



Greater Wellington Regional Council's
Long Term Plan 2018-28
Ko Te Pae Tawhiti
Supporting Policies -
updated July 2019



greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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REVENUE AND FINANCING POLICY

Updated July 2019

Core provisions

Introduction

The Revenue and Financing policy describes how Greater Wellington Regional Council (Council) intends to fund its expenditure. It outlines:

- the sources of funding that Council intends to use, and
- the relative level of funding from each source, for each activity.

Considerations for this policy

In developing the policy, Council has considered the specific matters required by section 101 (3)(a) of the Local Government Act 2002 (LGA). Council then considered the overall impact of any allocation of liability for revenue needs on the community. The funding indications in the **Funding for Activities** section of this policy are the end result of this process.

Valuation system

Council has chosen to use capital value as its valuation system for general rates.

Council has chosen to use capital value as the valuation system for the following targeted rates:

- Public transport
- Wellington Regional Strategy
- Some drainage schemes
- Land management rates
- River rates
- Some river management scheme rates.

Council has chosen to continue to use land value as the valuation system for some river management scheme rates and drainage scheme rates.

Equalised capital value

Within the region, different territorial authorities undertake general revaluations at different times. To equalise the values, each year Council gets Quotable Value or another registered valuer to estimate the projected valuations of all the rateable land in the districts within the region. This estimation is enabled under s131 of the Local Government Rating Act.

This means that rates are assessed on a consistent valuation basis, regardless of the timing of individual territorial authority revaluations.

Operational considerations

Council contracts the territorial authorities within the region to collect regional rates on our behalf. This has several benefits:

- Residents and ratepayers only have to fund one rates collection service, for rates from both the territorial authority and the regional council.
- Information about each property is only captured in one Rating Information Database, so that Councils within the region do not have data coordination and synchronisation issues.
- Ratepayers only have to pay one bill, which may be paid in instalments.

Funding for operating expenditure

As a general rule, Council will fund its operating expenditure, including interest on debt, and principal repayments, from:

- rates
- water levies
- grants and subsidies
- fees and charges
- interest and dividends from investments
- and any other source, which may include reserves from time to time.

Council may decide to use debt funding for operating expenditure in the following situations:

- Where the cost or additional cost is expected to be one-off in nature. For example, a spike in insurance premiums.
- Where a loss of revenue is expected to be one-off or relatively short-term in nature. For example, loss of revenue as a consequence of the Kaikoura earthquake in November 2016.
- Where the expenditure will provide a future benefit. For example:
 - Council may fund rail track renewals where a third party owns the tracks, to provide a better public transport service.
 - Council may use debt to fund its contributions to the Wellington transport planning project “Let’s Get Welly Moving”.

Funding for capital expenditure

Council has large infrastructural assets with long economic lives that yield long-term benefits (particularly water supply assets, flood protection assets and rail rolling stock). Debt is an efficient and appropriate mechanism for achieving inter-generational equity, so that current and future ratepayers are liable for funding the value of the assets they use.

Council primarily funds capital expenditure using:

- borrowings (debt)
- proceeds from asset sales
- reserve funds.

On a case by case basis, Council may decide to fund some capital expenditure from operating revenue.

Funding sources

Council may use any of these funding sources for its expenditure:

- General rates
- Targeted rates
- Grants and subsidies
- Fees and charges
- Interest and dividends from investments
- Lump sum contributions
- Borrowings
- Proceeds from asset sales
- Any other source (including reserves).

General rate

The general rate is a charge on the community as a whole, to fund Council activities. It is not a charge for the use of a service.

The general rate is mainly used to fund public good activities that benefit the region as a whole. The funding requirement for 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.

The general rate is used to fund more than 80% of each of the following activities:

- Regional leadership
 - Mana whenua engagement
 - Emergency management
 - Democratic services
 - Wairarapa water use project
- Environment
 - Resource management - Policy and planning
 - Environmental science - State of Environment monitoring
 - Land management advice
 - Biodiversity management
- Flood Protection
 - Understanding Flood Risk
- Parks.

The general also rate funds a portion of these Environment activities:

- Resource management – Compliance and enforcement
- Land management - Farm plans and advice
- Land management - catchment schemes
- Pest management.
- Harbour management.

A general rate differential

Council applies a differential to the general rate within Wellington City only. The purpose of this differential is to address the impact of the allocation of rates within Wellington City in accordance with s101(3)b of the Local Government Act.

This differential is designed to ensure that different property rating types pay an equitable share of the increased cost of providing services in 2019/20.

- Residential 1
- Wellington CBD business 1.7
- Business 1.3
- Rural 1

Uniform Annual General Charge (UAGC)

Council does not use a Uniform Annual General Charge.

Targeted rates

Council may use targeted rates for any of the following reasons:

- to fund rates on properties that receive a particular and direct benefit from an activity.
- to be transparent about the rate funding requirements for some specific groups of activities.

Council uses targeted rates to fund all or some of the following activities:

- Regional Leadership - Wellington Regional Strategy
- Regional Leadership - Warm Greater Wellington
- Regional Leadership – Water Wairarapa
- Public Transport
- Environment - Land management - Catchment schemes
- Environment - Land management – Drainage schemes
- Environment - Pest management - Regional predator control programme
- Flood Protection - Maintaining flood protection and control works
- Flood Protection - Improving flood security

Water levies

Council provides bulk water to four city councils (Wellington, Hutt, Upper Hutt, and Porirua) and it levies them for the wholesale supply, based on the volume of water that is supplied to each city.

Grants and subsidies

Various central government agencies provide subsidies for a range of the work that Council does. Council's main source of government subsidies is the New Zealand Transport Agency (NZTA), for regional public transport. NZTA provides subsidies for Council's transport planning and programmes, and for public transport services.

Council receives a government subsidy in recognition of the national benefit provided to civil defence by our emergency management activity.

The Crown contributes to some activities and programmes including some erosion control programmes, and pest management services.

Fees and charges

Fees and charges are preferred as a funding mechanism when a private benefit can be identified, and it is efficient to collect the revenue.

Council may receive fee and charges revenue from:

- Service charges to:
 - public transport users (as fares)
 - commercial harbour users, for navigation and communication services
 - resource consent applicants, for processing and monitoring resource consents
 - landowners, for land management activities on their land
 - territorial authorities and utilities, for water supply services
 - territorial authorities, for pest management activities on their land
 - other recipients of Council services.
- Rents, lease revenue and fees, for the use of Council assets, including properties owned by Council and leased to third parties.
- Sales revenue from:
 - the Akura Conservation Centre
 - gravel extraction for flood protection activities
 - sundry other sales.
- Management and other fees, for administrative support to council-controlled organisations.
- Any other charges that Council may set from time to time.

Interest and dividends from investments

Council uses dividends from its equity investments to reduce general rates.

Council uses interest earned on other financial deposits to reduce general rates.

Any interest or other revenue that Council earns on its special funds is added to each fund, because these funds have been set up primarily for self-insurance purposes.

Borrowings

Council raises external debt primarily to:

- Fund Council's capital expenditure programme
- Manage timing differences between cash inflows and outflows and to maintain appropriate liquidity
- Fund other investment activity, usually when the benefit is for more than one year.

Council approves the overall borrowing programme during the annual planning process.

Proceeds from asset sales

Council generally uses proceeds from the sale of assets and investments to repay debt. Where Council intends to replace an asset, then the proceeds from the sale are used to help fund the replacement asset.

Reserve funds

From time to time Council uses 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. Council 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 expenditure.

Differential rates

Council proposes to use a rating differentials for general rates effective from the 2019/20 year as set out in Funding sources section.

Council uses differential rates for-targeted rates for:

- Public Transport
- Flood Protection – Property rates, which apply to specific properties within river management, drainage, and catchment schemes within the Wairarapa. Generally, these rates are made on a differential land area basis. They are apportioned to reflect the benefit to each separately rateable property in the 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.

Transition provisions

In 2018, Council introduced a new approach to differential rate funding for Public Transport to have a transition period over six years. These changes will have variable impacts on different categories of ratepayers and would potentially cause large one-off increases.

Over the next six years, there will also be changes in the relative values of properties depending partly on their location (within each territorial authority) and their land use (residential, business, rural, Wellington CBD). Council cannot predict these changes, but they will affect the funding that is required from each location, or from each rating category.

Council will use differentials to transition the Public Transport rate to the new funding policy over the next six years, using the funding requirements from 2017/18 as the baseline.

Discounts

Council does not apply discounts to any rates.

Separately used part

Council policy is to rate the “separately used or inhabited part” of a rating unit for the following rates:

- Wellington Regional Strategy
- **Rates that** apply to specific properties within river management schemes in the Wairarapa.
- **Catchment scheme** rates that apply to specific properties within river management schemes within the Wairarapa.

Funding for Activities

Funding policy indications

Council's policy on the funding from each main source is shown in this section, at the bottom of the table for each activity. The funding percentages given in each table are an indication of Council's policy preference, but Council expects that there will be some variation in the revenue actually received for each activity in any one year. Council notes that it cannot always control the amount of funding it receives from any source.

Two stage approach

In developing this policy, Council used a two-stage approach.

For each activity, Council considered the s101(3)(a) matters in the Local Government Act 2002. These are summarised as-

Primary community outcomes

Each group of activities contributes primarily to achieving one of these community outcomes:

- Strong economy
- Connected community
- Resilient community
- Healthy environment
- Engaged community

Distribution of benefits

The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals

Timeframe of benefits

Most activities provide ongoing benefits. Where an activity provides benefits that will last for future generations we have noted this too.

Contributors to need for activity

These contributors are any individuals or groups who, through their action, or inaction, contribute to the need to undertake the activity. For example, polluters create a need for Council to clean up the mess or make rules about how it is to be reduced or cleaned up.

Costs and benefits of funding activity distinctly

There are costs and benefits, including consequences for transparency and accountability, of funding an activity separately, whether by user charges or targeted rates or a combination of these.

Council then considered the overall impact of any allocation of liability for revenue needs on the community. That process led Council to decide on the funding policy indications shown for each activity.

Regional leadership

Relationships with mana whenua

Council builds and maintain constructive partnership relationships with iwi and Māori of the region to support Maori participation in decision making to deliver Council's outcomes.

Community outcome	Engaged community
Purpose / rationale for activity	This activity enables Council to build and maintain constructive partnership relationships with iwi and Māori of the region.
Who benefits? How are the benefits distributed?	Mana whenua benefit from a partnership approach to managing the natural environment ensures that iwi fulfil their obligations as natural managers of the world, through their kaitiaki roles and responsible. Regional communities benefit from the quality of decision making that is enabled when mana whenua participate in decisions that affect them.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No.
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the service performance for this activity in its annual report.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Relationships with mana whenua				100%

Regional transport planning and programmes

Council plans for the long-term development of the region's land transport network.

Community outcome	Connected community
Purpose / rationale for activity	A plan for development of the region's land transport network is essential for integration with territorial authority plans, and to enable the efficient transport of people and goods.
Who benefits? How are the benefits distributed?	The community as a whole benefits from transport infrastructure planning services.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No.
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the service performance for this activity in annual report.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Regional transport planning and programmes		About 52% from NZTA		Balance of the funding.

Wellington Regional Strategy

Council supports growth and economic development in the region.

Community outcome	Strong economy
Purpose / rationale for activity	Council promotes economic growth and hosts this activity on behalf of the region.
Who benefits? How are the benefits distributed?	Business communities are the primary beneficiaries of economic growth and increased wealth within the region. The community as a whole benefits to a lesser extent.
Timeframe of benefits	Ongoing.
Does anyone cause Council to provide this service?	No
Rationale for separate funding	Separate funding enables Council to apply revenue requirements that are consistent with the levels of benefit that different ratepayer categories receive. Separate funding also supports accountability and transparency to the ratepayers who fund the activity

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Wellington Regional Strategy			100%, charged on differential basis by land use, being- <ul style="list-style-type: none"> a uniform charge on residential and rural ratepayers a capital value basis for businesses. 	

Emergency management

Council contributes to emergency preparedness and management services within the region.

Community outcome	Resilient community
Purpose / rationale for activity	Wellington region has a wide range of natural hazards (earthquake, flooding, landslide, tsunami, storm) and hazard risks (biological, chemical, terrorism, other), and the region wants to be prepared to provide emergency services
Who benefits? How are the benefits distributed?	The community as a whole benefits from these services
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the service performance for this activity in the annual report.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Emergency management				100%

Democratic services

Council conducts democratic elections that are free from interference. Council supports elected members to engage with their communities and to make informed decisions.

Community outcome	Engaged community
Purpose / rationale for activity	Democracy services enable citizens and communities to engage with decision makers for the benefit of the region. These services also support Councillors in the performance of their roles
Who benefits? How are the benefits distributed?	The community as a whole benefits from these services.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its annual report

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Democratic services				100%

Regional initiative - Warm Greater Wellington

Council provides funding for home insulation. The communities in Wainuiomata and Masterton are also offered funding for clean heating because the air sheds in those areas have breached the national standards for air quality.

Community outcome	Resilient community
Purpose / rationale for activity	Good quality insulation helps keep the heat in during winter and out during summer. This makes houses easier and cheaper to heat properly, and more comfortable and healthy to live in.
Who benefits? How are the benefits distributed?	The major beneficiaries are those ratepayers who take up the funding. Wainuiomata and Masterton will also benefit when their airsheds no longer breach quality standards, because Council will then be able to approve consents for industrial discharges to air.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	Separate funding enables Council to target those who benefit from the activity.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Regional initiative - Warm Greater Wellington			100%	

Regional initiative - Water Wairarapa

Council is exploring water storage options for agriculture, horticulture, and municipal uses in the Wairarapa.

Community outcome	Strong economy
Purpose / rationale for activity	Water storage options may increase the productive efficiency of agriculture and horticulture in the Wairarapa. It may also provide additional water for municipal and other community uses in the area.
Who benefits? How are the benefits distributed?	The primary beneficiaries are Wairarapa organisations and households that will use the water, or who can rely on the water as an alternative water source during an emergency. People in the Wairarapa may also benefit from increased resilience of source water for the drinking water supplies.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No.
Rationale for separate funding	Separate funding would enhance transparency and accountability for this activity.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Regional initiative - Water Wairarapa				100%

The funding source for any expenditure beyond 2018/19 will be reviewed by Council if the project proceeds beyond that date.

Public transport

Community outcome	Connected community
Purpose / rationale for activity	Public transport makes a significant contribution to the region's economic prosperity in a way that is environmentally and socially sustainable.
Who benefits? How are the benefits distributed?	<p>Private benefits Public transport benefits the people who use it directly, enabling them to get to work, school, retail, and social activities.</p> <p>Public benefits</p> <ul style="list-style-type: none"> • More efficient land use and compact urban environments support the regional economy. The concentration and efficiency of economic activity, especially in the regional CBD and other commercial centres is increased by public transport. • Employers in the regional business hub (Wellington CBD) and the other regional business centres can attract staff from throughout the region. • Freight can travel more cheaply on less congested roads. • Any industry or activity that relies on people coming together from different parts of the region, including retail, hospitality, and education industries. • Efficient movement of private vehicles benefits everyone who drives on congested roads that are served by public transport, and it reduces the cost of goods and services to the whole region. <p>Environmental benefits The region as a whole benefits from reduced emissions because of shorter private journey times, and because there are fewer vehicles on the road when people use public transport.</p> <p>Health and safety benefits</p> <ul style="list-style-type: none"> • The whole region benefits from fewer vehicles on roads, and safer driving. • More liveable environments. • The whole region benefits from fewer vehicles on roads, and safer driving. <p>Urban / rural benefits Urban communities are significant beneficiaries of public transport, but rural communities do not benefit to the same extent.</p>
Timeframe of benefits	Ongoing.
Does anyone cause Council to provide this service?	No.
Rationale for separate funding	Public transport is the single largest activity that Council funds. A mixture of user charges (fares) and targeted rates provide transparency to service users, residents, ratepayers, and funders about the costs and relative shares paid by different groups.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Public transport	35-50% from fares and other user charges	The maximum contribution from Crown agencies, primarily New Zealand Transport Agency (NZTA), Overall, intend to collect 25-35% from NZTA although this may be significantly higher for some specific programmes and investments.	25-35%, calculated on ECV, with differentials based on land use and by location.	

Council applies user charges (fares) for the private benefits gained by people who use public transport.

Council has concluded that the following differentials take account of the specific public and private benefits of public transport, while also taking account of the overall impacts of Council's funding requirements.

Residential (excluding Wairarapa)	1
Residential (Wairarapa and Otaki rating units)	0.5
Wellington CBD	7
Business (excluding Wairarapa)	1.4
Business (Wairarapa).....	1
Rural	0.25

Council will apply the new differentials as a targeted rate, based on ECV. All properties within each differential category will pay the same rates per \$100,000 of ECV.

Council may review these differentials at any time, and particularly if there are major changes in future funding requirements.

This is a considerable change from the previous policy which allocated costs based on a complex set of inputs.

Council will take six years to transition the rates onto the new policy. Until the transition is complete, Council will calculate an annual transition differential so that rates progressively shift to their new levels for each category of land use, and for each location.

Water supply

Council provides bulk water to four participating territorial authorities (the cities of Wellington, Hutt, Upper Hutt, and Porirua).

Community outcome	Strong economy, healthy environment, resilient community
Purpose / rationale for activity	Clean, safe drinking water is essential for life. It is also used for- <ul style="list-style-type: none"> residential purposes (gardens, swimming pools) community purposes (parks, swimming pools, schools, hospitals, turf, and other recreation services). industrial purposes (hygiene, other uses).
Who benefits? How are the benefits distributed?	The participating territorial authorities benefit from- <ul style="list-style-type: none"> being able to provide potable water for their residents the efficiency of a coordinated water collection, treatment, and distribution system.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	Funding water supply services distinctly from other services has benefits for transparency and accountability. Because water is supplied in bulk to territorial authorities, a volumetric levy is a fairer and more efficient funding tool.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Water supply	95%-100% volumetric levy on the participating territorial authorities. User charges may also be applied to other bulk water users.			

Environment

Resource management - Policy and planning

Environmental science - State of Environment monitoring

Community outcome	Healthy environment, engaged community.
Purpose / rationale for activity	Council regulates the use and development of the environment via the Regional Plan and other planning documents, to ensure that natural and physical resources are managed sustainably.
Who benefits? How are the benefits distributed?	The community as a whole benefits from the policy, planning and monitoring services. Territorial authorities and individuals, benefit from Council's State of the Environment monitoring information.
Does anyone contribute to Council's need to provide this activity?	Everyone uses the region's natural resources to some extent.
Rationale for separate funding	Because the community as a whole is the main beneficiary, there is no particular benefit from distinct funding.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Resource management - Policy and planning				100%
Environmental science - State of Environment monitoring	10-20%			80-90%

Resource management – Consents

Resource management – Compliance and enforcement

Pollution prevention and control

Community outcome	Healthy environment
Purpose / rationale for activity	Council implements the Regional Plan, with consent, compliance, and pollution services.
Who benefits? How are the benefits distributed?	Consent applicants benefit from information services. Consent holders benefit from the right to use regional resources, and from monitoring services, because consents may be granted with greater confidence / certainty about the potential impacts.
Does anyone contribute to Council's need to provide this activity?	Polluters create the need for pollution controls People who want to use the region's resources create the need for an allocation system.
Rationale for separate funding	These services are best funded jointly with other Resource management activities.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Resource management – Consents	100%, consent applicants			
Resource management – Compliance and enforcement	100% consent holders			Up to 100% for investigations where a liable party cannot be identified.
Resource management – Pollution prevention and control	100% identified polluters			

Land management

- Farm plans, and Farm environment plans, to reduce erosion in the eastern Wairarapa hills, and to support intensively farmed (dairy) areas in Wairarapa and Otaki.
- Wellington Regional Erosion Control Initiative
- Land management advisory services, mainly in the Wairarapa
- Erosion scheme services and coordination services to rural properties in the Wairarapa.

Community outcome	Healthy environment
Purpose / rationale for activity	Council seeks to mitigate the environmental impacts of farming, because land management practices can affect soil erosion, soil health water quality, and the health of streams, rivers, and the coast.
Who benefits? How are the benefits distributed?	<p>Farmers benefit from-</p> <ul style="list-style-type: none"> • stabilised soils and reduced erosion. • water and drainage schemes that enable greater productive use of the land. • reputation benefits from clean operations. <p>Rural communities benefit from local catchment schemes that protect local infrastructure (roads, utilities).</p> <p>The community as a whole benefits when farmers reduce their nutrient and sediment discharges.</p>
Does anyone cause Council to provide this service?	<p>Farmers who allow stock to graze in or adjacent to waterways.</p> <p>Farmers who allow nutrients to leach into waterways.</p>
Rationale for separate funding	Because the activity is predominantly focused on services to rural businesses, there are transparency benefits from separate funding.

Funding policy indication

Activities and programmes	User charges	Subsidies	Targeted rate	General rate
Farm plans	70%			30%
Farm environment plans	50%			50%
Wellington Regional Erosion Control Initiative	40%	30% Crown		30%
Land management advice				100%
Land management erosion schemes	50%-100% to be met from targeted or scheme rates or a direct contribution from both the direct beneficiaries, and the beneficiaries in the economic catchment area.			Up to 50%

Council sets rates on specific properties within erosion schemes in the Wairarapa. Generally, these rates are apportioned to reflect the benefit to each separately rateable property in the 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.

Soil and plant conservation

Community outcome	Healthy environment
Purpose / rationale for activity	Council seeks to mitigate the environmental impacts of farming, because land management practices create erosion, and affect the health and quality of streams, rivers, and the coast.
Who benefits?	The community as a whole benefits from stabilised soils in its reserves. The benefits from the Akura Conservation Centre are mostly the private landowners who plant poplars and willows for erosion and flood control.
Timeframe of benefits	Ongoing
How are the benefits distributed?	90% private landowners 10% community as a whole.
Does anyone cause Council to provide this service?	Farmers who do not plant tree cover on erosion prone soils.
Rationale for separate funding	Because the activity is predominantly focused on services to rural businesses, there are transparency benefits from separate funding.

Funding policy indication

Activities	User charges	Subsidies	Targeted rate	General rate
Soil conservation reserves	100%			
Akura conservation centre	100%			

Biodiversity management

Community outcome	Healthy environment
Purpose / rationale for activity	Biodiversity contributes to the region's natural character and supports the healthy functioning of ecosystems which in turn provide essential, life supporting services, including purifying air and water.
Who benefits? How are the benefits distributed?	The community as a whole share the benefits of a healthy environment.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	Farmers who have not yet fenced waterways so that stock can get into them contribute to the need for this activity.
Rationale for separate funding	This activity is one relatively small, part of the larger Group of Activities and separate funding would not be cost effective.

Funding policy indication

Activities and programmes	User charges	Subsidies	Targeted rate	General rate
Biodiversity management – Key Native Ecosystems programme				100%
Biosecurity services for territorial authorities	100%			
Biodiversity management – other activities				100%

Pest management

Community outcome	Healthy environment
Purpose / rationale for activity	Pest management supports economic activity and improves environmental outcomes.
Who benefits? How are the benefits distributed?	<p>Primary producers benefit from</p> <ul style="list-style-type: none"> • reduced loss of pasture • reduced loss of crops • reduced damage to trees and shrubs • sustained and increased primary production. <p>Cattle and deer farmers in operational areas benefit from reduced risk of disease to farmed animals.</p> <p>The regional community benefits from reduced spread of unwanted pest damage to high value ecosystems, and reduced pest impact on safety, amenity, and social values.</p>
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	Pest management, including possum control activities are undertaken in line with Biosecurity Act 1993, and the National Policy Direction for Pest Management.
Rationale for separate funding	Because Council provides two pest management programmes, with different funding policies, separate funding is useful to demonstrate the benefits of each activity.

Funding policy indication

Programmes	User charges	Subsidies	Targeted rate	General rate
Regional pest management plan	Up to 10%	Up to 10%		80-100%
Regional predator control programme			40% on all rural properties that are 4ha or more, assessed on a land area basis.	60%

Harbour management

Community outcome	Strong economy
Purpose / rationale for activity	Council provides this service to support safe commercial shipping and recreational activities in the regional harbours.
Who benefits?	Maritime traffic in the harbours benefit from Beacon Hill Communications station, navigational aids, and the enforcement of maritime safety regulations. Recreational boat users benefit from navigational aids, education programmes, and the enforcement of maritime safety regulations. Other harbour users receive a small benefit from the enforcement of maritime safety regulations.
Timeframe of benefits	Ongoing.
How are the benefits distributed?	Commercial shipping is the major economic beneficiary of this service. People using recreational boats and yachts also benefit substantially. The rest of the region gets some residual benefit.
Does anyone cause Council to provide this service?	Maritime traffic (commercial and recreational) is the major activity that creates the need for Council to provide navigational aids and safety services. Polluters create the need for monitoring, regulations and clean up services.
Rationale for separate funding	Separate funding via targeted rates is not sensible for this activity, because Council cannot identify and targeted land owners who would be the major beneficiaries of services for activities on and about water.

Funding policy indication

Activities and programmes	User charges	Subsidies	Targeted rate	General rate
Navigational aids and communications service	60% commercial shipping, (collected by CentrePort)			40%
Education; Enforce maritime safety regulations				100%
Pollution clean-up — oil		95% Maritime NZ		5%
Pollution clean-up – other	100% charge to polluters, where they can be identified and charged.			Up to 100%

Flood protection

Understanding flood risk

Maintaining flood protection and control works

Improving flood security

Community outcome	Resilient community
Purpose / rationale for activity	Council provides flood protection services to protect the lives and property of people within the region.
Who benefits?	<p>Property owners (private, Crown, territorial authorities, others) and residents in flood hazard zones are the major beneficiaries of these activities. They benefit from-</p> <ul style="list-style-type: none"> • information about flood hazards • flood warnings • flood protection structures that directly protect lives and property, and downstream areas. <p>Local communities and catchments benefit from-</p> <ul style="list-style-type: none"> • Information about flood hazards to support land use planning • having their local infrastructure protected (schools, hospitals, roads and emergency lifelines, parks, and reserves). <p>Utilities benefit from-</p> <ul style="list-style-type: none"> • information about flood hazards • flood warnings • flood protection structures that directly protects their infrastructure (electricity transmission, telecoms, etc). <p>The region as a whole benefits from-</p> <ul style="list-style-type: none"> • advice about flood emergencies • any environmental protection that flood protection provides • protected arterial transport routes.
How are the benefits distributed?	<p>Property owners (including utility companies), and residents and flood hazard zones are the major beneficiaries of all these activities.</p> <p>Local communities, (including property owners in flood hazard zones) are also substantial beneficiaries of flood protection and control works in their communities.</p> <p>The community as a whole receives a relatively small share of the benefits.</p>
Timeframe of benefits	Ongoing.
Does anyone cause Council to provide this service?	No.
Rationale for separate funding	Because of the substantial private benefits from these activities, and Council's considerable commitment to this group of activities, separate funding provides transparency and accountability benefits.

Council has considered the matters above, including the benefits of flood protection to identifiable groups within the region, and has decided to retain the Flood Protection rate funding policy that applied in 2017/18.

Funding policy indication

<i>Activities</i>	<i>User charges</i>	<i>Subsidies</i>	<i>Targeted rates</i>	<i>General rate</i>
Understanding flood risk				100%
Maintaining flood protection and control works			The balance of costs (i.e., to 100%) met via targeted rates on the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the economic catchment area.	Up to 50%
Improving flood security				

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

Parks

Council manages a network of regional parks and forests for the community's use and enjoyment. Council works with mana whenua and community groups to protect the environment within regional parks

Community outcome	Engaged community
Purpose / rationale for activity	Council provide parks for community recreation and enjoyment, and to protect regionally significant landscapes, bush, and heritage features.
Who benefits? How are the benefits distributed?	<p>Individuals and groups who use the camping facilities within regional parks.</p> <p>Organisations that use parks for commercial purposes. This includes, for example-</p> <ul style="list-style-type: none"> • stock grazing • film making • outdoor activities • education activities. <p>The region and the whole country benefit from being able to enjoy regionally significant landscapes, bush, and heritage features.</p> <p>The whole country benefits from the preservation of nationally significant landscapes, forests, and heritage features.</p>
Timeframe of benefits	Ongoing.
Does anyone cause Council to provide this service?	No
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its annual report.

Funding policy indication

Activity	User charges	Subsidies	Targeted rate	General rate
Parks	10% for organised events, farming and other leases, license fees, other added value services.			90%

Summary table

Group of Activities	Activity	User charges	Subsidies	Targeted rate	General rate
Regional Leadership	Relationships with mana whenua				100%
	Regional transport planning and programmes		About 52% from NZTA		Balance of the funding
	Wellington Regional Strategy			100%, charged on differential basis by land use, being- <ul style="list-style-type: none"> • a uniform charge on residential and rural ratepayers • a capital value basis for businesses. 	
	Emergency management				100%
	Democratic services				100%
	Regional initiative - Warm Greater Wellington			100%	
	Regional initiative - Water Wairarapa				100%
Public transport	Public transport	35-50% from fares and other user charges	The maximum contribution from Crown agencies, primarily New Zealand Transport Agency (NZTA), Overall, intend to collect 25-35% from NZTA although this may be significantly higher for some specific programmes and investments.	25-35% calculated on ECV, with differentials based on land use and by location.	
Water supply	Water supply	95%-100% volumetric levy on the participating territorial authorities. User charges may be applied to other bulk water users.			

Group of Activities	Activity	User charges	Subsidies	Targeted rate	General rate
Environment	Environmental science - State of Environment monitoring	10-20%			80-90%
	Resource management - Policy and planning				100%
	Resource management – Consents	100%, consent applicants			
	Resource management – Compliance and enforcement	100% consent holders			Up to 100% for investigations where a liable party cannot be identified.
	Resource management – Pollution prevention and control	100% identified polluters			
	Land management - Farm plans	70%			30%
	Land management - Farm environment plans	50%			50%
	Land management - Wellington Regional Erosion Control Initiative	40%	30% Crown		30%
	Land management advice				100%
	Land management, erosion, and drainage schemes			100% to be met from targeted or scheme rates or a direct contribution from both the direct beneficiaries, and the beneficiaries in the economic catchment area.	
	Soil conservation reserves	100%			
	Akura conservation centre	100%			
	Biodiversity management – Key Native Ecosystems programme				100%
	Biosecurity services for territorial authorities	100%			
	Biodiversity management – other activities				100%
	Regional pest management plan	Up to 10%	Up to 10%		80-100%
Regional predator control programme			40% on all rural properties that are 4ha or more, assessed on a land area basis.	60%	

Group of Activities	Activity	User charges	Subsidies	Targeted rate	General rate
Environment, continued	Harbour management - Navigational aids and communications service	60% commercial shipping, (collected by CentrePort)			40%
	Harbour management – Education, and enforce maritime safety regulations				100%
	Harbour management - Pollution clean-up – oil		95% Maritime NZ		5%
	Harbour management - Pollution clean-up – other	100% charge to polluters, where they can be identified and charged.			Up to 100%
Flood Protection	Flood Protection - Understanding flood risk	Apply charges to territorial authorities and other beneficiaries wherever practicable			100%
	Flood Protection - Maintaining flood protection and control works			The balance of costs (i.e., to 100%) met via targeted rates on the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the economic catchment area. * Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs.	Up to 50%
	Flood Protection - Improving flood security				
Parks	Parks	10% for organised events, farming and other leases, license fees, other added value services.			

SIGNIFICANCE AND ENGAGEMENT POLICY

Purpose

This policy lets you know how you can be engaged in Greater Wellington’s decision-making processes. It sets out Greater Wellington’s general approach to identifying the significance of decisions¹ and our approach to engaging with the community. This policy is also a guide for elected members and Greater Wellington staff as to the level and form of engagement that may be required from the start of a decision making process.

Our general approach

- a. It is important for Greater Wellington to engage with the community so that we understand the views of the people who are likely to be affected by a decision.
- b. Greater Wellington will consider the significance of a decision, and the level and type of engagement required, early in any decision making process, and review it if necessary over time.
- c. The level of engagement with the community will reflect the significance of the decision.

Determining significance

- d. Greater Wellington will determine the degree of significance on a case by case basis by considering the extent to which the matter has:
 1. **Importance to the region** – the impact of the decision on the current and future wellbeing of the region
 2. **Community interest** – the extent to which individuals, whanau, hapū and iwi, organisations, groups and sectors within the community are particularly interested in, or affected by, the decision and any history of public concern
 3. **Consistency with existing Greater Wellington policy and strategy** – the extent of inconsistency and the likely impact
 4. **Impacts on the Greater Wellington capability and capacity** – the impact on the objectives set out in the Financial Strategy, Long Term Plan and Annual Plan.
- e. The criteria are of equal weight and will be considered as a whole: not in isolation.
- f. Greater Wellington will consider a decision to be significant if it is assessed to:
 - Have a high degree of significance (based on an assessment of the factors set out in d. above); or,
 - It meets any one or more of the following criteria:
 - The proposal substantially affects Greater Wellington’s ability to deliver the levels of service for any significant activity
 - The proposal results in the transfer of ownership or control of a strategic asset as defined by the Act or listed in this policy (see Schedule 1).

¹ In this policy we use the term ‘decision’ to cover proposals and decisions in relation to issues, assets, activities, and other matters.

- g. Council officers will use decision-making guidelines to assist them to provide advice to Greater Wellington on the significance of decisions².

Engagement

- h. All consultation will be carried out in accordance with the consultation principles set out in the Local Government Act 2002 and the Community Engagement Approach set out in Schedule 2.
- i. Greater Wellington will consult using the manner prescribed by law when this is required.
- j. When not required by law to consult on a decision, the need for consultation and the appropriate level and form of engagement will be assessed and determined on a case by case basis.
- k. In general, the more significant the issue the greater the need for community engagement.
- l. Decisions that are consistent with Greater Wellington's Long Term Plan or another policy or plan that has been subject to consultation required by legislation will not usually require further engagement.
- m. Greater Wellington's officers will refer to the Community Engagement Approach set out in Schedule 2 and any relevant guidelines³ to assist them to provide advice to the Greater Wellington on the level and form of engagement required for a decision, and community preferences.
- n. Greater Wellington has appropriate processes in place for engaging with Māori. This includes processes to:
- Support our partnerships with mana whenua, as set out in the Memorandum of Partnership 2013
 - Fulfil statutory requirements to consult with mana whenua (such as under the Resource Management Act 1991)
 - Enable taura here⁴ to participate in issues of interest to the regional community⁵.

Reporting

- o. Every report to Greater Wellington (or its committees) that seeks a decision will include a statement of the significance of the decision and any engagement that is proposed or has been undertaken, assessed under this policy and any other relevant guidelines⁶.
- p. When Greater Wellington makes a decision that is significantly inconsistent with this policy, the steps identified in Section 80 of the Local Government Act 2002 will be followed.

² Greater Wellington Regional Council 'Decision Making processes and guidelines' 2013

³ Greater Wellington Regional Council 'Decision Making processes and guidelines' 2013, Greater Wellington Regional Council 'Community Engagement Strategy' 2015, and Greater Wellington Regional Council 'Community Engagement Toolbox' 2015.

⁴ Taura here, also known as matāwaka, refers to Māori who live in the Wellington region but are not affiliated to the iwi or groups holding mana whenua status here.

⁵ Greater Wellington Regional Council 'Maori Partnership Framework' 2017

⁶ Greater Wellington Regional Council 'Decision Making processes and guidelines' 2013, Greater Wellington Regional Council 'Community Engagement Strategy' 2015, and Greater Wellington Regional Council 'Community Engagement Toolbox' 2015.

Feedback

- q. Greater Wellington will provide information about our final decision in a form appropriate to the significance of that decision and the level and form of the engagement already undertaken.

Schedule 1 - Strategic Assets

Section 5 of the Local Government Act defines “strategic asset” as any of the following:

- a) any asset or group of assets listed in accordance with section 76AA(3) by the local authority; and
- b) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and
- c) any equity securities held by the local authority in—
 - i. a port company within the meaning of the Port Companies Act 1988;
 - ii. an airport company within the meaning of the Airport Authorities Act 1966

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.

A decision to transfer ownership or control of a strategic asset cannot be made unless it has first been included in the Long-Term Plan (and in a statement of proposal relating to the Long-Term Plan).

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.

Schedule 2 – Community Engagement Approach

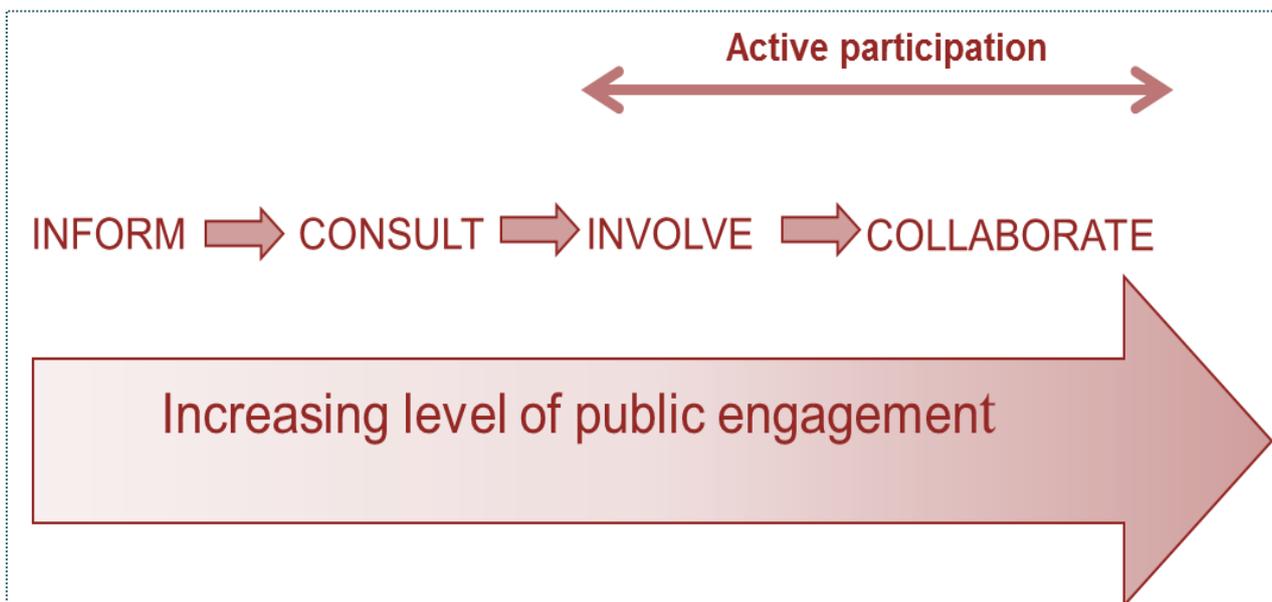
Once we have determined the level of significance of a decision, there are two important steps in deciding how we will engage with the community on an issue.

1. Establish the level of engagement required, and then
2. Consider the methods for engagement

Step 1 – Establish the level of engagement required

To ensure that we engage with communities at the right level, we work with an engagement spectrum⁷. Differing levels of engagement may be required during the varying phases of decision-making on an issue, and for different stakeholders. In general, the more significance, the greater the need for community engagement.

This spectrum has an increasing level of public participation: from ‘informing’ through to ‘collaborating’. ‘Informing’ stakeholders is a one way process of providing information, whereas ‘collaboration’ with stakeholders implies an increase in public participation in, and impact on, decision making.



We will consider how much engagement is necessary to understand the community’s views before a decision is made, and the extent to which engagement can influence the decision (in some cases options may be limited by legislation or other factors).

Using the engagement spectrum as a basis, we will consider the levels of engagement depending on whether or not:

1. A decision is of no significance and there may be a very small group of people affected by, or with an interest in the decision. They may need to be informed about the issue or decision.

⁷ Adapted from work of the International Association for Public Participation

2. The decision is important to only a relatively small group of people or is of low impact to many. They should be **informed** about the issue, alternatives and options and may be **consulted** so that their views, aspirations, and any alternative options are understood and considered.
3. The decision is important to a small group of affected people, and may be of interest to the wider community. They may be **informed, consulted** and/or **involved** so that they can contribute to analysis, options, or decisions.
4. For decisions of higher significance, the council may elect to **collaborate**, or partner, with a community in any aspect of a decision including the development of alternative options and identification of preferred solutions. This is more likely to occur where there is a distinct group of people particularly affected or interested.

The table below provides information on the characteristics of the different levels of engagement and examples of when we might use them:

Table 1 – Characteristics and examples of different levels of engagement

Inform	Consult	Active participation	
		Involve	Collaborate
Characteristics One-way communication providing information that is accurate, relevant and easy to understand about something that is going to happen or has happened.	Characteristics Two-way process designed to obtain public feedback about issues and proposals initiated and defined by GWRC to inform decision-making.	Characteristics Two-way participatory process which involves working directly with community members. Participants have opportunity to actively identify issues and options to ensure that their concerns and aspirations are understood and considered prior to decision-making.	Characteristics Working in partnership with the community in each aspect of the decision-making process, to ensure understanding of all issues and interests and develop alternatives and identify preferred solutions.
Example – Issue: Household emergency plans and preparedness Tools: Leaflets, local newspaper articles, website information When: Following the development of information and guidance	Example – <i>Issue: Annual Plan</i> <i>Tools: Submissions and hearings process</i> <i>When: When a draft Plan has been developed</i>	Example – <i>Issue: Parks Network Plan amendments</i> <i>Tools: Focus groups and online discussion forum to identify issues and develop options.</i> <i>When: At an early stage, prior to a draft plan being developed.</i>	Example – <i>Issue: Regional Plan development</i> <i>Tools: Whaitua Committee approach – form of community advisory committees</i> <i>When: Regularly throughout the process</i>

Step 2 – Consider the methods for engagement

Once we have established the right level of engagement on an issue, we can consider how we will engage with the community.

How does the community want to engage with Council?

In October 2017 we asked members of the community about how they would like to engage with Greater Wellington⁸. They told us that engaging online was the most preferred option for both major and smaller initiatives/decisions. This preference was regardless of age, gender, ratepayer status and location within the region.

Respondents were asked to rank how they preferred to be consulted by Greater Wellington Regional Council on initiatives and decisions.

Preferences ranked from most preferred to least were:

1. Participating in online surveys, discussion forums, or other online tools
2. Attending information sessions with experts
3. Blog or email notification
4. Completing a submission, followed by an option for a meeting
5. Viewing public meetings or information sessions live via the internet and participating online
6. Attending local community meetings
7. Participating in focus groups
8. Participating in co-design activities
9. Participating in community committees
10. Through an App
11. Attending public meetings

We will have regard to these preferences when considering the appropriate engagement method for a particular matter.

Possible methods for engagement

We have many options for how we communicate and work with the community. The council will select the methods that it considers appropriate after considering criteria such as:

- Who is affected
- The significance of the matter
- The community's preferences for engagement
- What information already exists on community views
- The circumstances surrounding the decision

We will ensure the community is provided with all the information required to engage effectively and make an informed decision. When we engage we will let people know:

⁸ We asked members of our Citizen's Panel to answer questions about how they prefer to engage with Council.

- What is proposed
- Why
- What options we have
- Our preferred option and why
- Costs and rating impact if any
- How the community can have a say
- The timeframe and process
- How we will communicate the outcome

Here are some examples of the differing levels of engagement and the types of tools and methods that may be used at each level of engagement.

Table 2: Examples of possible engagement methods

COMMUNITY ENGAGEMENT METHODS	SIGNIFICANCE		
	Low	Med	High
1. Informing <ul style="list-style-type: none"> • Posters, newsletters, postcards, advertising and publications • Local newspaper press releases, publications, radio and TV interviews • Public meetings, open days, exhibitions • Website or email updates • Social media updates via Twitter, Facebook, podcasts 			
2. Consulting <ul style="list-style-type: none"> • Submissions and hearings processes • Surveys, feedback form, polls • Interviews • Citizens panels, focus groups • Public meetings or surgeries 			
3. Involving <ul style="list-style-type: none"> • Meetings and workshops with interested parties to identify issues and shape options • Public visioning events, ideas competitions • Consensus conference (questioning experts before making recommendation) • Workshops, roadshows, world café • Online discussion forums • Citizens' juries and panels 			
4. Collaborating <ul style="list-style-type: none"> • Community advisory committee • Consensus building and participatory decision making forums 			

Schedule 3 – Definitions

Community	<p>A group of people living in the same place or having a particular interest in common. This includes:</p> <ul style="list-style-type: none"> • Communities of place (towns, suburbs, neighbourhoods) • Communities of interest (special interest groups).
Decisions	<p>Refers to all the decisions made by or on behalf of Council including those made by officers under delegation.</p>
Engagement	<p>Community engagement is the process of ensuring that communities of people within our region are able to be involved through a range of mechanisms in the planning, development and delivery of programmes and services affecting their communities. It includes the provision of timely, accessible and complete information; appropriate forms of consultation; and enabling communities to actively participate in influencing decision-making and service delivery where applicable.</p>
Significance	<p>As defined in Section 5 of the LGA2002 “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 matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for,—</p> <ul style="list-style-type: none"> (a) the district or region: (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter: (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so
Significant	<p>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</p>
Strategic asset	<p>As defined in Section 5 of the LGA2002 “in relation to the assets held by a local authority, means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community; and includes—</p> <ul style="list-style-type: none"> (a) any asset or group of assets listed in accordance with section 76AA(3) by the local authority; and (b) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and (c) any equity securities held by the local authority in— <ul style="list-style-type: none"> (i) a port company within the meaning of the Port Companies Act 1988: (ii) an airport company within the meaning of the Airport Authorities Act 1966”

TREASURY RISK MANAGEMENT POLICY, INCLUDING LIABILITY MANAGEMENT AND INVESTMENTS POLICIES

1. 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 the 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 the Greater Wellington
- The Council’s risk-bearing ability and tolerance levels
- Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on 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

2. 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 Greater Wellington 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 the Council

2.3 Objectives

Statutory objectives

All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy. Greater Wellington is governed by the following relevant legislation:

- Local Government Act 2002, in particular Part 6 including sections 101,102, 104 and 105
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4
- Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments
- All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning process, or resolution of Greater Wellington before the borrowing is effected
- All legal documentation in respect to external borrowing and financial instruments will be approved by Greater Wellington’s solicitors prior to the transaction being executed
- 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 achievable by Greater Wellington itself
- A resolution of Greater Wellington is not 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

General 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, Greater Wellington 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, LGFA, credit rating agencies, investors and investment counterparties
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.5 of this policy
- Keep Greater Wellington abreast of macro-economic trends

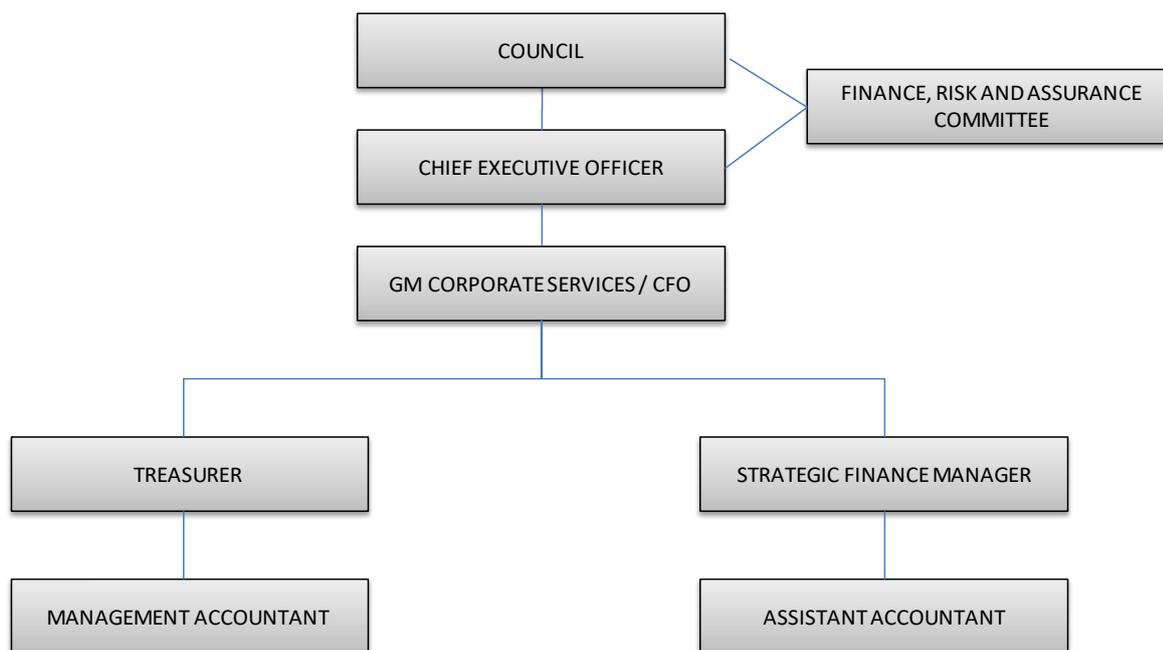
2.4 Policy exclusion

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

3. Management responsibilities

3.1 Overview of management structure

All of 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

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

Greater Wellington 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, Greater Wellington has responsibility for:

- Approving the long-term financial position of the Council through the Long Term Plan 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), GM Corporate Services/CFO (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

Greater Wellington 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 will be gained by the CFO for any transactions falling outside policy guidelines

3.3 Finance, Risk and Assurance Committee

Finance, Risk and Assurance has the following responsibilities:

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

Finance, Risk and 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 Greater Wellington 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 Greater Wellington 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. Greater Wellington formally delegates to the CEO the following responsibilities:

- Ensuring Greater Wellington 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 GM Corporate Services/CFO (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Management responsibility for borrowing and investment activities
- Recommending policy changes to Finance, Risk and Assurance for evaluation
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls
- Approving new borrowing undertaken in line with Greater Wellington 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 the Long Term Plan to Finance, Risk and Assurance for consideration and submission to Greater Wellington
- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to Finance, Risk and 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 Strategic Finance Manager
- 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
- Managing the organisations exposure and statutory requirements in relation to the holding, acquiring or disposing of Carbon Credits
- To sign Debenture Stock and Security Stock certificates in relation to Greater Wellington's Debenture Trust Deed, in compliance with sections 112 and 118 of the Local Government Act 2002

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 and managing relationships with financial institutions including the Local Government Funding Agency (LGFA)
- 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 Finance, Risk and Assurance as appropriate
- Negotiating bank funding facilities and managing bank and other financial institution relationships
- Executing treasury transactions in accordance with set limits
- Entering in to FX transactions to cover foreign currency liabilities
- Entering into FX hedging transactions in accordance with the section in this policy on Foreign Exchange risk

- 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 Strategic Finance Manager
- 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
- 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 Strategic Finance Manager, (SFM)

The CFO formally delegates the following responsibilities to the SFM, 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	Greater Wellington	Unlimited
Borrowing new debt	Greater Wellington CEO (delegated by Greater Wellington) CFO (delegated by Greater Wellington)	Unlimited (subject to legislative and other regulatory limitations) Subject to Greater Wellington Resolution and policy
Signing Stock/Debenture Issuance Certificate – As per the Debenture Trust Deed	CEO	As per the Annual Council Plan to meet lenders requirements
Acquiring and disposing of investments other than financial investments	Greater Wellington	Unlimited
Approving charging assets as security over borrowing	Greater Wellington	Subject to terms of the Debenture Trust Deed
Overall day-to-day risk management	CEO (delegated by Greater Wellington) CFO (delegated by Greater Wellington)	Subject to policy
Re-financing existing debt	CEO (delegated by Greater Wellington) CFO (delegated by Greater Wellington)	Subject to policy
Approving transactions outside policy	Greater Wellington	Unlimited
Acquiring and disposing of Carbon credits	CFO (delegated by Greater Wellington)	\$5 million any one transaction
Adjusting net debt or net investment interest rate risk profile	Treasurer	Per risk control limits
Managing investments and 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	Greater Wellington CEO (delegated by Greater Wellington) CFO (delegated by Greater Wellington) Treasurer (delegated by Greater Wellington)	Unlimited \$75 million \$50 million \$30 million
Authorising lists of signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/CFO	Unlimited

Reviewing the Treasury Management Policy every 3 years	Finance, Risk and Assurance	N/A
Ensuring compliance with Policy	CFO	N/A
Signing of LGFA new Debt confirmations	Treasurer /CFO	N/A
Signing of derivative confirmations	Treasurer & CFO	N/A

4. 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.

4.1 New Zealand Local Government Funding Agency (LGFA)

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

4.2 Debt ratios and limits

Debt will be managed within limits in the following table, that are consistent with those used by the LGFA.

Ratio	
Net interest / Total revenue	<20%
Net debt /Total Revenue	<250%
Net interest / Annual rates and levies (debt secured under debenture)	<30%
Liquidity (external debt + committed loan facilities + liquid investments to total external debt)	>110%

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

Revenue excludes non-government capital contributions (e.g. developer contributions and vested assets)

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

Liquid investments are financial assets defined as being:

- Overnight bank cash deposits
- Wholesale/retail bank term deposits no greater than 30 days
- Bank issued RCD's less than 181 days
- Allowable fixed income bonds as per approved investment instruments (applying 85% of face value)
- Wholesale/ retail bank term deposits linked to pre funding of maturing term debt exposures
- For internal covenant purposes Disaster recovery/Contingency funds shall not be used as liquid investments in the Liquidity calculation as they are not intended to be used for every day liquidity purposes

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.

Financial covenants are measured on Greater Wellington only not consolidated group. Should the LGFA change its methodology then that calculation shall prevail.

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

4.3 Security and charges

Greater Wellington borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over Greater Wellington's rates and rates revenue. A DTD was entered into during 2011 as part of Greater Wellington's initiative and requirements to borrow funds from the LGFA.

A Trustee has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Greater Wellington approval, security may be offered by providing a security interest in one or more of Greater Wellington'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 (e.g. through a finance lease, or some form of project finance)
- Greater Wellington considers a security interest or security in the physical assets to be appropriate

In addition, Greater Wellington 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.

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

5. 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 the Greater Wellington's Long Term Plan
- 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 percent), which owns 76.9 percent of CentrePort Ltd (CentrePort)
- Pringle House Ltd (100 percent), Greater Wellington Rail 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

5.2.3 New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Policy, Greater Wellington 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.

Greater Wellington's objective in making any such investment will be to:

- (a) Obtain a return on the investment; and
- (b) Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for Greater Wellington

Because of this dual objective, Greater Wellington 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, Greater Wellington may also subscribe for uncalled capital in the LGFA.

5.2.4 Other Investments

Greater Wellington's other investments are:

- CentrePort
- Forestry investments

- Stadium advance
- Liquid financial investments.
- Contingency funds

CentrePort

Greater Wellington, through Port Investments Ltd (PIL), owns 76.9 percent 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
- Greater Wellington 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

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). Greater Wellington has sold its cutting rights to its forestry investments for a period of up to 60 years.

Stadium advance

The Council 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.

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, Greater Wellington 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.

Contingency Funds

Greater Wellington currently has monies set aside in liquid funds that may be used when an event occurs such that the funds are required by the business.

From time to time Greater Wellington may set aside funds for such contingency purposes, which will be held in a readily available form.

5.2.5 Special Funds and Reserve Funds

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

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

5.3 Investments in fossil fuels

Greater Wellington has a policy to divest from any direct investment in fossil fuel extraction industries and investigate existing non direct investment with a view to preventing future investment where practical.

6. 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 Long Term Plan.

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 Greater Wellington. Approved interest rate instruments are:

Category	Instrument
Cash management and borrowing	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
Investments	Short-term bank deposits Bank bills Bank registered certificates of deposit Local authority stock or State-owned Enterprise (SOE) bonds and FRNs Corporate/bank senior bonds Floating Rate Notes Promissory notes/Commercial paper Redeemable Preference Shares (RPS) LGFA borrower notes
Interest rate risk management	Forward rate agreements (FRAs) on: <ul style="list-style-type: none"> • Bank bills Interest rate swaps including: <ul style="list-style-type: none"> • Forward start swaps • Amortising swaps (whereby notional principal amount reduces) • Swap extensions and shortenings Interest rate options on: <ul style="list-style-type: none"> • Bank bills (purchased caps and one-for-one collars)

	<ul style="list-style-type: none"> • Interest rate swaptions (purchased and one-for-one collars only)
Foreign exchange risk management	<ul style="list-style-type: none"> • Foreign currency deposits • Purchased currency options • Collars (one-for-one) • Forward foreign exchange contracts

Any other financial instrument must be specifically approved by Greater Wellington 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 Limit

Interest rate exposure

Exposure to interest rate risk is managed and mitigated through the controls below where:

“Debt” is all external debt (existing and forecast) including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding Centreport Limited debt.

“Fixed Rate Debt” is all debt or swaps repricing beyond one year that is fixed rate plus all floating rate debt swapped to a fixed rate maturing beyond one year. Any debt or swap maturing within one year is defined as floating.

“Floating Rate Debt” is defined as an interest rate re-pricing within 12 months. This includes FRN’s with a maturity date beyond one year that are not swapped to fixed rate. Floating Rate debt may be spread over any maturity out to 12 months.

Fixed rate debt must be within the following repricing bands:

Debt Interest Rate Policy Parameters					
(calculated on rolling monthly basis)					
Debt Period Ending	Debt Amount	Minimum Fixed	Maximum Fixed	Actual Fixed	Compliant (Y/N)
Current		50%	95%		
Year 1		45%	95%		
Year 2		40%	90%		
Year 3		35%	85%		
Year 4		30%	80%		
Year 5		25%	75%		
Year 6		15%	70%		
Year 7		0%	65%		
Year 8		0%	60%		
Year 9		0%	55%		
Year 10		0%	50%		
Year 11		0%	50%		
Year 12		0%	50%		
Year 13		0%	50%		
Year 14		0%	50%		
Year 15		0%	50%		
Year 16*		0%	50%		

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval Greater Wellington.

* Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 16 years, based on anticipated future interest rate movements. The exception to this will be if LGFA introduce funding terms exceeding 16 years; in this event, management can position the interest rate portfolio to maturities that match LGFA funding terms.

- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”
- Purchased borrower swaptions must mature within 36 months
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation
- The forward start period on swap/collar strategies is to be no more than 24 months, unless the forward starting swap/collar starts on the expiry date of an existing fixed

interest rate instrument (i.e. either derivative or fixed rate borrowings) and has a notional amount which is no more than that of the existing fixed interest rate instrument

Risk management

Instruments

Dealing in interest rate products must be limited to financial instruments approved by Greater Wellington.

Current approved interest rate instruments are as follows:

Category	Instrument
Cash management and borrowing	<ul style="list-style-type: none"> • 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) • Commercial paper (CP) • New Zealand dollar denominated private placements • Retail bond and FRN • Bank term deposits linked to pre funding maturing debt
Interest rate risk management	<ul style="list-style-type: none"> • Forward rate agreements (FRAs) on: <ul style="list-style-type: none"> - Bank bills • Interest rate swaps including: <ul style="list-style-type: none"> - Forward start swaps - Amortising swaps (whereby notional principal amount reduces) - Swap extensions and shortenings • Interest rate options on: <ul style="list-style-type: none"> - Bank bills (purchased caps and one-for-one collars) - Interest rate swaptions (purchased and one-for-one collars only)

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

All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded:

- Structured debt where issuing entities are not a primary borrower/ issuer

- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles

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.

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 is greater than or equal to 110 percent 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:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 6 years	15%	60%
6 years plus	0%*	60%

- A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Greater Wellington
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33 percent of a Council’s borrowings from the LGFA will mature in any 12-month period

* When total external debt exceeds \$400 million this minimum will increase to 10 percent.

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

Greater Wellington may prefund its forecasted debt requirements up to 18 months in advance including the re-financing of existing debt maturities. Debt refinancings that have been prefunded, will remain included within the funding maturity profile until their maturity date.

6.2.3 Commercial Paper

Commercial Paper⁹ (CP) should not be issued to fund core term debt requirements unless there are bank standby, committed bank or committed undrawn lending facilities that are available to cover any outstanding CP. As a result any undrawn credit lines to cover maturing CP do not count as excess liquidity.

Nevertheless the coverage of CP by back-up facilities is a Credit Rating Agency requirement, and Greater Wellington will adhere to the requirements of the rating agencies in the first instance.

The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, known or contracted cashflows are used to repay the CP on maturity.

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 Greater Wellington. Treasury related transactions will only be entered into with organisations 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.

⁹ Commercial Paper is a promissory note, akin to a post-dated cheque. It is colloquially known as one name paper issued by a non-bank borrower, as distinct from bank paper, or a bankers acceptance which has two or more names (parties) who are liable to honour the debt on maturity if the acceptor (banks) fails to.

Issuer / counterparty	Instruments	Minimum credit rating (short-term / long-term)	Maximum exposure per counterparty(NZD) % of rates revenue	Maximum exposure per counterparty grouping as a % of rates revenue
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	unlimited	100%
RBNZ registered banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1+ / AA-	60%	100%
		A1+ / A+	40%	
		A1 / A	25%	
		A1 / A-	15%	
Offshore banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1 / A	15%	75%
Local Government Funding Agency	Borrower notes	n/a	60%	60%
Local authorities – rated	Local authority bonds, CP	A1+ / AA-	20%	20%
Local authorities - non rated	Local authority bonds, CP	n/a	10%	10%
Other issuers including state owned enterprises, listed and unlisted companies	Commercial paper, corporate bonds	A1+ / AA-	5%	10%
		A1 / A-	5%	5%

- Current counterparty credit ratings will be reviewed and monitored monthly
- The definition of rates revenue includes water levy

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

- Financial investments (e.g. deposits, bonds) -100 percent of the principal value
- Interest Rate Risk Management* (e.g. swaps, FRAs) – Any positive month-end mark to market value (as provided by the treasury management system) plus: 3 percent of the notional principal for all interest rate hedging instruments.
- Foreign Exchange instruments* (e.g. Forward Exchange Contracts) – Any positive month-end mark to market value (as provided by the treasury management system) plus 30 percent of the notional value of the instrument.

** Greater Wellington will not net off marked to market values against counterparties. Only positive marked to market values (from Greater Wellington's perspective) will contribute to the*

counterparty calculation. Negative marked to market values will always have a value of zero for counterparty calculation purposes.

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

The above limits may be amended by Council, especially in the case where the NZ Government credit rating is changed.

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 Greater Wellington.

6.4 CentrePort Debt and Guaranteeing Debt

Greater Wellington, through its wholly owned CCO WRC Holdings Limited, is a 77 percent owner of the Port Company CentrePort Limited. Greater Wellington has guaranteed the debt obligations of CentrePort as it is a strategic regional asset of the ratepayers.

Greater Wellington, by providing a guarantee, formally recognises this relationship and as a result means CentrePort can borrow funds at a similar cost to Greater Wellington. This is cheaper than borrowing on its own, ultimately resulting in a financial benefit to the rate payers.

From time to time Greater Wellington will guarantee these obligations, given that the level of CentrePort's debt varies over time and the lenders to CentrePort may also change.

Greater Wellington may lend funds directly to CentrePort when it believes that there is further benefit to be given to the ratepayer.

6.5 Foreign exchange risk

6.5.1 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 Greater Wellington. There is a risk that the net New Zealand dollar cost could increase substantially between the time the expenditure is approved by Greater Wellington 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.

6.5.2 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 Greater Wellington – (Medium Probability)		Maximum 50%
2. Specific item approved – (High probability)		Maximum 100%
3. Contract/ order confirmed – (Undoubted Risk)	Minimum 100%	

6.5.3 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 determining a suitable foreign exchange rate to use in the calculation of budgets for procurement purposes, a purchased NZD Put Option, at the market forward rate to the middle of the budgeted financial year is used. The all-up premium cost in dollar terms of the option expressed in foreign exchange points is subtracted from the market forward rate to provide the appropriate budget rate to be used.

6.6 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.

6.6.1 Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by Greater Wellington.

6.6.2 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 SFM 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.

6.6.3 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 Greater Wellington.
- 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 SFM 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 SFM 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 SFM. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to Greater Wellington 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 SFM.

6.7 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.

6.7.1 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 Greater Wellington.

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
- ASB/CBA Bank
- Westpac
- Kiwibank

6.7.2 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.

6.8 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 Greater Wellington 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 Greater Wellington on a quarterly basis
- 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.

6.9 Electricity hedging

Wholesale electricity spot market price risk will be considered for risk management by Greater Wellington. Management is aware of the inherent price volatility of the electricity spot market. To this end, the Council has delegated to the CEO the power to enter into price hedges with the following conditions:

- An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference or a futures contract.
- The notional value of the hedge contract will be in New Zealand dollars.
- The hedge contract will be for a maximum duration of no more than three years, and will be signed no earlier than 12 months prior to contract commencement.
- The expiry of any hedge contract will be no more than four years.
- For any given reporting year, the hedge volume will be between 85 percent and 115 percent of the expected actual consumption. The hedge ratio will be monitored and reported annually.
- The credit rating of the hedge counter-party will be at least investment grade from Standard and Poor's at the time of entering into the contract (i.e., a long-term rating of not less than BBB-). In the event of the rating falling below this, Greater Wellington would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to Greater Wellington. If the preferred hedge counter-party does not have an external credit rating with Standard & Poor's the GM Corporate Services/CFO may review the financial position of the proposed counter-party and provide a recommendation for approval by the Chief Executive.

7. 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 Finance, Risk and Assurance on a quarterly 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. 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 cashflows 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. Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and interest rate instruments 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	SFM	CFO
Borrowing limits	Monthly	Treasurer	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
Treasury investments	Monthly	Treasurer	CFO
Summary Treasury Report	Monthly Quarterly	Treasurer	CFO Finance, Risk and Assurance / Council
Bi Annual Treasury Strategy Paper	Bi-annually	Treasurer	CFO CEO / Finance, Risk and Assurance
Limits Report	Daily on exceptions Quarterly	SFM	Treasurer Finance, Risk and Assurance
Debt Maturity Profile	Quarterly	Treasurer	Finance, Risk and Assurance / Council
Statement of Public Debt	Quarterly	Treasurer	Finance, Risk and Assurance / Council
Revaluation of financial instruments	Quarterly	Treasurer	CFO

9.2 Accounting treatment of financial instruments

Greater Wellington uses financial arrangements (“derivatives”) for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Greater Wellington’s accounting treatment of derivatives in a broad sense.

Under NZ IPSAS changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

Greater Wellington’s principal objective is to actively manage Greater Wellington’s interest rate risks within approved limits and chooses not to hedge account. Greater Wellington

accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's annual accounts.

The Treasurer is responsible for advising the Chief Financial Officer of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.

All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

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 Finance, Risk and 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 Finance, Risk and Assurance within five months of the financial year-end. Finance, Risk and Assurance will approve any resulting policy changes.

RATES REMISSION AND POSTPONEMENT POLICIES

Remission and postponement of penalties

Objective

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

Criteria and conditions

Greater Wellington will consider each application on its merit. Remission of penalties may be granted or postponement of penalties will be granted where it is considered that the application meets the following criteria and conditions.

Criteria

- 1) Upon receipt of an application from the ratepayer, or if identified by Greater Wellington, Greater Wellington may remit or will postpone all or part of a penalty where it considers that it is fair and equitable to do so. The following matters will be taken into consideration by Greater Wellington:
 - 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.

Conditions

- 1) The ratepayer must enter into an agreement with Greater Wellington for the payment of postponed penalties.

Decisions

Decisions on the remission or postponement of penalties are delegated to Greater Wellington officers. All delegations are recorded in the delegations manual.

Rates postponement

Objective

To enable Greater Wellington to postpone the payment of rates.

Criteria and conditions

Greater Wellington will consider each application on its merit and postponement will be granted where it is considered that the application meets the following criteria and conditions.

Criteria

Greater Wellington will postpone rates when the following circumstances are met:

- a) A territorial authority in the Wellington region has postponed some or all of the territorial authority rates for the rating unit in the current rating year AND/OR
- b) The ratepayer is experiencing extreme financial hardship.

Conditions

- 1) Applications for postponements must be made to Greater Wellington in writing and contain supporting information demonstrating compliance with criteria.
- 2) Approval of rates postponements is for one year only. Applicants must reapply annually for a postponement.
- 3) The postponement of rates is a last resort and will be considered only after all other avenues to meet rates commitments have been exhausted.
- 4) 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 in accordance with section 90 of the Local Government (Rating) Act 2002.
- 5) A fee may be charged in arrears on rates postponed, in accordance with section 88 of the Local Government (Rating) Act 2002.
- 6) The applicant may choose to postpone the payment of a lesser amount of rates than the full amount that they would be entitled to postpone under this policy.

Decisions

Decisions on the postponement of rates are delegated to Greater Wellington Regional Council officers. All delegations are recorded in the delegations manual.

Remission and postponement of rates on Māori freehold land

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is subject to such an order may qualify for remission or postponement under this policy.

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 Regional Council and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectable.
- 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.

Criteria and conditions

Greater Wellington will consider each application on its merit. Remission of rates may be granted or postponement of rates will be granted where it is considered that the application meets the following criteria and conditions.

Criteria

- 1) Greater Wellington will give a remission or postponement of up to 100 percent 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 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.

Conditions

- 1) Application for a remission or postponement under this policy must be made in writing and should be made 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 applications 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
 - c. Supporting information to demonstrate that the remission or postponement will help achieve the criteria set out in the above section.
- 3) Greater Wellington may of its own volition investigate and grant remission or postponement of all or part of the rates (including penalties for unpaid 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) The applicant may choose to remit or postpone the payment of a lesser amount of rates than the full amount owing.

Decisions

Decisions on the remission and postponement of rates (including penalties for unpaid rates) on Māori freehold land are delegated to Greater Wellington officers. All delegations are recorded in the delegations manual.

Remission of rates in special circumstances

Objective

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

Criteria and conditions

Greater Wellington will consider each application on its merit and remission may be granted where it is considered that the application meets the following criteria and conditions.

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.

Conditions

- 1) Each request for a remission of rates in special circumstances shall be considered on its merits and any decision on such a request shall be deemed to not set a precedent for any future decision under this policy.
- 2) A remission under this policy will last for one rating year only. Applicants must reapply annually for a remission.
- 3) No application under this policy will be backdated beyond the current rating year.
- 4) 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.
- 5) Greater Wellington 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.
- 6) 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 \$500.

Decisions on the remission of rates in special circumstances where the amount requested is \$500 or less are delegated to Greater Wellington officers. All delegations are recorded in the delegations manual.

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.

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