



greater WELLINGTON  
REGIONAL COUNCIL  
Te Pane Matua Taiao

GREATER WELLINGTON REGIONAL COUNCIL

# Policies Document

*10-Year Plan 2009-19*

## Treasury Risk Management Policy

Amended

29 June 2011

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# INTRODUCTION

## **POLICY ON SIGNIFICANCE**

This policy guides Greater Wellington when making decisions of varying importance to the community.

## **POLICY ON PARTNERSHIPS WITH THE PRIVATE SECTOR**

This policy outlines under what circumstances Greater Wellington will enter into partnership arrangements with private business, what conditions will be imposed and what consultation will take place.

## **RATES REMISSION AND POSTPONEMENT POLICIES**

### **REMISSION OF PENALTIES**

This policy enables Greater Wellington to remit penalties when Greater Wellington considers that it is fair and equitable to do so.

### **RATES POSTPONEMENT**

This policy enables Greater Wellington to postpone rates when certain conditions are met.

### **REMISSION AND POSTPONEMENT OF RATES ON MĀORI FREEHOLD LAND**

This policy recognises that certain Māori land may have particular features that make it appropriate to provide for relief from rates.

### **REMISSION OF RATES IN SPECIAL CIRCUMSTANCES**

This policy enables Greater Wellington to act fairly and reasonably to remit rates in special circumstances.

## **POLICY ON DEVELOPMENT CONTRIBUTIONS OR FINANCIAL CONTRIBUTIONS**

This policy describes Greater Wellington's approach to development and financial contributions.

## **TREASURY MANAGEMENT POLICY**

This policy incorporates Greater Wellington's liability management and investment policies.

## **REVENUE AND FINANCING POLICY**

This policy identifies how Greater Wellington allocates the costs of its activities against available sources of funds, including rates and user charges.

# POLICY ON SIGNIFICANCE

## INTRODUCTION

This policy sets out:

- Greater Wellington's general approach for determining the significance of proposals and decisions in relation to issues, assets or other matters
- the thresholds, criteria, or procedures that are to be used by Greater Wellington in assessing the extent to which proposals, decisions, or other matters are significant
- the assets considered by Greater Wellington to be strategic assets.

## WHAT IS SIGNIFICANCE?

The Local Government Act 2002 (the Act) gives the following definitions with regard to significance:

*significance, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or other matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for;*

- the current and future social, economic, environmental, or cultural well-being of the district or region;*
- any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter;*
- the capacity of the local authority to perform its role, and the financial and other costs of doing so*

*significant, in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance.*

## WHAT DOES THIS MEAN FOR GREATER WELLINGTON?

The degree of significance of a decision influences our approach to decision-making and community consultation. As the significance increases, the degree to which consultation and decision-making processes should be followed increases.

In the case of a significant decision, Greater Wellington must ensure that consultation and decision-making processes have been appropriately observed.

## HOW GREATER WELLINGTON WILL DETERMINE THE DEGREE OF SIGNIFICANCE

Greater Wellington will consider each proposal or decision in relation to issues, assets or other matters on a case-by-case basis to determine its significance. When determining the degree of significance, Greater Wellington will consider the extent to which the matter:

- is likely to affect the current and future social, economic, environmental and cultural well-being of the greater Wellington region
- is likely to affect residents or ratepayers (proposals with a moderate impact on a large number of residents or ratepayers, or proposals with a major impact on a small number of residents or ratepayers will have greater significance than those of a minor impact)
- has a history of generating public concern within the greater Wellington region or New Zealand generally
- is likely to affect Greater Wellington's capacity to perform its role (proposals that affect Greater Wellington's capacity to perform its role and carry out its existing activities, now and in the future, will have greater significance than those that do not).

## HOW GREATER WELLINGTON WILL DETERMINE WHICH PROPOSALS AND DECISIONS ARE SIGNIFICANT

Greater Wellington will consider a proposal to be significant if, in addition to the factors set out above, it meets any one or more of the following criteria:

- The proposal substantially affects the capacity of Greater Wellington to carry out, or the costs associated with the delivery of, any of the group of activities identified in Greater Wellington's Long-term Council Community Plan (LTCCP). (See "significant activities" below.)
- The proposal substantially affects Greater Wellington's ability to deliver the levels of service outlined in Greater Wellington's LTCCP. (See "significant activities" below.)
- The proposal results in the transfer of ownership or control, or the construction, replacement, or abandonment of a strategic asset as defined by the Act or listed in this policy. (See "strategic assets" below.) Replacement of key components of each strategic asset in accordance with Greater Wellington's asset management plans will not be considered to be significant.

Matters that are in accordance with Greater Wellington's LTCCP or Annual Plan, or are specified within another policy or plan that has been subject to public consultation as required by the Act or other legislation will not usually need further consideration in terms of this policy.

For the avoidance of doubt, management decisions made by officers under delegated authority during the course of implementing decisions of Council will not be significant.

## GREATER WELLINGTON PROCEDURES

- Staff will use decision-making guidelines to assist them to provide advice to the Council on the significance of decisions. Every report to the Council (or its committee(s)) that requires a decision will include a statement of the significance of the decision, assessed under this policy and in accordance with the guidelines
- Greater Wellington has delegated powers to the Chairperson and Chief Executive to act in emergency situations.

## SIGNIFICANT ACTIVITIES

In addition to the decision-making requirements for significant decisions, the Act prescribes procedures which must be followed with regard to certain decisions affecting significant activities.

A significant activity is one that substantively affects the well-being of the Greater Wellington region.

A decision to "alter significantly the intended level of service provision" for a significant activity, such as a decision to add or remove a major component of a significant activity, can only be made after it has been included in a statement of proposal in an LTCCP (or an amendment to the LTCCP).

A decision to alter the mode of delivery of a major component of a significant activity can only be made using the special consultative procedure either within the framework of the LTCCP or Annual Plan, or on its own where necessary.

## STRATEGIC ASSETS

A decision to transfer ownership or control of a strategic asset or a decision to construct, replace or abandon a strategic asset cannot be made unless it has first been included in the LTCCP (and in a statement of proposal relating to the LTCCP).

Assets and groups of assets that Greater Wellington holds and considers to be strategic assets are:

- Greater Wellington's regional bulk water supply network, including storage lakes, treatment plants, pipelines and reservoirs
- Greater Wellington's flood protection assets on the region's major waterways, including stopbanks
- Greater Wellington's regional parks and forests network (including water supply catchments)
- Greater Wellington's plantation and reserve forest lands (taken as a whole)
- Greater Wellington's ownership interest in CentrePort Limited (via the WRC Holdings Group)
- Greater Wellington's harbour navigation aids and communications systems (taken as a whole)
- Greater Wellington's ownership, via the WRC Holdings Group, of rail rolling stock and other rail infrastructure required for the operation of the passenger rail system in the region (taken as a whole).

In addition, Greater Wellington is a joint settlor with the Wellington City Council of the Wellington Regional Stadium Trust and although it has no ownership interest in the Stadium Trust, Greater Wellington considers the stadium to be a strategic asset of the region.

Acquisition or disposal of a small component of a strategic asset will not trigger this provision, unless it is considered that the component is an integral part of the strategic asset and that its acquisition or disposal would substantially affect the operation of the strategic asset.

# POLICY ON PARTNERSHIPS WITH THE PRIVATE SECTOR

The purpose of this policy is to ensure that when Greater Wellington enters into partnerships of a business nature with the private sector it acts prudently to ensure Greater Wellington's interests are protected and the desired outcomes are consistent with Greater Wellington's strategic objectives.

These partnerships can be diverse in nature and for this reason this policy is broadly based.

Partnership with the private sector is defined as any arrangement or agreement that is entered into between one or more local authorities and one or more persons engaged in business, but does not include:

- an agreement in which the only parties are local authorities
- an agreement between one or more local authorities and one or more council-controlled organisations
- a contract for the supply of any good or services to, by, or on behalf of, a local authority.

A partnership with the private sector may involve Greater Wellington making grants, loans, investments or guarantees.

## CIRCUMSTANCES

Greater Wellington will only consider entering into a partnership between itself and the private sector when **all** of the following circumstances are met:

- The partnership will assist Greater Wellington to further one or more of the community outcomes stated in its Long-term Council Community Plan.
- A partnership with the private sector has been identified as the best option for achieving the community outcome(s), having regard to:
  - an assessment of all procurement options on a value for money basis
  - the skills and experience available within Greater Wellington
  - the capacity for Greater Wellington to deliver the outcome by itself
  - the capacity or willingness of the private sector

to deliver the outcome by itself or jointly with Greater Wellington

- the need for Greater Wellington to retain a high degree of governance and control
- the ability to share risk on an equitable basis.
- Where the proposal or decision is significant, consultation with the community has not indicated a significant level of opposition to the proposed partnership.
- There is an identifiable market of private sector entities prepared to compete for the opportunity to undertake the project.

## CONSULTATION

Where practicable, Greater Wellington will consult on the proposed partnership with the private sector through the Annual Plan or Long-term Council Community Plan process. Alternatively, the form of appropriate public consultation will be considered in accordance with Greater Wellington's policy on significance.

In undertaking consultation, Greater Wellington will provide sufficient information to enable the community to understand the proposed partnership. This information will include details about:

- why the partnership is being proposed
- the outputs to be delivered by each partner
- the outcome(s) to be achieved
- the private sector entity involved
- the financial arrangements for the partnership
- the risk sharing arrangements that are involved
- the term of the partnership.

## CONDITIONS

The conditions, if any, that Greater Wellington will impose before providing funding or other resources to any form of partnership with the private sector will be case specific and depend on the nature of the proposed partnership. Generally, conditions will include:

- an emphasis on transparency and disclosure of processes and outcomes, acknowledging the need to protect commercial confidentiality where appropriate
- risk allocation between the partners being clear and enforceable, with consequential financial outcomes and an agreed exit/termination strategy
- clearly specified outputs including measureable performance standards
- responsibilities for the monitoring of outcomes to remain with Council
- mechanisms for delivering ongoing value for money
- all private sector partners being fully accountable to the Council for their agreed contribution to the partnership.

## **RISK ASSESSMENT AND MANAGEMENT**

Before entering into any partnership with the private sector, Greater Wellington will undertake an appropriate risk analysis. Independent expert advice may be sought to review the analysis and assist in identifying how risks are best managed.

As part of the establishment of the partnership the parties will:

- agree the risk factors for the project
- develop and implement strategies to manage the risk factors
- assign responsibility for the measurement, monitoring and reporting of risk factors.

The risk factors for a partnership will be case specific, but will generally include the following:

- health and safety
- reputation
- financial
- future capacity
- property – physical and intellectual
- demand/ volume
- service delivery.

## **MONITORING AND REPORTING**

Greater Wellington will monitor and report on any partnership it enters into with the private sector. A partnership agreement will incorporate performance objectives, and progress in achieving those objectives will be reported on a regular basis.

The reporting requirements will be appropriate to the specific nature of the partnership.

Greater Wellington will assess, monitor, and report on the extent to which community outcomes are furthered by the provision of funding or other resources to a partnership with the private sector through its reporting of implementation of the Long-term Council Community Plan. Consideration will be given as to what progress would have been made in furthering the community outcomes if the partnership with the private sector had not occurred.

# RATES REMISSION AND POSTPONEMENT POLICIES

## REMISSION OF PENALTIES

### Objective

To enable Greater Wellington to act fairly and reasonably when rates have not been received by the penalty date.

### Conditions and criteria

- 1) Upon receipt of an application from the ratepayer, or if identified by Greater Wellington, Greater Wellington may remit a penalty where it considers that it is fair and equitable to do so. Matters that will be taken into consideration by Greater Wellington include the following:
  - a) the ratepayer's payment history
  - b) the impact on the ratepayer of extraordinary events
  - c) the payment of the full amount of rates due
  - d) the ratepayer entering into an agreement with Greater Wellington for the payment of rates.
- 2) Greater Wellington reserves the right to impose conditions on the remission of penalties.

### Decisions

Decisions on the remission of penalties may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

## RATES POSTPONEMENT

### Objective

To enable Greater Wellington to retain its discretion to postpone the payment of rates.

### Conditions and criteria

- 1) Greater Wellington will postpone rates when the following circumstances are met:
  - a) A territorial authority in the greater Wellington region has postponed some or all of the territorial authority rates for the rating unit in the current rating year AND

b) The ratepayer is experiencing extreme financial hardship.

- 2) Applications for postponements must be made to Greater Wellington in writing and contain supporting information demonstrating compliance with criteria.
- 3) Approval of rates postponements is for one year only.
- 4) The postponement of rates is a last resort and will be considered only after all other avenues to meet rates commitments have been exhausted.
- 5) Postponed rates will be registered as a statutory land charge on the rating unit title. This means that Greater Wellington will have the first call on the proceeds of any revenue from the sale or lease of the rating unit.
- 6) A fee will be charged in arrears on rates postponed, in accordance with section 88 of the Local Government (Rating) Act 2002.

### Decisions

Decisions on the postponement of rates may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

## REMISSION AND POSTPONEMENT OF RATES ON MĀORI FREEHOLD LAND

### Objectives

- 1) To recognise that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates.
- 2) To recognise that Greater Wellington and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectible.
- 3) To meet the requirements of section 102 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Māori freehold land.

## Considerations

In setting a policy on the remission and postponement of rates on Māori freehold land Greater Wellington has considered the matters identified in Schedule 11 of the Local Government Act 2002.

## Conditions and criteria

- 1) Application for a remission or postponement under this policy should be made in writing prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of Greater Wellington. A separate application must be made for each rating year.
- 2) Owners or trustees making application should include the following information in their applications:
  - a) details of the rating unit or units involved
  - b) documentation that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court.
- 3) Greater Wellington may of its own volition investigate and grant remission or postponement of rates on any Māori freehold land in the region.
- 4) Relief, and the extent thereof, is at the sole discretion of Greater Wellington and may be cancelled and reduced at any time.
- 5) Greater Wellington will give a remission or postponement of up to 100% of all rates for the year for which it is applied for based on the extent to which the remission or postponement of rates will:
  - a) Support the use of the land by the owners for traditional purposes
  - b) Support the relationship of Māori and their culture and traditions with their ancestral lands
  - c) Avoid further alienation of Māori freehold land
  - d) Facilitate any wish of the owners to develop the land for economic use
  - e) Recognise and take account of the presence of

waahi tapu that may affect the use of the land for other purposes

- f) Recognise and take account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere)
- g) Recognise and take account of the importance of the land for community goals relating to:
  - The preservation of the natural character of the coastal environment
  - The protection of outstanding natural features
  - The protection of significant indigenous vegetation and significant habitats of indigenous fauna
- h) Recognise the level of community services provided to the land and its occupiers
- i) Recognise matters related to the physical accessibility of the land
- j) Provide for an efficient collection of rates and the removal of rating debt.

## Decisions

Decisions on the remission and postponement of rates on Māori freehold land may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

## REMISSION OF RATES IN SPECIAL CIRCUMSTANCES

### Objective

To enable Greater Wellington to act fairly and reasonably to remit regional rates in special circumstances.

### Conditions and criteria

- 1) Greater Wellington may remit all or part of the rates assessed in relation to a particular rating unit in special or unforeseen circumstances where it considers it just and equitable to do so.

- 2) The approval of the remission must not set a precedent that unfairly disadvantages other ratepayers.
- 3) A remission under this policy will last for one rating year only. Applicants must reapply annually for a remission.
- 4) No application under this policy will be backdated beyond the rating year. An application for remission under this policy must be made within the *rating/financial* year for which remission is sought.
- 5) An application for remission under this policy:
  - a) must be made within the rating year for which remission is sought AND
  - b) made in writing to Greater Wellington AND
  - c) contain supporting information.
- 6) The Council may of its own volition investigate and grant remission of rates that satisfy the requirements of any direction it receives from the Government or other agency to remit rates. In such circumstances rates will generally be remitted to the extent Greater Wellington receives payment from the Government or other agency.
- 7) Under this policy “special circumstances” excludes remissions sought for rating units with conservation and /or heritage values, including land subject to a QEII covenant.

### Decisions

Decisions on remission of rates in special circumstances will be made by Council where the amount requested is over \$250.00.

Decisions on the remission of rates in special circumstances where the amount requested is \$250.00 or less may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

# POLICY ON DEVELOPMENT CONTRIBUTIONS OR FINANCIAL CONTRIBUTIONS

This policy describes Greater Wellington's approach to development and financial contributions.

## **DEVELOPMENT CONTRIBUTIONS**

Greater Wellington will not be seeking any development contributions as provided for under the Local Government Act 2002. The power to levy such contributions is restricted to territorial authorities.

## **FINANCIAL CONTRIBUTIONS**

Greater Wellington does not have any provisions in its regional plans prepared under the Resource Management Act 1991 to levy financial contributions. The inclusion of such contributions may be reconsidered as part of any review of the regional plans. No financial contributions can be levied by Greater Wellington unless they are included within a regional plan.

# TREASURY RISK MANAGEMENT POLICY

Including the liability management and investment policies

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## 1.0 INTRODUCTION

The purpose of the Treasury Risk Management Policy is to outline the approved policies and procedures in respect of all treasury activity to be undertaken by Greater Wellington Regional Council (Greater Wellington). The formalisation of such policies and procedures will enable treasury risks within Greater Wellington to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within Greater Wellington continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry “best practices” for a Council the size and type of Greater Wellington.
- Greater Wellington’s risk-bearing ability and tolerance levels.
- Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on Greater Wellington’s financial exposures.
- Robustness of the policy’s risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- The extent to which the policy assists Greater Wellington in achieving strategic objectives relating to ratepayers.

The policy will be distributed to all personnel involved in any aspect of Greater Wellington’s financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.

A twelve-month phase in period to debt and interest rate control limits is permitted upon ratification of this policy.

## 2.0 SCOPE AND OBJECTIVES

### 2.1 Scope

This document identifies the policy and procedures of Greater Wellington in respect of treasury management activities.

The policy has not been prepared to cover other aspects of Greater Wellington’s operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Greater Wellington cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.

### 2.2 Principles

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by Greater Wellington’s solicitors.
- Greater Wellington will not enter into any borrowings denominated in a foreign currency.
- Greater Wellington will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which Greater Wellington would achieve without pledging rates revenue.
- A resolution of Greater Wellington will not be required for hire purchase, credit or deferred purchase of goods if:
  - the period of indebtedness is less than 91 days (including rollovers); or
  - the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Greater Wellington.

## 2.3 Objectives

The objective of this Treasury Risk Management Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:

- Minimise Greater Wellington's costs and risks in the management of its borrowings and maximise its return on investments.
- Minimise Greater Wellington's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect Greater Wellington's financial assets and costs.
- Arrange and structure appropriate funding for Greater Wellington at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- Monitor and report on financing/ borrowing covenants and ratios under the obligations of Greater Wellington's lending/security arrangements.
- Comply with financial ratios and limits stated within this policy.
- Maintain a long-term Standard & Poor's credit rating at AA- or better.
- Monitor Greater Wellington's return on investments in CCTOs, property and other shareholdings.
- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain liquidity levels and manage cash flows within Greater Wellington to meet known and reasonable unforeseen funding requirements.
- Minimise counterparty credit risk.
- Adhere to all statutory requirements of a financial nature.
- Provide adequate internal controls to protect Greater Wellington's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions and investors in Greater Wellington's debt securities.
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.4 of this policy.
- Keep Council abreast of macro economic trends.

## 2.4 Policy exclusion

This policy covers WRC Holdings and its subsidiaries, but excludes CentrePort Ltd.

## 3.0 MANAGEMENT RESPONSIBILITIES

### 3.1 Overview of management structure

All Greater Wellington's treasury management activities are undertaken by the Treasury Management Department.

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in sections 3.2 – 3.8 of this policy:

### 3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time-to-time.

While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of Greater Wellington through the 10-year Long-Term Council Community Plan (LTCCP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan
- Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other managers
  - counterparties and credit limits

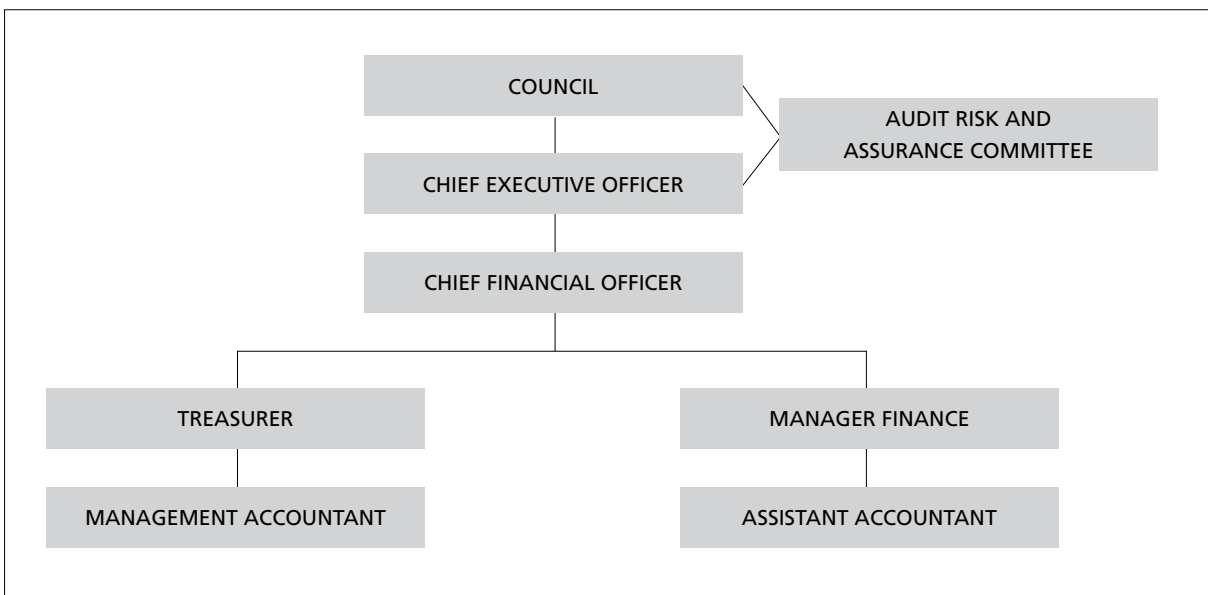
- risk management methodologies and benchmarks
- guidelines for the use of financial instruments.

- Approving budgets and high level performance reporting.
- Delegating authority to the CEO and other officers.
- Reviewing and approving the Treasury Risk Management Policy every three years.

The Council will also ensure that:

- It receives appropriate information from management on risk exposure and financial instrument usage in a form that is understood.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.
- Approval is gained for any transactions falling outside policy guidelines.

### Management structure



### 3.3 Audit, Risk & Assurance Committee (Audit, Risk & Assurance)

Audit, Risk & Assurance has the following responsibilities:

- Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.
- Receiving recommendations from the CEO and CFO and making submissions to the Council on all treasury matters requiring Council approval.
- Recommending performance measurement criteria for all treasury activity.
- Monitoring six-monthly performance against benchmarks.

Audit, Risk & Assurance will:

- Oversee the implementation of Greater Wellington's treasury management strategies and monitor and review the effective management of the treasury function.
- Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report.
- Discuss treasury matters on a six monthly basis (and informally as required).

### 3.4 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of Greater Wellington's risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- Ensuring Greater Wellington's policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approving new counterparties and counterparty limits as defined within section 6.3 of this policy and recommended by the CFO.
- Approving the opening and closing of bank accounts.

### 3.5 Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Management responsibility for borrowing and investment activities.
- Recommending policy changes to Audit, Risk & Assurance for evaluation.
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approving re-financing of existing debt.
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority.
- Authorising the use of approved financial market risk management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Recommending changes to credit counterparties to the CEO.
- Proposing new funding requirements falling outside the Annual Plan and Long-Term Council Community Plan (LTCCP) to Audit, Risk & Assurance for consideration and submission to the Council.
- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to Audit, Risk & Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
- Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the Manager, Finance.

- Managing the long-term financial position of Greater Wellington in accordance with Greater Wellington's requirements.
- Ensuring that all borrowing and financing covenants to lenders are adhered to.
- Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year.

### 3.6 Treasurer

The Treasurer runs the day-to-day activities of Greater Wellington's Treasury Management Department.

The CFO formally delegates the following responsibilities to the Treasurer who in turn may delegate these to the Treasury Management Accountant:

- Overseeing relationships with financial institutions.
- Approving treasury transactions in accordance with policy parameters within delegated authority.
- Negotiating borrowing facilities.
- Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed:floating mix to re-profile Greater Wellington's interest rate risk on either debt or investments.
- Making decisions and authorisations to raise and lower fixed rate (interest rate market price re-set greater than 12 months) percentage of net debt or investment position within interest rate policy risk control limits.
- Designing, analysing, evaluating, testing and implementing risk management strategies to position Greater Wellington's net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- Monitoring credit ratings of approved counterparties.
- Co-ordinating annual reviews with Standard & Poor's credit rating agency.
- Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to Audit, Risk & Assurance as appropriate.
- Negotiating bank funding facilities and managing bank and other financial institution relationships.
- Executing treasury transactions in accordance with set limits.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- Providing written evidence of executed deals on an agreed form immediately to the Manager, Finance.
- Co-ordinating the compilation of cash flow forecasts and cash management.
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features.
- Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- Preparing treasury reports.
- Monitoring all treasury exposures daily.
- Forecasting future cash requirements.
- Providing regular short-term and long-term cash flow and debt projections to the CFO.
- Managing relationships with financial institutions.
- Completing deal tickets for treasury transactions.
- Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- Updating credit standing of approved counterparty credit list on a quarterly basis.

### 3.7 Manager, Finance (MF)

The CFO formally delegates the following responsibilities to the MF, who in turn may delegate these to the Assistant Accountant:

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO.
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and Greater Wellington's accounting policy.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Approving all amendments to Greater Wellington's records arising from checks to counterparty confirmations.
- Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories.
- Delivering weekly reports to the CFO covering cash/liquidity, investment profile, funding profile and interest rate risk position.

### 3.8 Delegation of authority and authority limits

Treasury transactions entered into by Greater Wellington without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.
- A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant current delegated authorities of Greater Wellington and contracted personnel empowered to bind Greater Wellington.
- Whenever a person with delegated authority on any account or facility leaves Greater Wellington, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

Greater Wellington has the following responsibilities, either directly, or via the following stated delegated authorities.

ACTIVITY	DELEGATED AUTHORITY	LIMIT
Approving and changing policy	The Council	Unlimited
Borrowing new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
	CEO (delegated by Council)	Subject to Council
	CFO (delegated by Council)	Resolution and policy
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Negative Pledge
Overall day-to-day risk management	CEO (delegated by Council) CFO (delegated by Council)	Subject to policy
Re-financing existing debt	CEO (delegated by Council) CFO (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Adjusting net debt or net investment interest rate risk profile	Treasurer	Per risk control limits
Managing funding maturities in accordance with Council approved facilities	Treasurer	Per risk control limits
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council	Unlimited
	CEO (delegated by council)	\$75 million
	CFO (delegated by council)	\$50 million
	Treasurer (delegated by Council)	\$30 million
Authorising lists of signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/CFO	Unlimited
Reviewing the Treasury Management Policy every three years	Audit, Risk & Assurance	N/A
Ensuring compliance with Policy	CFO	N/A

## 4.0 LIABILITY MANAGEMENT POLICY

Greater Wellington’s liabilities comprise borrowings and various other liabilities. Greater Wellington’s Liability Management Policy focuses on borrowings as this is the most significant component and exposes Greater Wellington to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

Greater Wellington’s ability to readily attract cost-effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

### New Zealand Local Government Funding Agency

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- (a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
- (b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- (c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- (d) subscribe for shares and uncalled capital in the LGFA; and
- (e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council’s rates and rates revenue.

## 4.1 Debt ratios and limits

Debt will be managed within the following limits.

RATIO	
Net debt per capita	<\$400
The percentage of net external debt to annual rates and levies	<210%
Net interest expense on net external debt as a percentage of annual rates and levies	<25%
Liquidity (total debt + committed loan facilities + liquid investments to total debt)	>110%

Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.

Net debt is defined as total external debt less liquid financial deposits / investments.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

## 4.2 Security and charges

The Council operates under a “negative pledge” arrangement, which is an arrangement under which (with some limited exceptions) it provides no security to any creditor. Although lenders are unsecured, they have the benefit of an undertaking that other lenders will also be unsecured. This arrangement is created by the Council’s “Negative Pledge Deed”.

The Council may join a scheme (LGFA Scheme) under which it borrows from the New Zealand Local Government Funding Agency Limited (LGFA). One of the requirements of the LGFA Scheme is that the Council grants a charge over its rates and rates revenue to secure obligations related to its borrowing from the LGFA. It cannot do this under the current negative pledge arrangement, so will need to replace the arrangement if it joins and LGFA Scheme.

From time to time, with prior Council approval, security may be offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds (eg through a finance lease, or some form of project finance)
- the Council considers a security interest in the physical assets to be appropriate
- the security interest is permitted by the Negative Pledge Deed (unless the Negative Pledge Deed has been terminated)

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

### 4.3 Borrowing mechanisms

Greater Wellington will borrow through a variety of market mechanisms including but not limited to:

- commercial paper (CP)
- fixed rate bonds and floating rate notes (FRNs)
- direct bank borrowing or loans with private placement investors
- short and long-term capital markets directly
- internal reserve and special funds.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the CFO will take into account the following:

- Available terms from banks, capital markets and loan stock issuance
- Greater Wellington's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing

- The market's outlook on future interest rate movements
- Greater Wellington's outlook on future interest rate movements
- Legal documentation and financial covenants, together with credit rating considerations
- Whether retail or wholesale debt issue.

## 5.0 INVESTMENT POLICY AND LIMITS

### 5.1 General policy

Greater Wellington is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. Greater Wellington may invest liquid funds externally for the following reasons:

- Strategic purposes consistent with Greater Wellington's LTCCP
- Holding short term liquid investments for general working capital requirements or any other cash management objective
- Holding investments that are necessary to carry out Greater Wellington operations consistent with annual plans
- Holding investments for self-insured infrastructural assets and contingency reserves.

Greater Wellington recognises that as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

In its financial investment activity, Greater Wellington's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

### 5.2 Investment mix

Greater Wellington maintains investments in the following assets from time to time:

- Equity investments, including CCOs/ CCTOs and other shareholdings
- Property investments incorporating land, buildings
- Financial investments incorporating longer term and liquidity investments.

#### 5.2.1 EQUITY INVESTMENTS

Greater Wellington's current equity investments are held in WRC Holdings Limited (100%):

WRC Holdings Limited owns the following companies:

- Port Investments Ltd (100%), which owns 76.9% of CentrePort Ltd (CentrePort)
- Pringle House Ltd (100%), which owns the Regional Council Centre
- Greater Wellington Rail Ltd
- Greater Wellington Infrastructure Ltd
- Greater Wellington Transport Ltd.

The above companies are CCOs or CCTOs.

#### 5.2.2 COUNCIL CONTROLLED ORGANISATIONS (CCOS) AND COUNCIL CONTROLLED TRADING ORGANISATIONS (CCTOS)

Greater Wellington is responsible for the appointment of the board of directors for Greater Wellington's CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

The objectives of Greater Wellington's CCOs and CCTOs are to:

- Separate Greater Wellington's investments and commercial assets from its public good assets.
- Impose a commercial discipline
- Appropriate separation of management and governance.

Greater Wellington manages risk associated with CCOs and CCTOs by:

- Appointing suitably qualified external directors

- Receiving regular reports from directors
- Using external advisors when required
- Providing input into the statements of corporate intent and constitutions of the CCOs and CCTOs.

#### 5.2.2.1 New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (**LGFA**), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

- obtain a return on the investment; and
- ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

#### 5.2.3 OTHER INVESTMENTS

Greater Wellington's other investments are:

- CentrePort
- Forestry investments
- Stadium advance
- Liquid financial investments.

##### (a) CentrePort

Greater Wellington, through Port Investments Ltd (PIL), owns 76.9% of CentrePort.

CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

PIL, along with the other shareholder in CentrePort, is responsible for appointing the board of directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. PIL, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

Greater Wellington manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing of Greater Wellington's CFO as reporting officer for Greater Wellington in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's statement of corporate intent.

#### **(b) Forestry investments**

Greater Wellington has investments in forestry which are managed on a commercial basis, but also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes). Harvesting is on a sustainable yield basis.

The forestry investments are set up as separate units within Greater Wellington and their operations are regularly reported to Council. Greater Wellington manages the forests but contracts out silviculture, harvesting and marketing. Risk is managed by the use of in-house expertise along with external consultants.

#### **(c) Stadium advance**

Greater Wellington has lent \$25 million to the Wellington Regional Stadium Trust. The advance is interest free with limited rights of recourse. Greater Wellington will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance.

Greater Wellington and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

#### **(d) Liquid financial investments**

Greater Wellington's primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 6.3 of this policy. Credit ratings are monitored on a regular basis by the Treasurer.

For the foreseeable future, the Council will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections.
- Interest income from financial investments will be credited to general funds.
- Internal borrowing will be used wherever possible to avoid external borrowing.

Greater Wellington may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet Greater Wellington's objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

Greater Wellington's external investment interest rate profile will be managed within the parameters outlined in section 6.0 of this policy.

#### **5.2.4 SPECIAL FUNDS AND RESERVE FUNDS**

Liquid assets will not be required to be held against special funds and reserve funds. Instead Council will internally utilise or borrow these funds where ever possible.

Interest accrued from these funds will be credited to the particular fund.

## 6.0 RISK RECOGNITION/ IDENTIFICATION MANAGEMENT

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of Greater Wellington, will be as detailed below and will apply to both the Liability Management Policy and Investment Policy.

### 6.1 Interest rate risk

#### 6.1.1 RISK RECOGNITION

Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the LTCCP.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

#### 6.1.2 APPROVED FINANCIAL INSTRUMENTS

Dealing in interest rate products will be limited to financial instruments approved by the Council.

Approved interest rate instruments are:

CATEGORY	INSTRUMENT
<b>Cash management and borrowing</b>	Bank overdraft
	Committed cash advance and bank accepted bill facilities (short term and long term loan facilities)
	Uncommitted money market facilities
	Wholesale Bond and Floating Rate Note (FRN) issues
	Commercial paper (CP)
	New Zealand Dollar (NZD) denominated local or offshore private placements
	Retail bond and FRN issues
<b>Investments</b>	Short-term bank deposits
	Bank bills
	Bank certificates of deposit
	Treasury bills
	Local authority stock or State-owned Enterprise (SOE) bonds and FRNs
	Corporate/bank senior bonds
	Floating Rate Notes
	Promissory notes/ Commercial paper
	Redeemable Preference Shares (RPS)
	<b>Interest rate risk management</b>
– Bank bills	
– Government bonds	
<b>Interest rate swaps including:</b>	
– Forward start swaps	
– Amortising swaps (whereby notional principal amount reduces)	
– Swap extensions and shortenings	
<b>Interest rate options on:</b>	
– Bank bills (purchased caps and one-for-one collars)	
– Government bonds	
– Interest rate swaptions (purchased only)	
<b>Foreign exchange risk management</b>	– Foreign currency deposits
	– Purchased currency options
	– Collars (one-for-one)
	– Forward foreign exchange contracts

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty credit limits.

### 6.1.3 INTEREST RATE RISK CONTROL LIMITS

Net interest rate debt is defined as being total external debt less matching liquid investments.

Greater Wellington net interest rate debt will be within the following fixed / floating<sup>1</sup> interest rate risk control limits:

#### Master fixed/floating control limit

MINIMUM FIXED RATE	MAXIMUM FIXED RATE
40%	95%

The percentages will be calculated on the rolling 12-month projected net debt level calculated by management (approved by the CFO). Net debt is the amount of total debt net of liquid financial assets / investments. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may be adjusted to comply with the policy minimums and maximums.

#### Fixed rate

Fixed rate is defined as an interest rate repricing date beyond 12 months forward of a continuous rolling basis.

The fixed rate amount at any point in time will be within the following maturity bands:

FIXED RATE MATURITY PROFILE LIMIT		
PERIOD	MINIMUM COVER	MAXIMUM COVER
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	60%

#### Floating rate

Floating rate is defined as interest rate repricing within 12 months.

Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.

#### Options/collars/swaptions

- Interest rate options will not be sold outright. However, 1:1 collar option structures will be allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out in isolation (i.e. repurchased) otherwise both sides must be closed out simultaneously. The sold option leg of the collar structure will not have a strike rate 'in-the-money'.
- Purchased borrower swaptions will mature within 18 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.

### 6.1.4 LIQUID FINANCIAL INVESTMENT PORTFOLIO

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

<sup>1</sup> 'Fixed Rate' is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis. 'Floating Rate' is defined as an interest rate repricing within 12 months.

INTEREST RATE RE-PRICING PERIOD	MINIMUM LIMIT	MAXIMUM LIMIT
0 to 1 year	40%	100%
1 to 3 years	0%	60%
3 to 5 years	0%	40%
5 to 10 years*	0%	20%

To ensure maximum liquidity, any interest rate position beyond five years will be made with acceptable financial instruments such as investor swaps.

The re-pricing risk mix may be changed, within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

#### 6.1.5 SPECIAL FUNDS/RESERVE FUNDS

Where such funds are deemed necessary they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when Greater Wellington borrows at a higher rate compared to the investment rate achieved by special/reserve funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are required to be held within a trust. For non trust funds, Greater Wellington will manage these funds using internal borrowing facilities.

## 6.2 Liquidity risk/funding risk

### 6.2.1 RISK RECOGNITION

Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same or better than existing facilities.

Managing Greater Wellington's funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility such as:

- Local Government risk is priced to a higher fee and margin level.
- Greater Wellington's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Greater Wellington experiences its own financial/exposure difficulties resulting in Greater Wellington not being able to manage its debt portfolio as optimally as desired.
- New Zealand's investment community experiences a substantial 'over supply' of Greater Wellington's investment assets.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

### 6.2.2 LIQUIDITY/FUNDING RISK CONTROL LIMITS

These control limits will be determined by the following:

- Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.
- Term debt and committed debt facilities together with liquid investments, will be maintained at an amount that averages 110% of existing external debt.
- The maturity profile of total external debt less liquid financial investments in respect to all loans, bonds and committed facilities, will be controlled by the following:

\* When total external debt less liquid investments exceeds \$100 million, this minimum will increase to 15%.

PERIOD	MINIMUM	MAXIMUM
0 to 3 years	10%	60%
3 to 5 years	20%	60%
5 years plus	0%*	60%

A maturity schedule outside these limits will require specific Council approval.

The CFO will have the discretionary authority to re-finance existing debt.

### 6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Greater Wellington is a party. The credit risk to Greater Wellington in a default event will be weighted differently depending on the type of instrument.

Credit risk will be regularly reviewed by the Council. Treasury related transactions will only be entered into with organizations specifically approved by the Council.

Counterparties and limits may only be approved on the basis of long-term credit ratings (Standard & Poor's or Moody's) being A- and above or short-term rating of A2 or above, with the exception of New Zealand Local Authorities.

Limits will be spread amongst a number of counterparties to avoid concentrations of credit exposure.

To avoid undue concentration of exposures, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and repriced.

The following matrix guide will determine limits.

COUNTERPARTY/ISSUER	MINIMUM LONG TERM/ SHORT TERM CREDIT RATING – STATED AND POSSIBLE	INVESTMENTS MAXIMUM PER COUNTERPARTY (\$M)	INTEREST RATE RISK MANAGEMENT INSTRUMENT MAXIMUM PER COUNTERPARTY (\$M)	TOTAL MAXIMUM PER COUNTERPARTY (\$M)
NZ Government		Unlimited	none	unlimited
NZD Registered Supranationals	AAA	50.0	none	50.0
State Owned Enterprises	A- / A2	15.0	none	15.0
NZ Registered Bank	A- / A2	50.0	70.0	70.0
Corporate Bonds/ CP*	A- / A2 (if rated)	10.0	none	10.0
Local Government	A- / A2 Unrated	40.0	none	40.0
Stock/ Bonds/ FRN/ CP **		25.0	none	25.0

\* Subject to a maximum exposure no greater than 25% of total funds invested in corporate debt at any one point in time.

\*\* Subject to a maximum exposure no greater than 60% of total funds invested in Local Government debt at any one point in time

**Debt instruments should rank as senior debt and subordinated debt investments are not permitted**

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. bank deposits) – transaction notional × weighting 100% (unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply).
- Interest rate risk management (e.g. swaps, FRAs) – transaction notional × maturity (years) × 3%.
- Foreign exchange – transactional principal amount x the square root of the maturity (years) × 15%.

Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the CFO. Credit ratings will be reviewed by the Treasurer on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the CFO and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

**6.4 Foreign exchange risk**

**6.4.1 FOREIGN EXCHANGE RISK RECOGNITION**

Greater Wellington’s policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.

It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.

Greater Wellington has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed or order is placed.

**Full risk:** is at the time the expenditure is approved and legal commitments are made.

**6.4.2 FOREIGN EXCHANGE RISK CONTROL LIMITS**

All individual items/ services greater than NZ\$100,000 must be hedged at all times in accordance with the following risk control limits:

TIME – POINT	EXPOSURE HEDGED BY FORWARD EXCHANGE CONTRACTS OR OPTIONS	EXPOSURE HEDGED BY PURCHASED FOREIGN EXCHANGE OPTIONS
1. Budget approved by Council – (Medium Probability)		Maximum 50%
2. Specific item approved – (High probability)		Maximum 100%
3. Contract/ order confirmed – (Undoubted Risk)	Minimum 100%	

**6.4.3 USE OF FOREIGN EXCHANGE INSTRUMENTS AND FORECASTING**

Financial instruments, other than those stipulated in section 6.1.2, will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

All significant tenders will allow bidders the opportunity to select desired currencies and where possible, allow for suppliers to transparently link price escalations to clear financial market references.

Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Treasurer or CFO. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In order to determine a suitable spot rate to use for the calculation of outright forward cover budget levels, the two-year daily average rate or spot rate, whichever is the lower rate, will be used. This will allow for some degree of movement in the NZD cross during the budget evaluation process, prior to Council approval. This will take into consideration the annual volatility of the NZD, especially with the USD where the average annual movement over the past 10 years has been NZD 9.7 cents. Forward points, reflecting the market rates at the time, will then be added/subtracted to the budget spot rate to establish an effective budget rate.
- Consideration will be given to using options within the hedging strategy, and consequently, option premiums will be built into any scenario testing and breakeven analysis.

## 6.5 Managing operational risk

Operational risk is the risk of loss as a result of human errors including fraud, system failures, or inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone

Operational risk is minimised by this policy.

### 6.5.1 DEALING AUTHORITIES AND LIMITS

Transactions will only be executed by those persons and within limits approved by the Council.

### 6.5.2 SEGREGATION OF DUTIES

There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

The risk will be minimised by the following:

- The MF will report directly to the CFO to control the transactional activities of the Treasurer
- There will be a documented approval process for borrowing and investment activity.

### 6.5.3 PROCEDURES AND CONTROLS

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.
- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.
- All treasury products will be recorded and diarised within a treasury system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. Greater Wellington will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.
- Procedures and controls will include:
  - Regular management reporting
  - Regular risk assessment, including review of procedures and controls
  - Organisational systems, procedural and reconciliation controls to ensure:
    - All borrowing and investment activity is bona fide and properly authorised

- Checks are in place to ensure Greater Wellington’s accounts and records are updated promptly, accurately and completely
- All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
- Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.
- All counterparties will be provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
- All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.
- All inward letter confirmations, including registry confirmations, will be received and checked by the MF against completed deal tickets and summary spreadsheets records to ensure accuracy.
- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to Greater Wellington records will be signed off by the CFO.
- The majority of borrowing and investment payments will be settled by direct debit authority.
- For electronic payments, batches will be set up electronically. These batches will be checked by the MF to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.

- Bank reconciliations will be performed monthly by the MF. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council’s records will be signed off by the CFO.

A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasurer and reviewed by the MF.

## 6.6 Managing legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Greater Wellington may be exposed to such risks.

In the event that Greater Wellington is unable to enforce its rights due to deficient or inaccurate documentation, Greater Wellington will seek to minimise this risk by:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice for any non-standardised transactions.

### 6.6.1 AGREEMENTS

Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer’s Association (ISDA) Master Agreement with Greater Wellington. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

Greater Wellington’s internal/appointed legal counsel will sign off on all documentation for new loan borrowings, re-financings and investment structures.

Currently, Greater Wellington has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand) Ltd
- National Bank of New Zealand Ltd
- ASB/CBA Bank
- Westpac.

#### **6.6.2 FINANCIAL COVENANTS AND OTHER OBLIGATIONS**

Greater Wellington will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Greater Wellington will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

#### **6.7 Diesel hedging**

Other risks, such as commodity price risk associated with diesel, will be considered for risk management by Greater Wellington. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Total hedges or options not to exceed 15,000 barrels of Singapore Gasoil
- Maximum term of a hedge or option contract once it becomes operational is one year
- Contracts shall only be with a counterparty with a S&P rating of at least A.

#### **7.0 MEASURING TREASURY PERFORMANCE**

In order to determine the success of Greater Wellington's treasury management function, benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to Audit, Risk & Assurance on a monthly basis.

#### **7.1 Operational performance**

All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits.

All treasury deadlines will be met, including reporting deadlines.

#### **7.2 Management of debt, investments and interest rate risk**

The actual funding cost for Greater Wellington (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

#### **8.0 CASH MANAGEMENT**

The Treasurer has the responsibility to carry out the day-to-day cash and short-term debt management activities.

The Treasurer will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all Greater Wellington bank account information daily
- Co-ordinate Greater Wellington's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling

- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor Greater Wellington's usage of cash advance facilities
- Match future cash flows to smooth over time
- Provide reports to CFO detailing actual cash flows during the month compared with those budgeted
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

## 9.0 REPORTING – PERFORMANCE MEASUREMENT

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and swaps/swaptions/FRAs must be incorporated.

### 9.1 Treasury reporting

The following reports will be produced:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Daily Cash Position	Daily	Treasurer	CFO
Treasury Exceptions Report	Daily	Treasurer	CFO
Risk Exposure position	Monthly	Treasurer	CFO
Risk Management performance	Monthly	Treasurer	CFO
Policy Compliance	Monthly	MF	CFO
Interest rate exposure report	Monthly	Treasurer	CFO
Cost of funds report	Monthly	Treasurer	CFO
Funding facility report	Monthly	Treasurer	CFO
Funding risk report	Monthly	Treasurer	CFO
Cash flow forecast report	Monthly	Treasurer	CFO
Summary Treasury Report	Monthly	Treasurer	CFO
	Quarterly		Council/ Audit, Risk & Assurance
Quarterly Treasury Strategy Paper	Quarterly	Treasurer	CFO CFO CEO/ Audit, Risk & Assurance
Limits Report	Daily, rep on an exceptions basis	MF	Treasurer
	Quarterly		Audit, Risk & Assurance
Debt Maturity Profile	Quarterly	Treasurer	Audit, Risk & Assurance/Council
Statement of Public Debt	Quarterly	Treasurer	Audit, Risk & Assurance/Council
Revaluation of financial instruments	Quarterly	Treasurer	CFO

## 9.2 Accounting treatment of financial instruments

Greater Wellington uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates.

The accounting treatment for such financial instruments will follow IFRS accounting standards.

## 9.3 Valuation of treasury instruments

All treasury financial instruments will be revalued at least quarterly for risk management purposes. This includes those instruments that are used only for hedging purposes.

Underlying rates to be used to value treasury instruments are as follows:

- Official daily settlement prices for established markets.
- Official daily market rates for short term treasury instruments (eg, FRA settlement rates calculated by Reuters from price-maker quotations as displayed on the BKBM page).
- Relevant market mid-rates provided by the company's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments.
- For markets that are illiquid, or where market prices are not readily available, rates are calculated in accordance with procedures approved by the CFO.

## 10 POLICY REVIEW

This Treasury Risk Management Policy will be formally reviewed every three years.

The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Audit, Risk & Assurance. The report will include:

- Recommendations on changes, deletions and additions to the policy.
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.
- Analysis of bank and lender service provision, share of financial instrument transactions etc.
- Comments and recommendations from Greater Wellington's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- Total net debt servicing costs.

The policy review will be completed and presented to Audit, Risk & Assurance within five months of the financial year-end. Audit, Risk & Assurance will approve any resulting policy changes.

# REVENUE AND FINANCING POLICY

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## 1.0 INTRODUCTION

This Revenue and Financing policy sets out how Greater Wellington intends to fund its operating expenditure and capital expenditure. Greater Wellington is permitted to use the funding mechanisms set out in Section 103(2) of the Local Government Act 2002. This section allows the following funding mechanisms to be used when funding operating and capital expenditure:

- general rates
- targeted rates
- grants and subsidies
- interest and dividends from investments
- fees, charges and other operating revenue
- lump sum contributions
- borrowings
- proceeds from asset sales
- development or financial contributions
- any other source (including reserves).

This policy discusses each of the funding mechanisms and their intended use by Greater Wellington. It also identifies sources of funding for all activities within Greater Wellington's "groups of activities". Each activity is considered using the following headings:

- Description
- Greater Wellington's involvement
- Statutory considerations (see 1.1 below)
- Discussion (when required)
- Funding.

### 1.1 Statutory considerations

Greater Wellington used the considerations listed in Section 101(3) of the Local Government Act 2002 prior to identifying appropriate sources of funding. These considerations are listed for each activity as follows:

- **Primary community outcomes**  
Each group of activities contributes primarily to achieving a community outcome(s).

The following community outcomes have been identified for the region:

- Healthy environment
  - Quality lifestyle
  - Sense of place
  - Prosperous community
  - Prepared community
  - Connected community
  - Entrepreneurial and innovative region
  - Essential services
  - Healthy community
  - Strong and tolerant community.
- **Distribution of benefits**  
The beneficiaries and type of benefit (individual, group, direct, indirect, etc.) of each activity are identified.
  - **Timeframe of benefits**  
The period in, or over, which the benefits are expected to occur is identified. The timeframe is most often "on-going," although several activities involve "intergenerational equity" (benefits from a current activity that will accrue to future generations).
  - **Contributors to need for activity**  
Any individuals or groups are identified who, through their actions or inactions, contribute to the need to undertake the activity. This consideration is generally 'not applicable'.
  - **Costs and benefits of funding activity distinctly**  
This consideration addresses the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

After giving consideration to the above, Greater Wellington then considered the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environment and cultural well-being of the community. In doing so it considered equity, efficiency and intergenerational equity.

## 1.2 Rates

Greater Wellington has sought to achieve a rating system that is fair, transparent, and simple, provides flexibility to respond to future needs, reflects the principle of beneficiary pays, and takes account of ability to pay.

In addition, Greater Wellington's approach to rating is to:

- spread the incidence of rates fairly over the region
- provide a consistent approach to different categories of ratepayer across the region
- ensure that all ratepayers contribute as fairly as possible to fund Greater Wellington services
- provide Greater Wellington with the income it needs to achieve its objectives and carry out its activities, in accordance with community needs and expectations.

Greater Wellington is required to make decisions about the following in respect of its general rate:

- valuation system
- differential rates
- Uniform Annual General Charge.

### 1.2.1 VALUATION BASIS

Greater Wellington uses capital value as its valuation system when allocating rates. The Territorial Authorities undertake property valuations in different years. To ensure properties are valued on the same basis in each territorial area, Greater Wellington undertakes an equalised capital value (ECV) calculation. The movements in ECV reflect the extent to which capital values in each area have moved relative to each other.

### 1.2.2 DIFFERENTIALS

Rating differentials can be used to shift the incidence of rating between sectors or groups of ratepayers. Greater Wellington does not propose to use rating differentials.

### 1.2.3 UNIFORM ANNUAL GENERAL CHARGE (UAGC)

The Local Government (Rating) Act 2002 allows councils to collect up to 30% of their total rate requirement through flat rates charges, one of which is known as the UAGC.

A UAGC is a fixed amount per rating unit applied to all rating units regardless of property value. Greater Wellington does not propose to use a UAGC.

## 2.0 FUNDING OF OPERATING AND CAPITAL EXPENDITURE

### 2.1 Funding of operating expenditure

Greater Wellington will generally fund its operating expenditure out of operating revenue. Rates and levies will usually be set at a level to ensure that Greater Wellington achieves this objective. There may be circumstances where Greater Wellington will fund operating expenditure from sources other than its operating revenue. These will be considered on a case by case basis.

### 2.2 Funding of capital expenditure

Greater Wellington intends to primarily fund capital expenditure from borrowings, proceeds from asset sales and the use of reserves (sources other than operating revenue). However, operating revenue will be used to fund interest on the debt as well as the repayment of debt.

Greater Wellington has large infrastructural assets with long economic lives that yield long term benefits (particularly water supply, flood protection and rail rolling stock). It also has strategic investment holdings. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to Greater Wellington's assets and investments.

There may be circumstances where Greater Wellington will consider funding capital expenditure from operating revenue. These will be considered on a case by case basis.

### 3.0 FUNDING MECHANISMS

Greater Wellington has two main types of funding mechanisms available to fund its expenditure:

- Operating revenue
- Other funding sources.

#### 3.1 Operating revenue

##### 3.1.1 GENERAL RATE

The general rate is set to fund activities that reflect “public good”. It is distinct from targeted rates that are intended to recover costs of particular activities from particular groups. The general rate funds activities such as:

- resource management planning
- resource consent service
- compliance and enforcement
- pollution prevention and control
- state of the environment monitoring
- environmental education and community engagement
- harbour management
- civil defence and emergency management
- relationship with Maori
- Wellington Regional Strategy and community engagement
- promoting sustainable land management
- floodplain management planning
- providing a region-wide contribution to flood protection infrastructure, flood warning, soil conservation and biosecurity
- regional parks, including marketing, facilities and services, planning and environment protection
- democratic process
- pest management
- biodiversity
- regional resilience planning.

The general rate is apportioned across the whole region on an equalised capital value basis and then set according to the current rateable capital value of each city or district. Greater Wellington does not charge its general rate on a differential basis (except to equalise values) nor does it levy a uniform annual general charge.

##### 3.1.2 TARGETED RATES

###### (a) Transport rate

The transport rate funds Greater Wellington’s net expenditure for the region’s public transport services, including public transport operations, infrastructure, planning and marketing activities. This rate is apportioned so as to reflect the benefit to each district and category of property on all rateable land in those districts. It is set on the basis of capital values.

###### (b) River management rates

Rivers management rates are set in Lower Hutt, Upper Hutt, Porirua, Wellington, Kapiti Coast and Carterton districts, Greytown ward, Greytown urban and Featherston urban rating areas. River management rates are allocated on a uniform capital or land value basis on all rateable land within the defined boundaries.

The river management rates fund local community contributions to river maintenance and flood protection improvements.

###### (c) Stadium purposes rate

This rate meets Greater Wellington’s annual costs of servicing and repaying the monies raised to fund its contribution to the Wellington Regional Stadium Trust. The rate is made on a differential capital value basis reflecting direct and indirect benefits to different areas and classes of ratepayers. Ratepayers of cities and districts more distant from the Stadium contribute proportionally less.

###### (d) Bovine Tb vector control rate

This rate is set on rateable land with an area of 10 hectares or more where there are current control programmes in place. There is also a region-wide contribution for vector control operations from the general rate.

**(e) Wairarapa scheme rates (river management, catchment and drainage)**

Greater Wellington sets rates on specific properties within some 30 river management, catchment and drainage schemes in the Wairarapa Constituency. Generally these rates are made on a differential, land area, basis. They are apportioned to reflect the benefit to each separately rateable property in that part of the district benefiting from the scheme, on the basis of the area and the classification of the property as it appears in the approved classification register. As with the river management rate, the river management and catchment scheme rates fund the local community contributions to river maintenance and flood protection improvements.

**(f) Economic Development Agency (EDA) rate**

Greater Wellington part funds the activities of Grow Wellington Ltd, a wholly owned Council Controlled Organisation which carries out economic development in the region. The rate is charged on a uniform basis to residential and rural ratepayers. Businesses are charged on a capital value basis.

**(g) Home Insulation rate**

The Energy Efficiency and Conservation Authority (EECA) intends to provide grants to part fund retrofitting of home insulation. As part of this scheme Greater Wellington may also provide grants to fund some or all of the remaining costs of insulation. If such a grant is made it will be recovered over 10 years (or sooner if certain criteria are met) by a way of a targeted rate set on those properties benefiting from the insulation grant. This rate will meet Greater Wellington's annual costs of servicing and repaying the monies raised to fund those grants.

**3.1.3 WATER SUPPLY LEVIES**

The water supply group of activities is not funded from regional rates. Greater Wellington directly levies the four metropolitan city councils (Wellington, Hutt, Upper Hutt and Porirua) for the wholesale supply of water. The levy is based on actual water usage. These costs are included as a component of those councils' water rates and charges.

**3.1.4 GOVERNMENT SUBSIDIES**

The main source of government subsidies received by Greater Wellington is for the funding of Regional Transport through the government agency, the New Zealand Transport Agency.

The New Zealand Transport Agency provides nationally-funded road-user subsidies reflecting the benefits to road users and the social benefits of the Transport group of activities. Greater Wellington also receives a government subsidy in recognition of the national benefit from its civil defence emergency management activity.

**3.1.5 INTEREST AND DIVIDENDS**

Greater Wellington has a number of investments ranging from equity investments to financial investments (refer to the Treasury Management Policy for more information on the investments of Greater Wellington).

**(a) Dividends received**

Greater Wellington receives dividends from its equity investments, primarily from its main operating subsidiaries – CentrePort Ltd and the WRC Holdings Group.

Dividend revenues are ultimately used to reduce general rates.

**(b) Interest received**

Greater Wellington receives interest from its financial investments, mainly deposits, sinking funds and special funds.

Revenue earned from Greater Wellington's deposits is used to reduce general rates.

Revenue earned on special funds is added to each fund. These funds have been set up for self insurance purposes.

### 3.1.6 FEES, CHARGES AND OTHER OPERATING REVENUE

Greater Wellington receives a variety of fees, charges and other operating revenue.

Other operating revenue includes, but is not limited to:

- charges to commercial harbour users for navigation and communication services
- charges for the processing and monitoring of resource consents
- charges to land owners for contribution to land management activities on their land
- charges to territorial authorities and utility companies for water supply services
- rent received on properties owned by Greater Wellington and leased to third parties
- contributions from New Zealand Transport Agency, territorial authorities and gravel extraction revenue for flood protection activities
- sales from the Akura Conservation Centre
- management fees for providing administrative support to our Council Controlled Organisations
- fees received from the use of Greater Wellington assets
- Council fees.

## 3.2 Other funding sources

### 3.2.1 BORROWING

Greater Wellington raises external debt primarily for the following purposes:

- to fund Greater Wellington's capital expenditure programme
- to manage timing differences between cash inflows and outflows and to maintain appropriate liquidity
- to fund one-off projects (eg, Greater Wellington's involvement in the Stadium)
- to fund other investment activity as appropriate.

Greater Wellington approves the overall borrowing programme for each financial year during the annual planning process.

### 3.2.2 PROCEEDS FROM ASSET SALES

Greater Wellington generally uses the proceeds from the sale of assets and investments to repay debt, unless it determines otherwise.

The main exception is where Greater Wellington intends to replace the asset, like motor vehicles. In this instance, the proceeds from sale are used to help fund the replacement of that asset.

### 3.2.3 RESERVES

From time to time Greater Wellington plans to use surplus funds from previous years (in the form of reserves) to fund expenditure. There is a formal process for establishing and using these specific reserves which is undertaken as part of the annual reporting and planning process. Greater Wellington does not hold reserves in the form of cash assets. Reserves are used to reduce external borrowing, therefore reducing interest expense. When reserves are required to be used, new debt is raised to fund the expenditure.

## 4.0 GROUPS OF ACTIVITIES

### 4.1 Resource management

**GROUP OF ACTIVITIES – RESOURCE MANAGEMENT**

**ACTIVITY**

**Resource management planning**

**DESCRIPTION**

This activity entails developing and implementing the Regional Policy Statement and preparing and implementing the following regional plans: Regional Coastal Plan; Regional Plan for Discharges to Land; Regional Air Quality Management Plan; Regional Freshwater Plan; Regional Soil Plan.

**GREATER WELLINGTON’S INVOLVEMENT**

Greater Wellington is required by the Resource Management Act 1991 to develop a Regional Policy Statement and a Regional Coastal Plan. It may develop further plans.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through the sustainable management of the region’s resources.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

100% general rate.

**GROUP OF ACTIVITIES – RESOURCE MANAGEMENT**

**ACTIVITY**  
**Resource consent service**

**DESCRIPTION**

This activity entails:

- processing applications for resource consents; procedural steps include: assessing the application; notifying the public (some consents only); holding pre-hearing meetings; conducting a hearing (when necessary); issuing or declining a consent; and defending decisions in the Environment Court.
- advising the public on Greater Wellington’s plans, the consent process, the environmental management options open to them, and the consequences of those options.
- carrying out some minor activities under the Building Act 2004, eg, processing project information memorandums.

**GREATER WELLINGTON’S INVOLVEMENT**

Greater Wellington is an authority for processing consents. Section 36 of the Resource Management Act 1991 enables Greater Wellington to set ‘actual and reasonable’ user charges. The maximum charge may not cover all the costs incurred in compliance monitoring. Greater Wellington also funds the activity to meet its requirements to provide general advice and information to the public on resource management.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The beneficiaries of this activity (applicants and consent holders) can be readily identified and can be charged.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Resource consent applicants, consent holders and submitters all drive the need for this activity
<b>Costs and benefits of distinct funding</b>	Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy.

**DISCUSSION**

The advice Greater Wellington gives to the public is general, not specific. A user charge might serve as a disincentive to seeking advice or information, which could lead to a mismanagement of resources, affecting the regional community. Accordingly, Greater Wellington considers advice should be provided at no cost because of the environmental and community benefits.

**FUNDING**

Resource consent processing service:  
 90% user charges  
 10% general rate (costs of appeals etc.)

Advice to the public:  
 100% general rate.

**GROUP OF ACTIVITIES – RESOURCE MANAGEMENT**

**ACTIVITY**

**Compliance and enforcement**

**DESCRIPTION**

This activity involves monitoring compliance with consent conditions and taking necessary enforcement action.

**GREATER WELLINGTON'S INVOLVEMENT**

Where individual resource consents require compliance inspections, Greater Wellington believes that the individual or business that holds the consent should pay as it is their activity that requires monitoring. While all compliance monitoring and enforcement work provides a community benefit, in that adverse effects on the environment are investigated and managed, it is not always possible to identify the business or individual who caused the problem. However, whenever possible, and when the exacerbator can be identified, all possible costs, including the cost of prosecutions and appeals, are recovered.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The beneficiaries of this activity is the regional community because non-compliance is identified and the environment is protected.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Consent holders drive the costs as their activities need to be monitored.
<b>Costs and benefits of distinct funding</b>	Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy.

**FUNDING**

Compliance monitoring service:  
 50% user charges  
 50% general rate (investigations and legal costs).

## GROUP OF ACTIVITIES – RESOURCE MANAGEMENT

## ACTIVITY

**Pollution prevention and control****DESCRIPTION**

This activity includes the following:

- investigating complaints
- checking compliance with the regional plans and policies (rather than compliance with consents)
- taking enforcement action (where non-compliance is found, if appropriate).

**GREATER WELLINGTON'S INVOLVEMENT**

Monitoring regulatory compliance complements other resource management activities.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The beneficiaries of this activity is the regional community because the environment is protected by ensuring an early response to pollution events
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	The businesses or individuals who cause problems which need to be addressed drive the need for this enforcement activity.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**DISCUSSION**

Greater Wellington believes that any businesses or individuals who cause environmental damage should pay to rectify the problems they have caused. However, it is often not possible to recover costs from exacerbators, and in practice, the legal costs of enforcement action far exceed fines recovered.

**FUNDING**

100% general rate, less any cost recovery from enforcement or legal action.

## GROUP OF ACTIVITIES – RESOURCE MANAGEMENT

## ACTIVITY

**State of the environment monitoring**

## SUB-ACTIVITY

**Environment investigations****DESCRIPTION**

This sub-activity involves:

- carrying out targeted studies into significant resource issues
- investigating and monitoring contaminated sites.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is required, under the Resource Management Act 1991, to monitor and report on the state of the environment and is authorised to set charges for this activity in section 36. It is also required to investigate land for the purposes of identifying and monitoring contaminated land (section 30).

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The primary beneficiaries for this activity are the people and organisations in the regional community, who benefit through the sustainable management of the region's resources.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

100% general rate.

**GROUP OF ACTIVITIES – RESOURCE MANAGEMENT**

**ACTIVITY**

**State of the environment monitoring**

**SUB-ACTIVITY**

**Environment monitoring and reporting**

**DESCRIPTION**

This sub-activity reports to the public on the state of the environment by publishing annual monitoring reports and six-yearly reports on the state of the environment.

**GREATER WELLINGTON’S INVOLVEMENT**

Greater Wellington is required, under the Resource Management Act 1991, to monitor and report on the state of the environment and ensure the information is made available to the public. It is authorised to set charges for this activity under section 36 of the Act.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The regional community is the primary beneficiary of this activity since the information is used by Greater Wellington to develop policies and plans to manage the region’s natural physical resources and report on the efficiency and effectiveness of these plans.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Consent holders who are using a resource that is under pressure contribute to the need for this activity
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

100% general rate, less state of the environment monitoring charges paid by some consent holders.

**GROUP OF ACTIVITIES – RESOURCE MANAGEMENT**

**ACTIVITY**

**Environmental education and community engagement**

**DESCRIPTION**

This activity entails the implementation of Greater Wellington’s environmental education strategy. This has three parts: Take Care – assisting community groups to improve their local environment; Take Action – teaching young people in schools about their environment; and Take Charge – helping small business to find ways to improve their environmental performance. The activity also includes initiatives to raise community awareness more generally about the environment.

**GREATER WELLINGTON’S INVOLVEMENT**

Greater Wellington is required by the Resource Management Act 1991 to manage the region’s natural resources in a sustainable way. Environmental education, which shows people how to live in more sustainable ways, can help achieve this.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The primary beneficiaries for this activity are the regional community who benefit through the sustainable management of the region’s resources.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**Funding**

100% general rate.

## 4.2 Transport

### GROUP OF ACTIVITIES – TRANSPORT

#### ACTIVITY

### Regional transport network planning

#### DESCRIPTION

This activity has five main components:

- production and monitoring of the Regional Land Transport Strategy (RLTS) and servicing the Regional Transport Committee
- production and monitoring of plans to implement the RLTS
- production of a Regional Land Transport Programme
- advocacy for and promotion of Greater Wellington's transport policies.
- monitoring a Regional Transport Model.

#### GREATER WELLINGTON'S INVOLVEMENT

Preparation of the Regional Land Transport Strategy is a legal requirement under the Land Transport Management Act 2003, as amended by the Land Transport Management Act 2008. A strategy has to be renewed every six years.

The preparation of a Regional Land Transport Programme is a legal requirement under the same Act, and is required to be prepared every three years.

#### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Connected community
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• people and organisations in local communities benefit directly from transport planning undertaken in their area.</li> <li>• people and organisations in the regional community benefit directly by getting a planned land transport system that supports the economy.</li> <li>• those members of the national community who use the Wellington region land transport system also benefit directly.</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	The total sum raised by the targeted transport rate is very considerable. As that rate is collected in conjunction with the general rate, the marginal costs of collection are very minor, fully justifying a distinct funding source.

#### DISCUSSION

There are currently more specific studies of the metropolitan part of the region and the Kapiti area than there are of the Wairarapa because of the greater traffic problems in these areas. In general, rural capital values are significantly higher than urban capital values and, if they were not discounted, their relative contribution would exceed their relative benefit.

#### FUNDING

- A nationally funded road-user contribution reflecting the national interest
- 100% of remainder by Greater Wellington contribution via a targeted rate set for each constituent district according to equalised capital values, and then within a district by that district's capital values, discounted as follows: 25% Wairarapa; and 50% rural for all constituent districts.

## GROUP OF ACTIVITIES – TRANSPORT

## ACTIVITY

**Encouraging sustainable transport choices****DESCRIPTION**

This activity had two main components:

- Developing and promoting school, workplace and community travel plans
- promoting walking and cycling.

**GREATER WELLINGTON'S INVOLVEMENT**

The travel planning activities are provided for the Regional Travel Demand Management Strategy and the Regional Walking and Cycling Plans. All these implement the Regional Land Transport Strategy.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Connected community, Healthy environment
<b>Distribution of benefits</b>	The following benefit directly from this activity: <ul style="list-style-type: none"> <li>• people and organisations for whom travel plans are prepared.</li> <li>• communities for which travel plan programmes are implemented.</li> <li>• people and organisations that use the roads benefit from less congestion as others make the choice to use alternate modes.</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	The total sum raised by the targeted transport rate is very considerable. As that rate is collected in conjunction with the general rate, the marginal costs of collection are very minor, fully justifying a distinct funding source.

**FUNDING**

- A nationally funded road-user contribution reflecting the national interest
- 100% of remainder by Greater Wellington contribution via a targeted rate set for each constituent district according to equalised capital values, and then within a district by that district's capital values, discounted by 75% for the Wairarapa and by 50% for rural properties in all districts.

<b>GROUP OF ACTIVITIES – TRANSPORT</b>
<b>ACTIVITY</b> <b>Public transport services</b>
<b>SUB-ACTIVITY</b> <b>Planning public transport services</b>
<b>SUB-ACTIVITY</b> <b>Public transport operations</b>
<b>SUB-ACTIVITY</b> <b>Maintain infrastructure assets and invest in new infrastructure</b>
<b>SUB-ACTIVITY</b> <b>Marketing and information management</b>

**DESCRIPTION**

The provision of public transport services has the following components:

- planning public transport services, including the preparation of the Regional Public Transport Plan and sub regional service reviews
- funding rail, bus and local harbour ferry passenger services
- administering the SuperGold Card Travel Scheme
- funding Total Mobility services
- providing and maintaining urban passenger trains, park and ride commuter car parks, train stations, bus-rail interchanges, signage, bus shelters and a real-time information system
- providing information about public transport services through printed timetable leaflets, timetable information at bus stops and stations, maps, guides and leaflets, SMS text messages, a comprehensive Metlink website with timetable and fare information and a journey planner, and a 24 hour 7 days per week Metlink service centre
- promoting services changes (eg, Christmas timetables) and new services, as well as the more general use of public transport.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is involved in providing public transport services, for the following two reasons, despite the fact that public transport is a private good:

- market failure (road use in the region is cheaper than it should be because road users in the region do not pay a price that reflects the congestion and environmental costs they impose on others)
- social issues (meeting the needs of the transport disadvantaged).

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Connected community.
<b>Distribution of benefits</b>	The following people and groups benefit from this activity <ul style="list-style-type: none"> <li>• road users benefit directly by getting less congested roads</li> <li>• public transport users benefit directly by getting transported to their destination for a subsidised fare, and from more frequent and better quality services</li> <li>• people in the region benefit indirectly through reduced pollution (reduced car emissions) and the existence of a public transport system as an alternative transport option</li> <li>• roading authorities benefit from reduced wear and tear on their networks and delayed construction of new roads</li> <li>• the transport disadvantaged, including people with disabilities, benefit directly by obtaining transport services</li> <li>• family and friends of those with disabilities benefit indirectly by less need to "taxi" people with disabilities.</li> </ul>

<b>Timeframe of benefits</b>	Significant capital costs are incurred in providing this activity and thus there are significant intergenerational equity considerations - future generations benefit from capital expenditure made now. Other benefits are on-going.
<b>Contributors to need for activity</b>	The following people or groups contribute to the need for this activity: <ul style="list-style-type: none"> <li>• road users cause the problems (and associated costs) of congestion and pollution</li> <li>• road operators may contribute to congestion and pollution (and associated costs) through poor road design or poor traffic management</li> <li>• businesses and residents expect and demand the existence of a certain level of public transport services in the region.</li> </ul>
<b>Costs and benefits of distinct funding</b>	The total sum raised by the targeted transport rate is very considerable. As that rate is collected in conjunction with the general rate the marginal costs of collection are very minor, fully justifying a distinct funding source.

**DISCUSSION**

**Congestion relief**

Greater Wellington believes that a congestion charge should be levied on users of congested roads. It is estimated that 85% of services contribute to congestion relief. Greater Wellington's strategic transport model shows that congestion pricing would remove completely the need for this relief funding. However, while Greater Wellington has the ability to calculate the congestion charge (and has done so), there is no legal framework for Greater Wellington to levy, or to have others levy, a congestion charge on motorists. Accordingly, the funding needs to come from a surrogate for users of congested roads. The surrogates for congestion pricing considered were: charging based on peak time origin/destination travel statistics; charging people in the district of origin; charging businesses in the district of destination; car park charges; and a general rate across the region. (Greater Wellington notes that none of the proposed surrogates

force road users to face the full costs of the road usage; the surrogates thus provide an incentive to road users to live further away and let others meet a component of their travel costs.) Greater Wellington decided that charging ratepayers based on peak time origin/destination travel statistics is a reasonable surrogate for users of congested roads.

**Concessionary**

Public transport provides a reduced cost travel option for the transport disadvantaged, including children and the elderly. Under the new SuperGold Card Travel Scheme, central government funds off-peak travel for people over 65 and for those receiving a veteran's pension.

Many young people travel to and from school using public transport, which reduces the need for parents to drive their children to school and hence has a congestion benefit. Accordingly, the ratepayer contribution for concessionary fares is levied using the surrogate for congestion charges, peak time origin/destination travel statistics.

**Social services**

Public transport services provide a social good as they:

- provide an option for those members of the community who are unable to travel by private means, for example by their own motor car
- provide a travel option as an alternative or back-up to other means
- improve safety and health
- reduce air, noise and visual pollution, including reduced greenhouse gas emissions
- reduce energy use.

These social benefits contribute to the overall economic and social cohesion of the region, making it a more attractive location for industry and for individuals to reside.

### TOTAL MOBILITY

The cost of providing Total Mobility services exceeds the ability of people with disabilities to pay, so communities must contribute. In general, people with disabilities are a consistent proportion of the population. Accordingly, the amount to be collected from a community for Total Mobility should be allocated by relative population or by using actual costs where known.

#### Funding mechanism issues

*Rural discount on rates:* High rural capital values, and the inability to distinguish between farms and lifestyle blocks and residential housing, mean that if the targeted rate was struck uniformly, then that rate would be disproportionate to the relative level of benefit that most rural ratepayers receive. Accordingly, a reduction of 75% is applied to rural capital values.

*Rural discount on social services component:* Greater Wellington believes that access to public transport services is important for regional cohesion, so a portion of the social services charge should be rated across the region. However, there are generally fewer services available in rural areas, so a reduction of 50% for Kapiti and 75% for Wairarapa is applied.

*Total Mobility:* People in rural areas use the service but not as much as people living in the urban areas. In recognition of this, a rural discount of 50% is applied.

*Wellington central business district:* People travelling to and from the central business district (CBD) of Wellington City are a major cause of congestion. Travel statistics from the latest national census show over 30% of peak hour travel movements in the region are to the CBD. Therefore, a proportion of congestion costs are charged directly to the CBD.

### CHARGING FOR PARK & RIDE CAR PARKS

Currently 30% of rail commuters use park and ride car parks provided by Greater Wellington. There is no charge for parking. At some stage in the future Greater Wellington may introduce a charge for Park & Ride parking for the following reasons:

- to provide funding to cover the cost of providing and maintaining the car parks including the associated security services (patrols and CCTV)
- to discourage those living in close proximity to the car parks from driving to the station (a 2002 survey showed that 50% of users travelled from within 1.85 km of a station)
- to encourage users to consider other modes of travel to the station where these are available and practicable (eg, using a connecting bus service, walking and cycling)
- to manage demand. The ability of Greater Wellington to provide additional parking spaces in line with growing rail patronage and demand is limited by the availability of land in close proximity to stations.

Parking charges would be levied directly on the users of the car parks and become part of the direct user charge for public transport services. Charges would be set at a level that remained substantially cheaper than parking in the Wellington CBD, and would take into account the total cost of the trip so that public transport remained a competitive travel mode. Charges could be introduced on a trial basis and may be targeted at certain car parks where demand exceeds supply.

## FUNDING

Greater Wellington uses the following funding allocations in respect of expenditure for providing public transport services other than Total Mobility:

- a target of 45-50% user charges
- the remainder from a community contribution (national and regional).

This community contribution is funded as follows:

- the maximum contribution is from Crown agencies, primarily New Zealand Transport Agency, reflecting the benefits to transport users and social services (ranges from 50-100%, depending on the type of service)
- the balance is from a Greater Wellington contribution funded via a targeted rate set as follows (with a discount of 75% for rural capital values)
  - *congestion relief and concessionary, 95%:*  
Of this 20- 25% of the inter-district costs are borne by the Wellington CBD and the remainder equally by ratepayers in the district of origin and the district of destination. Within districts, costs are allocated on rateable capital values.
  - *social, 5%:* From ratepayers across the region with a reduction of 50% for Kapiti and 75% for Wairarapa.

Note 1: Rail network costs, including infrastructure and rolling stock, are allocated on the total intra-district movements (with the Wairarapa being treated as one district).

Note 2: Where bus services feed rail services, the costs are allocated to the origin and destination districts of the rail.

Note 3: Bus costs are allocated directly to ratepayers in each district based on the routes that the buses travel. If a service runs through two territorial authorities a cost apportionment is made.

Note 4: Call centre, marketing, network-wide infrastructure and administration costs are apportioned across ratepayer groups based on the weighted average of total allocated expenditure.

Greater Wellington uses the following funding allocations in respect of Total Mobility:

- 50% user charges – collected and held by the providers
- 50% community (national and regional), funded from:
  - Nationally funded transport grants
  - The balance by a contribution from Greater Wellington via a targeted rate. The amount for each community is set by relative population, or using actual costs where known. Within districts, costs are allocated on rateable capital values with a 50% discount for rural properties.

Note 5: The New Zealand Transport Agency funds the national community benefit from the scheme.

### 4.3 Water supply

#### GROUP OF ACTIVITIES – WATER SUPPLY

##### ACTIVITY

#### Water collection, treatment and delivery

##### ACTIVITY

#### Water supply infrastructure

##### ACTIVITY

#### Planning for future water demand and supply

##### ACTIVITY

#### Water conservation programmes

#### DESCRIPTION

These activities entail the collection, treatment and delivery of bulk water to the cities of Lower Hutt, Porirua, Upper Hutt and Wellington. This involves providing adequate water supply infrastructure, such as treatment plants, and planning to ensure that future demand can be met.

#### GREATER WELLINGTON'S INVOLVEMENT

Greater Wellington is the owner and manager of the bulk water system under the Wellington Regional Water Board Act 1972.

#### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Essential services, Healthy community
<b>Distribution of benefits</b>	People in the cities of Lower Hutt, Porirua, Upper Hutt and Wellington benefit directly from the supply of high quality potable water, treated to the Ministry of Health's Drinking-Water Standards.
<b>Timeframe of benefits</b>	There is significant capital expenditure and thus there are inter-generational equity effects.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	A water levy on the four customers is a cost effective collection mechanism recognising the singularity of this function.

#### DISCUSSION

Greater Wellington is of the view that pricing should reflect the fixed and variable costs of supplying each customer, the short run marginal costs of supply, and all other costs.

The Wellington Regional Water Board Act 1972 constrains the ability of Greater Wellington to price the services to reflect the costs of supply. The four cities have previously advised they are of the unanimous view that the current charging methodology is the most appropriate for the medium term. Greater Wellington is of the view that a form of peak pricing should be adopted to signal the future impacts of peak demand.

#### FUNDING

The funding policy is prescribed by the Wellington Regional Water Board Act 1972. The costs of operating the water supply system are apportioned to the cities based on the individual city's proportion of total water deliveries.

## 4.4 Parks and Forests

<b>GROUP OF ACTIVITIES – PARKS AND FORESTS</b>
<b>ACTIVITY</b> <b>Recreational facilities and services</b>
<b>ACTIVITY</b> <b>Parks network planning</b>
<b>ACTIVITY</b> <b>Environmental protection and enhancement</b>
<b>ACTIVITY</b> <b>Marketing and community relations</b>

### DESCRIPTION

These activities involve the management of five regional parks the Hutt River trail and significant recreation areas in the Akatarawa and Pakuratahi forests. Wairarapa Moana and Whitireia Park are being included in the network and will be managed in conjunction with other parties.

### GREATER WELLINGTON'S INVOLVEMENT

Greater Wellington's parks provide those living in major urban areas with recreation opportunities and allow regionally significant landscapes, ecosystems and heritage features to be protected and enhanced.

### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Quality lifestyle, Healthy environment, Healthy community.
<b>Distribution of benefits</b>	The following people and groups benefit from this activity: <ul style="list-style-type: none"> <li>• Individuals who use the parks benefit directly from that usage</li> <li>• The regional community benefits from preservation of regionally significant landscapes, forests and heritage features for future generations.</li> <li>• The national community benefits from preservation of nationally significant landscapes, forests and heritage features for future generations.</li> </ul>
<b>Timeframe of benefits</b>	If new parks were purchased there would be significant intergenerational equity effects. There are significant intergenerational benefits from maintaining the present network.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

### DISCUSSION

Funding by a regional contribution is considered appropriate because it is not feasible to identify and charge users. A specific charge is only feasible for value-added services such as events and camping facilities. Government funding will be sought to cover areas that affect the national interest over and above that of the regional community.

### FUNDING

- 90% general rate
- 10% user charges for organised events, leases, license fees and added value services.

Note: New land is loan-funded (serviced by 100% general rate).

## 4.5 Safety and flood protection

### GROUP OF ACTIVITIES – SAFETY AND FLOOD PROTECTION

#### ACTIVITY

### Floodplain management planning

#### DESCRIPTION

This activity involves research and planning associated with the general management of rivers and floodplains, including the following:

- Investigating flood hazards
- Identifying and refining risk alleviation options
- Defining environmental issues
- Preparing floodplain and/or river management plans.

The activity also provides advice on the use and protection of flood and erosion prone land. Flood protection planning is an integral component of flood protection works and the beneficiaries and benefits are the same.

#### GREATER WELLINGTON'S INVOLVEMENT

Greater Wellington plans for flood protection to decide how best to protect life and property in the floodplain and to preserve or enhance the environment and amenity values of river corridors. Greater Wellington has a general duty to avoid or mitigate natural hazards, stipulated in the Resource Management Act 1991.

#### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Prepared community
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• ratepayers in the floodplain (residents and businesses) in the area directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property values.</li> <li>• owners and providers of infrastructure (telephone, roads, rails etc.), including territorial authorities, also benefit directly through avoiding damage to their assets.</li> <li>• ratepayers in the surrounding economic “catchment” adjacent to the floodplain benefit indirectly through their association with the area affected by the flood protection scheme.</li> <li>• the regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure.)</li> </ul>
<b>Timeframe of benefits</b>	Future generations will benefit from implementation of the plans. The planning work is funded by loans repaid over time
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

#### FUNDING

100% funded by general rate

GROUP OF ACTIVITIES – SAFETY AND FLOOD PROTECTION

ACTIVITY

**Flood protection infrastructure**

ACTIVITY

**Environmental enhancement of river corridors**

**DESCRIPTION**

These activities consist of the operation, maintenance, on-going asset management, construction and improvement of schemes throughout the region to manage flooding, control erosion and manage a river in its course subject to environmental considerations. The environment in flood corridors is enhanced.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington delivers flood protection to protect life and property in the flood plain and to preserve or enhance the environment and amenity values of river corridors. Greater Wellington has a general duty to avoid or mitigate natural hazards, stipulated in the Resource Management Act 1991.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Prepared community, Healthy environment
<b>Distribution of benefits</b>	The following people and groups benefit from this activity: <ul style="list-style-type: none"> <li>• The ratepayers in the floodplain (residents and businesses) in the area directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property value.</li> <li>• Owners and providers of infrastructure (telephone, roads, rails etc.) (including territorial local authorities) also benefit directly by avoiding damage to their assets.</li> </ul>

- Ratepayers in the surrounding economic “catchment” adjacent to the floodplain benefit indirectly through their integration with the area affected by the flood protection scheme.
- The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure.)

<b>Timeframe of benefits</b>	Significant capital costs are incurred in providing this service and thus there are significant intergenerational equity considerations – future generations benefit from capital expenditure made now.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	A targeted or scheme rate is a cost-effective mechanism that makes sure that significant beneficiaries of the activity pay their reasonable share of the costs.

**DISCUSSION**

**Source of funding issues**

*Ability to pay and equity across the region:* Greater Wellington is concerned about the ability of direct beneficiaries (residents and businesses) to pay for the majority of the costs of flood protection. Addressing ability to pay requires an element of regional funding. The difficulty with using funding by the region to address ability to pay concerns is that it is a transfer from one group to another. Since flood protection raises property values, residents in the region are paying for services that raise other residents’ property values.

*Valuing safety and security:* Greater Wellington values the protection of all residents and businesses in the region from the risk of flooding and from the associated effects of dislocation, stress and trauma, as well as from losses to the region's productive capacity.

However, the downside of spreading costs across the region can be that residents and businesses on the floodplain do not have the appropriate incentives to weigh up the costs of flood protection works against the level of risk. Greater Wellington has decided that it is appropriate for the whole region to pay for some of the protection for those areas at risk from flooding because of these wider considerations.

*Environmental and amenity benefits:* Greater Wellington has decided that it is appropriate for the regional community to contribute to flood protection strategies which are designed (at additional costs) to comply with environmental or amenity conditions (eg, not disturbing the river during trout spawning and riverbank planting requirements).

*Sense of community:* Greater Wellington has decided that it is appropriate for a regional contribution to be made in recognition of the value that each area of the region provides to the overall wellbeing of the total region.

*Summary of source of funding issues:* Greater Wellington has decided that, because of wider regional considerations discussed above, it is appropriate that the region contributes up to 50% towards the costs of flood protection works through the general rate. Greater Wellington considers that the importance of these regional issues to each flood protection works may vary between schemes and that some flexibility is needed for Greater Wellington to determine the proportion of funding from the general rate up to a maximum of 50%.

### **Feasibility issues**

*Surrogates:* In practice, it may not be realistic to precisely identify either direct beneficiaries on the floodplain or indirect beneficiaries in the economic catchment, and proxies will need to be used. Also it may not be feasible for Greater Wellington to recoup costs from some types of direct beneficiaries and so a surrogate may need to be found for these benefits too.

*Residents and businesses on the floodplain:* In theory, the direct beneficiaries on the floodplain can be identified and rated accordingly through a

combination of mapping and Greater Wellington's knowledge and judgment. However this approach= is currently not considered to be cost effective in all circumstances, and Greater Wellington has decided to use the local authority boundary as a surrogate for the direct beneficiaries in some cases.

*Economic catchment:* A reasonable surrogate for the economic catchment adjacent to the floodplain can be taken to be the local authority.

*Community facilities:* There are a number of significant properties, for example schools and hospitals, which have a Crown exemption and do not pay rates. Here, there is a considerable risk to both property and life but many of those with lives at risk are not likely to be able to provide their own security. Greater Wellington has decided that the indirect beneficiaries, the regional community, should pay for protection of community facilities.

### **Summary of feasibility issues**

Greater Wellington has decided for practical reasons to continue its general practice of not distinguishing between the direct beneficiaries on the floodplain and the indirect beneficiaries in the economic catchment, and to treat these as one group.

### **FUNDING**

Greater Wellington sets two rates on a scheme-by-scheme basis (combined capital and operations):

- 0 - 50% general rate from the regional community
- The balance of costs (i.e. 50 - 100%) met via a targeted rate on the local authority area or scheme rate or direct contribution (for both the direct beneficiaries on the flood plain and the beneficiaries in the economic catchment).

Note: Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs.

**GROUP OF ACTIVITIES – SAFETY AND FLOOD PROTECTION**

**ACTIVITY  
Flood warning service**

**DESCRIPTION**

This activity involves the establishment, maintenance and operation of a flood warning system with core data coming from a range of rainfall and river level sites established across the region.

The flood warning service is directed at territorial local authorities and specified landowners and communities, where agreed.

The service aims to provide early warning of flood events, and ongoing monitoring through a flood event so that the TLA and landowners can make appropriate decisions to reduce the risk to people, and minimise business losses.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington has a monitoring network and the capability to be able to provide a service to much of the region. The level of service to individual communities will vary depending on the level of risk, and the location of rainfall and river flow monitoring stations.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Prepared community.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• ratepayers in the floodplain (residents and businesses) in the area.</li> <li>• owners and providers of infrastructure (telephone, roads, rails etc.), including territorial local authorities, also benefit directly.</li> <li>• the regional community also benefits indirectly through knowing where flooding may occur.</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable

**FUNDING**

100% general rate.

**GROUP OF ACTIVITIES – SAFETY AND FLOOD PROTECTION**

**ACTIVITY**

**Civil defence and emergency management**

**DESCRIPTION**

Greater Wellington's emergency management activity focuses on:

- planning for emergency events
- maintaining a group emergency operations centre for the region
- educating people about the risks they face.

**GREATER WELLINGTON'S INVOLVEMENT**

Under the Civil Defence Act 2002 Greater Wellington is required to be the administering authority for the Wellington Region Civil Defence Emergency Management Group. The Group has decided that Greater Wellington will be responsible for the Group Emergency Management Office and Group Emergency Operations Centre.

**STATUTORY CONSIDERATIONS**

**Primary community outcome** Prepared community.

<b>Distribution of benefits</b>	The individuals and groups who benefit from this activity include regional and national communities who benefit directly from the maintenance of a response capability and from planning for major emergency events.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

Government grant in recognition of the national benefit. 100% general rate for remainder.

**GROUP OF ACTIVITIES – SAFETY AND FLOOD PROTECTION**

**ACTIVITY**

**Harbour management**

**1 NAVIGATIONAL AIDS AND COMMUNICATIONS SERVICE**

**DESCRIPTION**

This work focuses on the provision of navigational aids, and a 24 hour communications service (Beacon Hill) to monitor shipping movements and broadcast navigational warnings.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is empowered under the Local Government Act 1974 to provide navigational aids.

**STATUTORY CONSIDERATIONS**

Primary community outcome	Prepared community.
Distribution of benefits	The following people and groups benefit from this activity: <ul style="list-style-type: none"> <li>• Recreational users benefit directly by avoiding natural and other hazards (eg, collisions).</li> <li>• Commercial shipping and commercial fishing owners and operators benefit directly by avoiding natural and other hazards (eg, collisions); they also enjoy a direct commercial benefit.</li> </ul>
Timeframe of benefits	On-going.
Contributors to need for activity	Not applicable.
Costs and benefits of distinct funding	Collection of user-charges via CentrePort Limited is a cost-effective funding mechanism that is appropriately targeted.

**DISCUSSION**

Maritime New Zealand has investigated a number of systems for charging non-commercial users for navigational aids and found them to be impractical. It is not feasible to stop non-payers from benefiting from the navigational aids and, therefore, the inequity between commercial and non-commercial users cannot be addressed.

**FUNDING**

- 10% from the general rate for non-commercial users
- 90% from user charges on commercial shipping.

Note: CentrePort Ltd collects the user charge from commercial shipping on Greater Wellington's behalf.

**2 ENFORCE MARITIME SAFETY REGULATIONS AND EDUCATE PEOPLE ABOUT WATER SAFETY**

**DESCRIPTION**

This enforcement role focuses on:

- preparing policies and plans for use of the harbours
- maintaining safety and compliance with relevant legislation relating to recreational use of coastal waters and regional harbours
- providing advice to recreational users
- authorising special events in the harbour
- educating recreational water users about safety.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington has a statutory responsibility under the Local Government Act 1974 and the Maritime Transport Act 1994 to maintain safety and ensure recreational users are law-abiding in the regional harbours and coastal waters.

### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Prepared community.
<b>Distribution of benefits</b>	The regional community benefits from having safe harbours and coastal waters available for their use
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Those actively using the harbours and coastal waters for recreational purposes contribute to the need for this activity
<b>Costs and benefits of distinct funding</b>	Not applicable.

### DISCUSSION

While Greater Wellington believes that recreational users of the harbour should pay, it is not practical to collect user charges or to levy recreational users or swimmers because the transaction costs are too high.

### FUNDING

100% general rate.

### 3 CLEAN UP OIL SPILLS IN OUR HARBOUR AND COASTAL WATERS

#### DESCRIPTION

This sub activity has two components:

- developing and maintaining oil pollution response plans
- managing the clean-up of marine oil spills in the harbours and regional coastal waters out to twelve miles.

These two components carry the following corresponding costs:

- the standing cost of the preparedness and mitigating role
- the costs of cleaning up pollution in the regional harbours.

### GREATER WELLINGTON'S INVOLVEMENT

Greater Wellington has a statutory responsibility under the Local Government Act 1974 and the Maritime Transport Act 1994 to provide pollution management in coastal waters out to twelve miles.

### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Healthy environment.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• Commercial harbour users benefit directly from a clean marine environment, and through shorter duration of pollution (thus avoiding delays and loss of business)</li> <li>• Recreational harbour users benefit directly from a clean marine environment and shorter duration of pollution</li> <li>• The regional community benefits from a clean marine environment and shorter duration of pollution.</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	The polluters create the need for any clean-up activities and services.
<b>Costs and benefits of distinct funding</b>	Not applicable.

### DISCUSSION

It is not feasible to levy recreational harbour users.

### FUNDING

Standing costs:

- 5% general rate (for recreational users)
- 95% user charge (paid via Maritime New Zealand as an agent for all shipping)

Pollution clean up costs are fully recovered from the polluter (any costs that cannot be recovered to be funded by the general rate)

Note: Maritime New Zealand pays the direct standing costs (no overheads) on behalf of all shipping. It also provides the capital items (equipment etc.).

## 4.6 Land management

GROUP OF ACTIVITIES – LAND MANAGEMENT

ACTIVITY  
**Pest (animal and plant) management**

SUB-ACTIVITY  
**Regional pest management strategy**

### DESCRIPTION

This sub-activity entails managing and controlling pest animals and plants throughout the region through the development and implementation of a Regional Pest Management Strategy. The pests include species that impact on the environment and on agricultural production. There are four components of this sub-activity:

- inspections, education and enforcement
- surveillance and monitoring
- control (eradication and containment species, various pests in Key Native Ecosystems; others on request)
- control trials (including biocontrol).

### GREATER WELLINGTON'S INVOLVEMENT

Greater Wellington manages pest animals and plants throughout the region to protect ecosystems. It also carries out pest management to negate the potential long-term threats to both ecosystems and agricultural production capacity that may be posed by recent immigrant species.

Greater Wellington controls some agricultural pests when a high level of pest control expertise is required or when the pests are transitory.

### STATUTORY CONSIDERATIONS

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs, and better production</li> <li>• the regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.</li> <li>• the regional community benefits by the flow - on economic effects of improved production systems.</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

### FUNDING

100% general rate for inspections, surveillance, monitoring and approved control work.

## GROUP OF ACTIVITIES – LAND MANAGEMENT

## ACTIVITY

**Pest (animal and plant) management**

## SUB-ACTIVITY

**Bovine Tb funder****DESCRIPTION**

- This sub- activity provides funding for implementation of the regional Bovine Tb vector control programme. The programme is developed by the Animal Health Board, as the management agency responsible for implementing the National Pest Management Strategy for Bovine Tb control.
- Funds for this strategy are also provided by the Crown and affected industries (beef, dairy and deer). Funding apportionment is currently Crown (50%), industries (40%) and regional landowners (10%).

**GREATER WELLINGTON'S INVOLVEMENT**

- Greater Wellington collects the regional share on behalf of all landowners who either act as exacerbators to the Tb strategy (i.e. landowners who provide habitat for Tb vectors) or who benefit directly and or indirectly from its implementation.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• Cattle and deer farmers benefit by reduced exposure to Bovine Tb infected wildlife, thus reducing associated on-farm production costs.</li> <li>• Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs, and better production</li> <li>• The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable

**FUNDING**

40% works and services rate (land area) on all rateable properties exceeding 4 hectares

60% general rate

Note: a review of this funding policy will occur prior to implementation of the new National Bovine Tb Pest Management Strategy, scheduled for July 2010.

## GROUP OF ACTIVITIES – LAND MANAGEMENT

## ACTIVITY

**Pest (animal and plant) management**

## SUB-ACTIVITY

**Regional possum control****DESCRIPTION**

This sub activity seeks to maintain the environmental, social and economic benefits provided by long standing possum control programmes completed under the Bovine Tb control strategy. Work will be undertaken in areas of the region recently declared free of Bovine Tb. The focus will mainly be on maximising biodiversity benefits.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington will organise possum and predator control programmes in collaboration with landowners in Tb free areas. Control may be undertaken in house or in conjunction with private contractors. Greater Wellington will undertake performance and outcome monitoring to ensure the programme achieves its objectives.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following people and groups benefit from this activity: <ul style="list-style-type: none"> <li>• Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs, and better production</li> <li>• The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.</li> <li>• Cattle and deer farmers in operational areas benefit by reducing the risk of Bovine Tb re-entering wildlife vectors and spreading the disease to farmed animals</li> </ul>
<b>Time frame of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

100% general rate for trend monitoring in 2010/11.

A review of funding options for works beyond 2010/11 will occur during 2009/10.

## GROUP OF ACTIVITIES – LAND MANAGEMENT

## ACTIVITY

**Biodiversity****DESCRIPTION**

Greater Wellington has developed a Biodiversity Implementation Plan, guided by the NZ Biodiversity Strategy and Regional Policy Statement, which includes a range of programmes aimed at enhancing regional biodiversity. The Plan takes an ecosystem based approach to management, seeking to sustain the life giving processes that support indigenous biodiversity.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington's Biodiversity Implementation Plan provides for a number of services, including:

- management of key remnant ecosystems through the Key Native Ecosystem programme
- undertaking riparian enhancement through the Streams Alive programme
- providing financial support to landowners wishing to protect indigenous habitat through the QEII National trust
- helping landowners fence and restore wetlands
- providing advice and education through the Take Care programme
- protecting and enhancing ecosystems on Council owned land.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment
<b>Distribution of benefits</b>	The following benefit from this activity: Private landowners benefit from having indigenous ecosystems protected and enhanced; The regional community benefits from having rare and endangered indigenous ecosystems protected and enhanced, as well as from improved water quality, reduced flood risk and enhanced recreational opportunities
<b>Timeframe of benefits</b>	On -going
<b>Contributors to need for activity</b>	Not applicable
<b>Costs and benefits of distinct funding</b>	Not Applicable

**DISCUSSION**

Greater Wellington believes that protection and enhancement of indigenous ecosystems provides a range of benefits to the regional community. These benefits exceed those available to individually affected landowners. Regional funding is, therefore, appropriate to fund these services.

**FUNDING**

100% general rate.

**GROUP OF ACTIVITIES – LAND MANAGEMENT**

**ACTIVITY**

**Akura Conservation Centre**

**DESCRIPTION**

This activity involves the management of the Akura Conservation Centre. The Centre is operated as a business unit and is required to be self funding while returning an annual dividend to Greater Wellington. Greater Wellington has operated the Centre for more than fifteen years.

Its primary activity is the growing of poplar and willow poles for soil conservation and river management purposes. Greater Wellington owns 40 hectares of nursery land for this purpose. Additionally the Centre provides a wide variety of native and exotic seedlings, and supplies chemicals, protectors, and a range of hardware to assist landowners in their planting programmes.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is involved because it is able to supply its internal needs for trees and poles in an environment where external markets are very limited. It also sells to the public and is able to provide a wide range of land management advice as part of its retail activities.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community
<b>Distribution of benefits</b>	The following people and groups benefit from this activity: <ul style="list-style-type: none"> <li>• Private landowners benefit directly from quality material and advice from nursery staff.</li> <li>• The local community benefits directly from landowners implementing soil conservation programmes, thereby ensuring that sustainable land management is a developing ethic within the region.</li> <li>• The regional community also benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.</li> </ul>
<b>Time frame of benefits</b>	Ongoing
<b>Contributors to need for activity</b>	Not applicable
<b>Costs and benefits of distinct funding</b>	Not applicable

**FUNDING**

100% user pays.

## GROUP OF ACTIVITIES – LAND MANAGEMENT

## ACTIVITY

**Soil conservation**

## SUB-ACTIVITY

**Farm plans****DESCRIPTION**

This is achieved in four different ways:

(i) *The delivery of sustainability and property plans.*

The Sustainability Plans target severely eroded land and provide works aimed at an integrated long-term approach to sustainable land management. Property Plans are also designed to stabilise erosion prone land and protect natural environments.

(ii) *The provision of a commercial specialised consultancy service comprising:*

- woodlot establishment on erosion prone land
- silviculture on conservation woodlots planted for soil erosion purposes
- farm shelter establishment to complement the wind erosion control scheme.

(iii) *The Wellington Regional Erosion Control Initiative (WRECI).*

This new initiative is targeted at five selected catchments within the region. Catchments have been selected on the basis of moderate to high sediment generation from the erosion prone land. The initiative is a partnership between the Crown (MAF), Greater Wellington and landowners that will speed up the protection of erosion prone land and improve water quality in the receiving environments.

(iv) *The delivery of Greater Wellington's Riparian Management Strategy primarily by implementing the Streams Alive programme.*

Twelve priority catchments have been identified in the programme to enhance biodiversity through improved riparian management.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is involved because it wishes to encourage sustainable land management, improve water quality and promote biodiversity.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• private landowners benefit directly from property protection and stabilised soil, and the maintenance of a long- term productive asset</li> <li>• the local community benefits directly as the sub-activity reduces flood risk, improves water quality and addresses other downstream problems ( a considerable benefit in erosion prone areas). It also protects infrastructure.</li> <li>• The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.</li> </ul>
<b>Time frame of benefits</b>	Soil conservation benefits start to accrue 5 to 7 years after planting and the income from the woodlot may take up to 30 years after planting. Accordingly, landowners do not see a cash benefit for a considerable time, if at all, and may not make an appropriate decision about work required.
<b>Contributors to need for activity</b>	Private landowners drive the costs as past land management practices have not always been sustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices. Hill country farming is only sustainable when appropriate protection methods are used. There is a demand from landowners to maximise returns, even on relatively small blocks of land.
<b>Costs and benefits of distinct funding</b>	The significant beneficiaries are required to pay a reasonable share of the costs.

## DISCUSSION

Greater Wellington believes that those who benefit most from land management activities should pay the greater part of the cost. However, it is Greater Wellington's policy to encourage soil conservation for erosion-prone soil types through plans and biodiversity measures, so a regional contribution is considered appropriate.

## FUNDING

- Sustainability and Property Plans
  - 60% to 70% user charge
  - 30% to 40% general rate
- WRECI Plans
  - 40% user charge
  - 30% crown funding
  - 30% general rate
- Consultancy – all costs are to be funded by way of direct payment by those who seek the service. Typically Greater Wellington's operational staff supervise contractors to do the work. A service fee on the services delivered by the contractors pays for the costs of Greater Wellington's supervision.
- Streams Alive programme – Greater Wellington contributes to site preparation, planting and maintenance of vegetation; the landowner provides the fencing. This equates to 70% general rate and 30% user charge.

## GROUP OF ACTIVITIES – LAND MANAGEMENT

## ACTIVITY

**Soil conservation**

## SUB-ACTIVITY

**Catchment schemes****DESCRIPTION**

This sub - activity involves planting in the headwaters of rivers and the management of the river downstream. As good catchment management lessens the flood risk downstream, catchment schemes are similar to flood protection. Each of the six catchment schemes operate closely within a local Scheme Advisory Committee.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is involved because it wishes to encourage sustainable land management, protect community assets and promote biodiversity.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• private landowners benefit directly from property protection, stabilised soil, flood protection and the maintenance of a long term productive asset</li> <li>• the wider or district community benefits directly through reduced flood risk, improved water quality and better infrastructure protection</li> <li>• the regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.</li> </ul>
<b>Timeframe of benefits</b>	Soil conservation benefits start to accrue 5 to 7 years after planting and consolidation of river management works has a similar timeframe. Accordingly, ratepayers do not see benefit for a considerable time.

**Contributors to need for activity**

Private landowners drive the costs as past land management practices have often been unsustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices within catchments, leading to increased erosion and flooding.

**Costs and benefits of distinct funding**

The significant beneficiaries are required to pay a reasonable share of the costs, e.g. scheme rate.

**DISCUSSION**

Greater Wellington believes that the benefits to the region are similar to those of the local scheme ratepayers and the district ratepayers. The strong emphasis on sustainable land management, river management, flood protection and biodiversity ensures that a regional contribution is considered appropriate.

**FUNDING**

- Catchment Schemes
  - 50% regional rate
  - 30% to 40% scheme rates (landowners)
  - 10% to 20% district council contribution.

**GROUP OF ACTIVITIES – LAND MANAGEMENT****ACTIVITY****Soil conservation****SUB-ACTIVITY****Soil conservation reserves****FUNDING**

100% general rate.

**DESCRIPTION**

This sub - activity involves the protection and enhancement of indigenous vegetation and riparian areas within each of the four soil conservation reserves. Exotic plantings have been established in Tauanui, Hiwinui and Stoney Creek reserves. Rough Hill reserve is completely covered by indigenous vegetation.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is involved because it wishes to encourage sustainable land management, river management, flood protection and promote biodiversity.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following benefit from this activity <ul style="list-style-type: none"> <li>• private landowners benefit directly from reduced flood risk, less soil deposition and better protection of infrastructure:</li> <li>• the local community benefits directly through reduced flood risk, improved water quality and better infrastructure protection</li> <li>• The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.</li> </ul>
<b>Timeframe of benefits</b>	Ongoing
<b>Contributors to need for activity</b>	Not applicable
<b>Costs and benefits of distinct funding</b>	Not applicable

## GROUP OF ACTIVITIES – LAND MANAGEMENT

## ACTIVITY

**Soil conservation**

## SUB-ACTIVITY

**Land management advice****DESCRIPTION**

This sub-activity provides advice to a wide range of individuals, agencies, groups and communities on sustainable land use activities. There are four major components:

- inspections, education and advice
- consent advice
- promotion and advocacy
- regional monitoring.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington promotes sustainable land use for the long term benefits of the region and its ratepayers.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy environment, Prosperous community.
<b>Distribution of benefits</b>	The following benefit from this activity: <ul style="list-style-type: none"> <li>• Private landowners benefit through the use of sustainable land use practices.</li> <li>• The regional community benefits by having its land used sustainably</li> </ul>
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

100% general rate for inspections, promotion, monitoring and advice.

**4.7 REGIONAL SUSTAINABLE DEVELOPMENT**

## GROUP OF ACTIVITIES – REGIONAL SUSTAINABLE DEVELOPMENT

## ACTIVITY

**Wellington Regional Strategy****1 WELLINGTON REGIONAL STRATEGY****DESCRIPTION**

In response to a request by the district and city councils of Wellington Region, Greater Wellington has set up a Wellington Regional Strategy Committee to act as the keeper of the Wellington Regional Strategy. The aim of the strategy is to build an internationally competitive region and to ensure sustainable economic prosperity and quality of life, with particular emphasis on the next 10-20 years.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is acting as “keeper” of the Wellington Regional Strategy because the councils’ collectively in the region agreed that this is the most appropriate model.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Entrepreneurial and innovative region, Prosperous community.
<b>Distribution of benefits</b>	The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through the planned approach to the sustainable economic growth of the region.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

100% general rate.

**2 REGIONAL ECONOMIC DEVELOPMENT AGENCY**

**DESCRIPTION**

The local authorities in the Wellington region, including Greater Wellington, have developed the Wellington Regional Strategy. The aim of the Strategy is to build an internationally competitive region and to ensure sustainable economic prosperity and quality of life, with particular emphasis on the next 10-20 years. Economic development is a key aspect of the Strategy.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington is involved because this is a joint local government initiative and because Greater Wellington has a key role in implementing the Wellington Regional Strategy. Greater Wellington has established an economic development agency, Grow Wellington, to undertake this activity.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Entrepreneurial and innovative region, Prosperous community.
<b>Distribution of benefits</b>	The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through economic growth in the region. Economic growth includes the creation of new jobs and more opportunities for businesses to establish and expand.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	A dedicated rate is justified as the funds raised are significant and the whole region pays a reasonable share of the costs. A targeted rate provides transparency and accountability for this activity that is distinct from Greater Wellington's other activities, and is carried out on behalf of all the region's local authorities. A fixed charge basis for non-business ratepayers distributes the costs to this group equitably, recognising the benefit of this activity to these ratepayers. A capital value rating basis is weighted towards higher value properties (for businesses) which is a fair basis for the collection of revenue where businesses will receive a proportional benefit.

**FUNDING**

100% targeted rate.

## GROUP OF ACTIVITIES – REGIONAL SUSTAINABLE DEVELOPMENT

## ACTIVITY

**Regional resilience****DESCRIPTION**

Strategies are required from time to time for issues that cut across the activities of Greater Wellington Regional, city and district councils and other organisations in the region. These strategies, for example, the regional water strategy, contribute to the sustainable development and resilience of the region.

Specific programmes may also be undertaken to increase the resilience of the region eg, part funding EECA's scheme for retrofitting home insulation.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington generally coordinates and funds the development of these resilience/sustainability plans and programmes and can have and a key role in their implementation.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Healthy community, Entrepreneurial and innovative region, Prosperous community.
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<b>Distribution of benefits</b>	<ul style="list-style-type: none"> <li>The primary beneficiaries are people and organisations in the regional community. They benefit through the contribution that these strategies and programmes make to increasing the resilience of the region.</li> <li>The primary beneficiaries of the EECA home insulation scheme are ratepayers who take advantage of this scheme to insulate their homes, resulting in warmer homes and/or lower energy costs.</li> </ul>
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<b>Timeframe of benefits</b>	On-going.
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<b>Contributors to need for activity</b>	Not applicable.
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<b>Costs and benefits of distinct funding</b>	Not applicable
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**FUNDING**

100% general rate for plans/strategies.

100% targeted rate on properties that would benefit if Greater Wellington was to proceed with the home insulation scheme.

**4.8 Community**

## GROUP OF ACTIVITIES – COMMUNITY

## ACTIVITY

**Democratic services****DESCRIPTION**

The democratic services activity includes leadership, representation and decision making at a political level and support to elected members. This activity also includes general advocacy for the regional community.

**GREATER WELLINGTON'S INVOLVEMENT**

This is the core governance and advocacy activity of Greater Wellington.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Strong and tolerant community.
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<b>Distribution of benefits</b>	Democracy is a public good whose benefits accrue to, or are shared by, the people, communities, and organisations of the entire region. Greater Wellington acts in the best interests of the Wellington region as a whole. The people of the region benefit through representation at a regional level and involvement in regional decision-making, and by having an advocate for the regional community.
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<b>Timeframe of benefits</b>	On-going.
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<b>Contributors to need for activity</b>	Not applicable.
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<b>Costs and benefits of distinct funding</b>	Not applicable.
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**FUNDING**

All Greater Wellington functions are controlled at a governance level by elected members. Therefore, the majority of this activity is funded from the general rate, with the remaining funding coming from the specific areas of regional transport and regional water supply, where the majority of funding is derived from a targeted rate and levy respectively.

**GROUP OF ACTIVITIES – COMMUNITY**

**ACTIVITY**

**Westpac Stadium**

**DESCRIPTION**

This activity services and repays a \$25 million contribution to the Stadium Trust which facilitated the planning, development and construction of the Westpac Stadium in Wellington.

**GREATER WELLINGTON’S INVOLVEMENT**

Greater Wellington funds this activity because there are benefits to the region beyond the direct private benefits that accrue to individuals from attending events. Greater Wellington is thus funding the indirect benefits. The funding of Greater Wellington’s \$25 million contribution is governed by the Wellington Regional Council (Stadium Empowering) Act 1996.

**STATUTORY CONSIDERATIONS**

Primary community outcome	Quality lifestyle.
Distribution of benefits	<p>The degree of indirect benefit derived from the multipurpose regional stadium by any category of property in different parts of the region has been assessed by Greater Wellington as follows:</p> <ul style="list-style-type: none"> <li>• 70% – benefits arising from flow-on economic activity from the Stadium through increased business and employment opportunities.</li> <li>• 20% – benefits arising from the opportunity to attend events at the Stadium which would not otherwise be held in Wellington.</li> <li>• 10% – other benefits arising from publicity for the region, civic pride, critical mass in tourism, promotion of increased participation in sport and physical leisure and ability of the region to attract new residents and businesses</li> </ul>

Greater Wellington took into account the following features for different parts of the region:

- Net equalised capital value
- Types of employment by industry
- Average travel times to the Stadium
- Population
- Average household incomes.

Timeframe of benefits	There are significant intergenerational equity considerations as the facility will be available for future generations. For reasons of intergenerational equity and transparency, this funding requirement was met by way of loans over 20 years, fully serviced and funded by a targeted rate. Ratepayers are made fully aware of their annual contribution to the provision of a stadium, and those who benefit over the life of the asset contribute to it.
Contributors to need for activity	Not applicable.
Costs and benefits of distinct funding	A dedicated rate is justified as the funds raised are significant, the costs of collection are reasonable and the distribution of benefit is particular.

**FUNDING**

The contribution by Greater Wellington to the Stadium Trust is funded by commercial loans, which are serviced by a 100% targeted (stadium purposes) rate on the indirect beneficiaries. The rate is struck across the region on a differential basis to reflect the benefit derived from the provision of the stadium to different classes of ratepayer in the different parts of the region.

## GROUP OF ACTIVITIES – COMMUNITY

## ACTIVITY

**Relationship with Māori****DESCRIPTION**

Involving Māori in our work includes servicing and facilitating the central relationship Greater Wellington has with the iwi of the region.

**GREATER WELLINGTON'S INVOLVEMENT**

Greater Wellington has a long established relationship with the iwi of the region. There is a statutory obligation to improve opportunities for Māori to contribute to Greater Wellington's decision-making.

**STATUTORY CONSIDERATIONS**

<b>Primary community outcome</b>	Strong and tolerant community.
<b>Distribution of benefits</b>	The beneficiaries are the community as a whole, Greater Wellington and iwi. The community benefits from the enhanced opportunity provided to a key group to participate in decisions that affect them and the well being of the whole community. Greater Wellington benefits through greater access to iwi and their increased ability to provide input to Greater Wellington and to assist with its work. Iwi benefit from the increased resources which enable them to participate and also from the collective forum which provides a regular opportunity for collective discussion.
<b>Timeframe of benefits</b>	On-going.
<b>Contributors to need for activity</b>	Not applicable.
<b>Costs and benefits of distinct funding</b>	Not applicable.

**FUNDING**

The majority of this activity is funded through the general rate because of the public good component of this work and the inability of iwi to participate in a meaningful way without assistance. The remaining funding should come from the specific areas of transport and water supply, where the majority of funding is derived from a targeted rate and levy respectively, rather than from the general rate.

Greater Wellington promotes **Quality for Life** by ensuring our environment is protected while meeting the economic, cultural and social needs of the community



**For more information, contact Greater Wellington:**

Wellington office  
PO Box 11646  
Manners Street  
Wellington 6142  
T 04 384 5708  
F 04 385 6960

Masterton office  
PO Box 41  
Masterton 5840  
T 06 378 2484  
F 06 378 2146

**Follow Greater Wellington:**



[www.gw.govt.nz](http://www.gw.govt.nz)  
[info@gw.govt.nz](mailto:info@gw.govt.nz)



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