchment Management	11,217	14,682	3,464	24,964	21,652	3,312
Environment Management	2,357	3,671	1,313	4,839	5,119	280
Strategy	107	234	127	284	634	350
Corporate Services	416	2,287	1,871	1,703	4,003	2,300
People and Customer	168	197	29	197	197	0
Investment Management	749	660	89	1,110	660	450
Water Supply	13,379	9,659	3,720	15,121	12,918	2,203
TOTAL	35,245	57,273	22,028	71,526	82,532	11,006

Statement of Revenue and Expense

\$000	MONTH			YEAR TO DATE			FULL YEAR		
	Actual	Budget	Variance	Actual YTD	Budget YTD	Variance	Forecast	Total Budget	Variance
OPERATING REVENUE									
Rates	10,113	10,063	50	91,068	90,569	499	120,780	120,780	0
Subsidies & Grants	4,849	5,821	971	49,238	53,671	4,432	68,465	72,647	4,182
Other Revenue	10,466	9,715	751	90,903	85,996	4,907	121,092	114,255	6,837
Finance Revenue	384	242	142	3,423	2,316	1,107	4,403	3,043	1,360
TOTAL REVENUE	25,812	25,841	29	234,632	232,552	2,080	314,740	310,725	4,015
OPERATING EXPENDITURE									
Personnel	4,037	3,854	184	34,733	34,593	140	46,148	46,244	96
Material & Contractor/Consultant	6,780	5,797	983	54,611	51,571	3,039	77,675	69,603	8,072
Depreciation & Amortisation	1,507	1,491	16	13,967	13,420	547	18,764	17,894	871
Grants & Subsidy	11,915	13,075	1,160	108,945	114,729	5,784	151,547	156,669	5,122
Finance Cost	1,614	1,650	35	14,428	14,610	183	19,620	19,686	66
Other Expense	1,608	1,413	195	15,023	13,255	1,768	19,473	17,651	1,822
TOTAL EXPENDITURE	27,462	27,280	182	241,705	242,179	474	333,227	327,747	5,480
OPERATING SURPLUS/(DEFICIT)	(1,650)	(1,439)	211	(7,073)	(9,628)	2,554	(18,487)	(17,022)	1,465
Subsidies & Grants - Capex	2,190	1,708	481	9,209	15,849	6,640	19,834	23,905	4,071
Fair Value Movement	0	0	0	0	0	0	9,250	9,250	0
SURPLUS/(DEFICIT)	540	270	270	2,136	6,221	4,085	10,597	16,133	5,536



Report 18.157
Date 26 April 2018
File CCAB-22-332

Committee Finance, Risk and Assurance Committee
Author Dave Humm, General Manager Corporate Services/Chief Financial Officer, and Lucy Matheson, General Manager, People & Customer

General Managers' report to the Finance, Risk and Assurance Committee on 17 May 2018

1. Purpose

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

2. Key matters

- The primary focus for both the Corporate Services and People & Customer Groups remains preparing the functions for the transition to the new bus Public Transport Operating Model (PTOM). Progress remains on track for both Groups.
- A high level of focus remains on the successful delivery of the Long Term Plan (LTP) budget finalisation and the proposed changes to the Revenue and Financing Policy. Both processes are running to plan, with Council hearings and deliberations scheduled for late May.

3. Corporate Services

3.1 Finance

3.1.1 Finance summary

All finance-related activities for the transition to the new bus PTOM are progressing well and on track to be delivered.

The project to replace our finance, HR and asset management system (Project Optimus) remains on track for the design phase to commence later in 2018, with specific timelines and resourcing requirements currently in planning. Increased budget requirements have been confirmed during the scoping phase.

The Finance and Strategy teams have been working closely together in the long term planning process. A Statement of Proposal was completed for the

Revenue and Financing Policy. Finance has also supported the consultation process by attending public meetings and other events.

The interim annual financial statement audit and LTP audit have been completed with no significant issues identified.

- 3.2 The project to improve finance processes from a customer and controls perspective ('Project Arcee') is progressing to the plan, to improve the areas highlighted to FRAC in the 5 March 2018 meeting.

3.2.1 ICT Summary

ICT have been heavily focussed on preparing and working to support the PTOM transition for the new IT systems, and changes to existing IT systems into the GWRC-IT production environment. This work includes identifying and managing technical risk associated with the solution development and transition of the key Omnibus project. Another stream of work has focussed on change to external supporting systems required to support the successful implementation of PTOM e.g. Metlink website changes, and new IT solutions for the Metlink Contact Centre.

Overall, the transition to the new IT operating environment is on track to meet the go-live milestones.

ICT have been working with Wellington Water to replace IT systems within their three treatment plants. The replacement of the infrastructure is required, as the current infrastructure is now out of vendor support. We are currently finalising details of the required replacement infrastructure prior to its procurement.

3.3 Treasury

3.3.1 Investment management

We sought approval to increase our bank lines by \$35 million by adding MUFG Bank Limited as a provider of short term funding and standby facility to support our commercial paper issuance.

A review of our treasury operations is being undertaken to ascertain if a treasury system is required given our size of operation and risks involved. The review will also provide a health check on internal controls.

3.3.2 WRC Holdings

The Statement of Intent (SOI) was completed for WRC Holdings and its subsidiaries, which saw an enhanced section for GWRL performance reporting. Feedback has been given to CentrePort on their draft SOI, for consideration by CentrePort's Board.

3.3.3 Insurance

Our cover for our non-property related activities was rolled over in March.

3.3.4 Risk management

A separate report on this is included in the agenda.

3.3.5 Business assurance (internal audit)

The next areas of focus are currently being assessed, with a review of our policy framework identified as the likely next step in the rolling programme.

The review would examine the effectiveness of our policy framework and application of it. It is not intended to address individual policies but rather look at the overall process we have to conduct our business.

3.4 Legal, Procurement, and Asset Management

3.4.1 Legal, Procurement, and Asset Management Summary

Legal and procurement support continues to be provided across the business, with a focus on PTTP issues, Project NEXT (the procurement of an integrated fares–national ticketing solution) and the various matters related to the public transport rail team.

The updating of the Procurement Policy is due to go to the Executive Leadership Team for approval this quarter. Implementation of the policy will align well with the delayed roll-out of the finance process changes recommended through 'Project Arcee'.

Asset management support has been focussed on reviewing submissions on the Infrastructure Strategy included in the draft Long Term Plan and review/ input to finalise the LTP and asset management plans.

3.5 Programme Management Office (PMO)

3.5.1 PMO Summary

The PMO has focused this quarter on conducting 'lessons learned' workshops for completed projects that can be shared by the wider organisation for new projects.

The PMO manager and PMO coordinator continue to have a high level of involvement with the future accommodation solutions for Wellington and Masterton.

Project management training continues to have strong demand. The PMO has carried out further customisation of the programme to ensure relevance and practical application aligned with PMO tools and processes.

The PMO commenced a review of project management resourcing needs for Major and High priority projects with a view to identifying projects that need additional help.

A trail using a quantitative risk assessment tool for determining project contingency was successfully undertaken for project Optimus.

4. People and Customer

4.1 Health and Safety

A summary of health and safety initiatives is detailed in a separate report to this Committee (refer report 18.159)

4.2 Customer Engagement

4.2.1 Proactive Reputation Management is now BAU

- The Reputation Management Framework, endorsed by ELT, is operational. A monthly Reputation Management Committee drives decision-making at an executive level, supported by active registering and management of issues and opportunities across the whole of GWRC
- Media training is complete for key members of the Executive Leadership Team and Public Transport
- Strong examples of proactive storytelling include Riding for the Disabled and Pets on Buses, both of which connected emotionally with our customers

4.2.2 Improving our perception in the community - Metlink

- Co-location of a customer engagement team member has improved communication relationships across KiwiRail, Transdev and GWRC, delivering the following benefits:
 - *Timeliness*: increase in on-platform and on-board communications. A process change has improved information flow between train control and Transdev, ensuring prompt customer communication
 - *Empathy*: photos of KiwiRail staff are provided during Block of Line disruptions to put a 'human face' and show we care
 - *Proactive Storytelling*: a story matrix is now used to identify positive stories for promotion.

4.2.3 Improving our perception in the community

- Our Region – Outdoors exceeded advocacy targets with over 150,000 video views of 48,256 views for Our Region – Water (Dam) in 2017.
- Great Outdoors Programme delivered 56 events, a 47% increase in visitors to 13,173 and retained 96% customer satisfaction. Key insight here is that Facebook (40%) drives event awareness.

4.2.4 Extending our relationship beyond the fringe

- 85% of LTP Submissions are first time submitters – exceeded total target for submissions
- Achieved 10,000 GW Facebook likes
- 4.89% growth in Metlink website visitors.

4.3 Engagement

Engagement on this matter is unnecessary.

5. Recommendations

That the Committee:

- 1. Receives the report.*
- 2. Notes the content of the report.*

Report prepared and approved by:

Dave Humm
General Manager, Corporate
Services/Chief Financial Officer

Report prepared and approved by:

Lucy Matheson
General Manager, People and
Customer

Exclusion of the public**Report 18.190**

That the Committee:

Excludes the public from the following part of the proceedings of this meeting namely:

- 1. Insurance Renewal 2017/19 and Property loss exposure*
- 2. Project Optimus*

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

<i>General subject of each matter to be considered:</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground under section 48(1) for the passing of this resolution</i>
<i>1. Insurance Renewal 2017/19 and Property loss exposure</i>	<i>The report contains information provided by insurance providers relating to pricing for the renewal of GWRC's insurance. Release of this information would likely prejudice the insurers' commercial position as it would reveal their pricing. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers' commercial position.</i>	<i>That the public conduct of the whole or 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 would exist under section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987 (i.e. to protect information where the making available of that information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).</i>
<i>2. Project Optimus</i>	<i>The information contained in this report relates to a contract between GWRC and a vendor. Having this part of the meeting open to the public would disadvantage GWRC if further negotiations were to take place, as it would reveal GWRC's</i>	<i>That the public conduct of the whole or 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 would exist under section 7(2)(i) of the Act (i.e. to</i>

negotiation strategy. GWRC has carry out negotiations without not been able to identify a public prejudice). interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice.

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 section 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 above.