greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Greater Wellington Regional Council

10 YEAR PLAN 2015-25

POLICIES

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1. REVENUE AND FINANCING POLICY

Overview

This Revenue and Financing Policy is prepared in accordance with Sections 102 and 103 of the Local Government Act 2002 (LGA) and sets out how the Greater Wellington Regional Council (GWRC) intends to fund its operating and capital expenditure.

In developing this policy, the Council has considered those matters set out in section 101(3) of the LGA in relation to all of its planned activities.

GWRC is permitted to use the funding mechanisms set out in Section 103(2) of the Local Government Act 2002. This section allows the following funding mechanisms to be used when funding operating and capital expenditure:

- General rates
- Targeted rates
- Grants and subsidies
- Interest and dividends from investments
- Fees, charges and other operating revenue
- Lump sum contributions
- Borrowings
- Proceeds from asset sales
- Development or financial contributions
- Any other source (including reserves)

Approach to rating

GWRC seeks to achieve a rating system that is fair, transparent, and simple, provides flexibility to respond to future needs, reflects the principle of user pays, and takes account of ability to pay.

In addition, GWRC's approach to rating is to:

- Provide GWRC with sufficient income to carry out the range of activities it has agreed with the community
- Provide a consistent approach to different categories of ratepayer across the region
- Ensure that all ratepayers contribute as fairly as possible to fund GWRC services.

GWRC is required to make decisions about the following in respect of general rates:

- Valuation system
- Differential rates
- Uniform Annual General Charge

Valuation system

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

Differential rates

Rating differentials can be used to shift the incidence of rating between sectors or groups of ratepayers. GWRC does not use rating differentials for general rates.

Uniform Annual General Charge (UAGC)

The Local Government (Rating) Act 2002 allows councils to collect up to 30% of their total rates requirement through flat rates charges, one of which is known as the Uniform Annual General Charge (UAGC). UAGC is a fixed amount per rating unit applied to all rating units regardless of property value. The purpose of a UAGC is to recognise services that provide benefits to all ratepayers equally and therefore warrant a per ratepayer charge instead of one based on capital or land value. UAGC’s will usually impact the lowest income earners the most. As the range of activities GWRC funds via general rates predominately benefits property rather than people GWRC does not use a UAGC.

Funding of operating expenditure

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

Funding of capital expenditure

GWRC primarily funds capital expenditure from borrowings, proceeds from asset sales and the use of reserves (sources other than operating revenue). However, operating revenue is used to fund interest on debt, as well as to repay debt principal.

GWRC has large infrastructural assets with long economic lives that yield long-term benefits (particularly water supply, flood protection and rail rolling stock). It also has strategic investment holdings. The use of debt is seen as an appropriate and efficient mechanism for promoting inter-generational equity between current and future ratepayers in relation to GWRC’s assets and investments and ensuring annual rates and charges are set at a level to pay for the underlying assets used in service delivery.

There may be circumstances where GWRC considers funding capital expenditure from operating revenue. These are considered on a case by case basis.

Funding mechanisms

GWRC has two main types of funding mechanisms available to fund expenditure:

- Operating revenue
- Other funding sources

Operating revenue

General rate

General rates are set to fund activities that reflect "public good" with a broad whole of region benefit. They are distinct from targeted rates, which are intended to recover costs of particular activities that benefit particular groups. General rates fund activities such as:

- Resource management
- Land management
- Biodiversity management
- Pest management
- Harbour management
- Parks planning
- Parks visitor services
- Understanding flood risk
- Maintaining flood protection and control works
- Improving flood security
- Emergency management
- Democratic services
- Relationship with mana whenua
- Regional transport planning and programmes
- Climate change planning and activities
- Regional initiatives

GWRC's general rates requirement is reduced by revenue generated from investment and treasury activities.

General rates are 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. GWRC does not charge general rates on a differential basis, nor does it charge a Uniform Annual General Charge.

Targeted rates

(a) Public Transport rate

The transport rate funds GWRC's net expenditure (after deducting fare and Central Government contributions) for the region's public transport services, including public transport operations, infrastructure and marketing activities. This rate is apportioned principally on the basis of a surrogate congestion charge. The transport rate to be recovered from each territorial authority area is set on the basis of capital values.

(b) River management rates

River management rates are set in Lower Hutt, Upper Hutt, Porirua and Wellington cities, and Kapiti Coast and Carterton districts, Greytown ward, and Featherston urban rating areas. River management rates are allocated on a capital or land value basis on all rateable land within the defined boundaries. The river management rates fund local community contributions to river maintenance and flood protection improvements. There is also a region-wide contribution from the general rate.

(c) Stadium purposes rate

This rate meets GWRC's annual costs of servicing and repaying the monies raised to fund its original contribution to the Wellington Regional Stadium Trust. The rate is based on a differential capital value, reflecting direct and indirect benefits to different areas and classes of ratepayers. Ratepayers of cities and districts more distant from the Stadium contribute proportionally less. There is no on-going funding provided to the stadium trust.

(d) Possum/predator rate

This rate is set on all rural rateable properties with a land area of 4ha or more to control predators and possums in areas not included in the Animal Health Board's bovine Tb control programme. There is also a region-wide contribution from general rates.

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

GWRC sets rates on specific properties within some 30 river management, catchment and drainage schemes in the Wairarapa constituency. Generally, these rates are made on a differential land area basis. They are apportioned to reflect the benefit to each separately rateable property in 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. As with river management rates, river management and catchment scheme rates fund local community contributions to river maintenance and flood protection improvements. There is also a region-wide contribution from general rates.

(f) Wellington Regional Strategy rate

GWRC supports the Wellington Regional Strategy through a dedicated office and also part-funds the activities of the Wellington Regional Economic Development Agency (WREDA) a Council Controlled Organisation jointly owned by Wellington City Council (80% shareholding) and GWRC (20% shareholding). WREDA carries out economic development in the region. The rate is charged on a uniform basis to residential and rural ratepayers. Businesses are charged on a capital value basis.

(g) Warm Greater Wellington rate

GWRC makes funds available for retrofitting of home insulation and in areas with pollution clean heat appliances. If such funds are made available they will be recovered over 10 years (or sooner if certain criteria are met) by a way of a targeted rate set on those properties benefiting from the funding. This rate will meet GWRC's costs of servicing and repaying the monies raised to fund this programme over the life of the programme.

Water supply levies

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

Government subsidies

The main source of government subsidies received by GWRC is funding from NZ Transport Agency (NZTA) for regional transport. NZTA provides nationally funded road user subsidies reflecting the benefits to road users and the social benefits of public transport activities and regional transport planning and programmes. GWRC also receives a government subsidy in recognition of the national benefit from its civil defence emergency management activity.

Interest and dividends

GWRC has a number of investments ranging from equity investments to financial investments (refer to the Treasury Risk Management Policy).

Dividends received

GWRC receives dividends from its equity investments, primarily from its operating subsidiaries held through the WRC Holdings Group. Dividend revenues are ultimately used to reduce general rates.

Interest received

GWRC receives interest from its financial investments, mainly deposits and special funds. Revenue earned from GWRC's deposits is used to reduce general rates. Revenue earned on special funds is added to each fund. These funds have been set up primarily for self-insurance purposes.

Fees, charges and other operating revenue

GWRC receives a variety of fees, charges and other operating revenue. Other operating revenue includes, but is not limited to:

- Charges to commercial harbour users for navigation and communication services
- Charges for the processing and monitoring of resource consents
- Charges to landowners for contribution to land management activities on their land
- Charges to territorial authorities and utility companies for water supply services
- Charges to territorial authorities for pest management activities on their land
- Rent received on properties owned by GWRC and leased to third parties
- Contributions from NZTA and territorial authorities and gravel extraction revenue for flood protection activities
- Sales from the Akura Conservation Centre
- Management fees for providing administrative support to our council controlled organisations
- Fees received from the use of GWRC assets
- Council fees and charges

Other funding sources

Borrowing

GWRC raises external debt primarily for the following purposes:

- To fund GWRC's capital expenditure programme
- To manage timing differences between cash inflows and outflows and to maintain appropriate liquidity
- To fund one-off projects (eg, GWRC's involvement in the Stadium)
- To fund other investment activity as appropriate (generally when the benefit is considered to be greater than one year)

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

Proceeds from asset sales

GWRC generally uses proceeds from the sale of assets and investments to repay debt, unless it determines otherwise. The main exception is where GWRC intends to replace the asset. In this instance, proceeds from the sale are used to help fund the replacement of that asset.

Reserves

From time to time GWRC 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. GWRC 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.

Groups of Activities

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

Primary community outcomes

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

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

Distribution of benefits

The beneficiaries and type of benefit (individual, group, direct, indirect, etc) of each activity are identified.

Timeframe of benefits

The period in, or over, which the benefits are expected to occur is identified. The timeframe is most often "ongoing," although several activities involve "intergenerational equity" (benefits from a current activity that will accrue to future generations).

Contributors to need for activity

Any individuals or groups are identified who, through their action, or inaction, contribute to the need to undertake the activity. This consideration is generally "not applicable".

Costs and benefits of funding activity distinctly

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

After giving consideration to the above, GWRC considers the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community. In doing so, it considers equity, efficiency and inter-generational equity.

A summary of this rationale for funding for GWRC activities is included in the tables below.

Activities

Regional leadership

Relationships with mana whenua

Primary Community Outcome: Engaged community

Distribution of benefits: The beneficiaries are the community as a whole, GWRC and Māori. The community benefits from the enhanced opportunity provided to Māori to participate in decisions that affect them and the wellbeing of the whole community.

GWRC benefits through greater access to mana whenua and their increased ability to provide input to GWRC and to assist with its work.

Mana whenua benefit from increased resources which enable them to participate and also from the collective forum which provides a regular opportunity for collective discussion.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: The majority of this activity is funded through general rates because of the public good component of this work. The remaining funding comes from the specific areas of public transport and water supply, where the majority of funding is derived from targeted rates and levies respectively.

Wellington Regional Strategy

Primary Community Outcome: Strong economy

Distribution of benefits: The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through economic growth in the region. Economic growth includes the creation of new jobs and more opportunities for businesses to establish and expand.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: A dedicated rate is justified as the funds raised are significant and the whole region pays a reasonable share of the costs.

Targeted rates provide transparency and accountability for this activity that is distinct from GWRC's other activities, and is carried out on behalf of all the region's local authorities.

A fixed charge basis for non-business ratepayers distributes the costs to this group equitably, recognising the benefits of this activity to these ratepayers.

A capital value rating basis is weighted towards higher value properties (for businesses) which is a fair basis for the collection of revenue where businesses will receive proportional benefits.

Funding: 100% targeted rate

Regional transport planning and programmes

Primary Community Outcome: Connected community, strong economy, healthy environment

Distribution of benefits: People and organisations in local communities benefit directly from transport planning undertaken in their area.

People and organisations in the regional community benefit directly from a planned land transport system that supports the economy.

Regional leadership

Those members of the national community who use the Wellington region land transport system also benefit directly.

People and organisations for whom travel plans are prepared.

Communities for which travel plan programmes are implemented.

People and organisations that use the roads benefit from less congestion as others make the choice to use alternative transport modes.

Everyone benefits from a safer transport.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: A nationally funded road-user contribution reflecting the national interest plus the remainder from general rates.

Climate change planning and activities

Primary Community Outcome: Resilient community, healthy environment

Distribution of benefits: The beneficiaries are the community as a whole, and in particular those in the region who are most vulnerable to climate change impacts due to age, location, or socio-economic status. GWRC's climate change adaptation planning and activities aim to increase resilience to climate change impacts and avoid negative effects on community well-being resulting from more frequent and intense weather events.

Activities to mitigate climate change can produce co-benefits such as cleaner air, greater energy security, better human health, reduced vehicle congestion and more liveable cities.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates

Regional initiatives

Primary Community Outcome: Strong economy, healthy environment

Distribution of benefits: The primary beneficiaries are people and organisations in the regional community. They benefit through the contribution that these strategies and plans make to increase the sustainable development and resilience of the region.

The primary beneficiaries of the Warm greater Wellington scheme are ratepayers who take advantage of this scheme to insulate or in some cases install clean heating in their homes, resulting in warmer homes and/or lower energy costs.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates for plans/strategies. 100% targeted rates on properties that benefit from the home insulation and clean heat scheme

Regional leadership

Emergency management

Primary Community Outcome: Resilient community

Distribution of benefits: The individuals and groups who benefit from this activity include regional and national communities who benefit directly from the maintenance of a response capability and from planning for major emergency events.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: Nearly 100% funding from general rates for GWRC's share, and a government grant in recognition of the national benefit for the remainder.

Democratic services

Primary Community Outcome: Engaged community

Distribution of benefits: Democracy is a public good whose benefits accrue to, or are shared by, the people, communities, and organisations of the entire region.

GWRC acts in the best interests of the Wellington region as a whole. The people of the region benefit through representation at a regional level and involvement in regional decision making, and by having an advocate for the regional community.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: The majority of this activity is funded from general rates, with the remaining funding coming from the specific areas of regional transport and regional water supply, where the majority of funding is derived from targeted rates and levies respectively.

Wairarapa water use project

Primary Community Outcome: Strong economy, resilient community, healthy environment

Distribution of benefits: If the project is found to be environmentally and economically viable and advances to full feasibility there will be economic benefits to Wairarapa communities and the wider Wellington region through increased agricultural productivity.

There would also be environmental benefits through the active management of the effects of land use change on water quality as part of the project.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: If the project progresses through to construction it is likely that water users will pay for the water through a mix of fixed charges and levies based on the amount of volume used.

Funding: 50% funded by general rates. 50% funded by central government's Irrigation Acceleration Fund

Public Transport

Public transport

Primary Community Outcome: Connected community, strong economy, healthy environment

Distribution of benefits: Road users benefit directly through less congested roads.

Public transport users benefit directly by travelling to their destination for a subsidised fare, and from more frequent and better quality services.

People in the region benefit indirectly through reduced pollution (reduced car emissions) and the existence of a public transport system as an alternative transport option.

Roading authorities benefit from reduced wear and tear on their networks and delayed construction of new roads.

The transport disadvantaged, including people with disabilities, benefit directly by obtaining transport services.

Family and friends of those with disabilities benefit indirectly by less need to "taxi" people with disabilities.

Timeframe of benefits: Significant capital costs are incurred in providing this activity and thus there are significant inter-generational equity considerations – future generations benefit from capital expenditure made now.

Other benefits are ongoing.

Contributors to the need for activity: Cumulative costs as a result of congestion and pollution by road users raising the need for an alternative.

Road operators may contribute to congestion and pollution (and associated costs) through poor road design or poor traffic management.

Businesses and residents expect and demand the existence of a certain level of public transport services in the region.

Costs and benefits of distinct funding: The total sum raised by targeted transport rates is considerable. As they are collected in conjunction with general rates the marginal cost of collection is very minor, fully justifying a distinct funding source.

Funding:

GWRC uses the following funding allocations in respect of expenditure on public transport services, except for Total Mobility:

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

This community contribution is funded as follows:

- The maximum contribution from Crown agencies, primarily New Zealand Transport Agency (NZTA), reflecting the benefits to road users and social services (this contribution ranges from 50%-100%, depending on the type of service)

The balance of the community contribution is from a GWRC contribution funded via a targeted rate. 95% of the rates required are for congestion relief and concessionary and are set as follows:

Inter-district services:	Inter-district services include all rail costs and a portion of the cost of bus services that connect with rail. 20%-25% of rates required for inter-district services are borne by the Wellington CBD with the remainder borne equally by ratepayers in the district of origin and the district of destination using census journey to work statistics. Within Wellington city, 10% of inter-district destination trips are allocated to ratepayers outside of the CBD.

<table>
<tr><td colspan="2">Public Transport</td></tr>
<tr><td>Intra-district services:</td><td>Intra-district services include all ferry costs and bus costs that have not been apportioned to inter-district costs.

The rates required for intra-district services are borne by the ratepayers in the district that services operate in.

A cost apportionment is made where services travel through more than one district.

Within Wellington city 50% of intra-district trips are allocated to the Wellington CBD.</td></tr>
<tr><td>Rural discount</td><td>A discount of 75% is given to rural properties.</td></tr>
<tr><td>Allocation within districts</td><td>Within districts, costs are allocated on rateable capital values.</td></tr>
<tr><td>Social services</td><td>5% of the rates required are for social services and are allocated as follows:
The rates required are borne by ratepayers across the region
A discount of 25% is given for Kāpiti
A discount of 70% is given for Wairarapa
A discount of 75% is given to rural properties
Within districts, costs are allocated on rateable capital values</td></tr>
<tr><td colspan="2">GWRC uses the following funding allocations in respect of Total Mobility:
A target of 50% user charges
The remainder from a community contribution (national and regional)
This community contribution is funded as follows:
The maximum contribution from NZTA (this contribution is currently 60%)
The balance is from a GWRC contribution funded via a targeted rate set as follows:
The rates required are borne by ratepayers across the region
A 50% discount is given to rural properties
Within districts, costs are allocated on rateable capital values
Rates required for planning the public transport network, providing information about public transport services, promoting services, network-wide infrastructure and administration are apportioned across ratepayer groups based on the weighted average of total allocated rates.

GWRC plans to review the way it funds the rates share of public transport in 2015. Any proposed changes to the funding of public transport as a result of this review will be consulted on at that time before any incorporation into this Revenue and Financing Policy.</td></tr>
</table>

Public transport:

Congestion relief

GWRC is of the view that a congestion charge should be levied on users of congested roads. It is estimated that 85% of public transport services contribute to congestion relief. GWRC's strategic transport model shows that congestion pricing could completely remove the need for subsidies for peak public transport services. However, there is no legal framework for GWRC to levy, or to have others levy, a congestion charge on motorists. Accordingly, the funding needs to come from a surrogate for users of congested roads.

Surrogates for congestion pricing considered were: charging based on peak time origin/destination travel statistics, charging people in their district of origin, charging businesses in the district of destination, carpark charges, and general rates across the region. (GWRC notes that none of the proposed surrogates force road users to face the full cost of road use. The surrogates thus provide an incentive to road users to live further away and let others meet a component of their travel costs.) Charging ratepayers based on peak time origin/destination travel statistics is used as a reasonable surrogate for charging the users of congested roads. Allocations are generally made on a territorial authority district basis, with Wairarapa being treated as one district. Journeys are considered on a door-to-door, whole trip basis.

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

Concessionary travel

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

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

It is estimated that 10% of services contribute to concessionary travel.

Social services

Public transport services provide a social good as they:

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

These social benefits contribute to the overall economic, social and environmental wellbeing of the region, making it a more attractive location for industry and for people to live in.

Because there are generally fewer public transport services available in Kāpiti and Wairarapa, ratepayers in those areas receive a discount on the social services component of the transport rate.

High rural capital values, and the inability to distinguish between farms and lifestyle blocks and residential housing, mean that if targeted rates were struck uniformly, then they would be disproportionate to the relative benefits that most rural ratepayers receive. Accordingly, a reduction of the transport rate is applied to rural capital values.

It is estimated that 5% of services contribute to social benefits.

Total Mobility

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

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

Charging for Park & Ride carparks

Currently, 30% of rail commuters use Park & Ride carparks provided by GWRC. A charge could be considered in the future to:

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

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

Water supply

Primary Community Outcome: Strong economy, resilient community, healthy environment

Distribution of benefits: People in the cities of Lower Hutt, Porirua, Upper Hutt and Wellington benefit directly from the supply of high quality, potable water, treated to the Ministry of Health's drinking water standards

Timeframe of benefits: There is significant capital expenditure and thus there are inter-generational equity effects

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: A water levy on the four customers is a cost effective collection mechanism recognising the singularity of this function

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

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

The Wellington Regional Water Board Act 1972 constrains the ability of GWRC to price the services to reflect the costs of supply. The four cities have previously advised they are of the unanimous view that the current charging methodology is the most appropriate for the medium term.

Environment

Resource management - Policy and planning

Primary Community Outcome: Healthy environment

Distribution of benefits: The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through the sustainable management of the region's resources.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates

Resource management - Environmental regulation - resource consent service

Primary Community Outcome: Healthy environment

Distribution of benefits: The beneficiaries of this activity (applicants and consent holders) can be readily identified and can be charged

Timeframe of benefits: Ongoing

Contributors to the need for activity: Resource consent applicants, consent holders and submitters all drive the need for this activity

Costs and benefits of distinct funding: Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy.

Funding: Resource consent processing service:

- Up to 90% user charges
- Remainder general rates (costs of appeals, etc.)

Advice to the public:

- 100% general rates

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

Resource Management - Compliance and enforcement

Primary Community Outcome: Healthy environment

Distribution of benefits: The beneficiary of this activity is the regional community because non-compliance is identified and the environment is protected.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Consent holders drive the costs as their activities need to be monitored.

Costs and benefits of distinct funding: Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy.

Funding: Compliance monitoring service:

- Up to 50% user charges
- At least 50% general rates (investigations and legal costs)

Environment

Resource management - Pollution prevention and control

Primary Community Outcome: Healthy environment

Distribution of benefits: The beneficiary of this activity is the regional community because the environment is protected by ensuring an early response to pollution events.

Timeframe of benefits: Ongoing

Contributors to the need for activity: The businesses or individuals who cause problems which need to be addressed drive the need for this enforcement activity.

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates, less any cost recovery from enforcement or legal action.

Discussion: GWRC believes that any businesses or individuals who cause environmental damage should pay to rectify the problems they have caused. However, it is often not possible to recover costs from those responsible and, in practice; the legal cost of enforcement action far exceeds fines recovered.

Resource management environmental science - State of Environment monitoring

Primary Community Outcome: Healthy environment

Distribution of benefits: The regional community is the primary beneficiary of this activity since the information is used by GWRC to develop policies and plans to manage the region's natural physical resources and report on the efficiency and effectiveness of these plans.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Consent holders who are using a resource that is under pressure contribute to the need for this activity.

Costs and benefits of distinct funding: Not applicable

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

Land management - Farm Plans

This includes:

Sustainability and property plans (Farm Plans)

Farm Environment Plans

Commercial consultancy service

The Wellington Regional Erosion Control Initiative (WRECI)

See SECTION FIVE of the 10 Year Plan for a full description of land management activities.

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit directly from property protection and stabilised soil, and the maintenance of a long-term productive asset.

The local community benefits directly, as the sub-activity reduces flood risk, improves water quality and addresses other downstream problems (a considerable benefit in erosion-prone areas). It also protects infrastructure.

The regional community benefits indirectly through preserved landscapes, improved water quality and enhanced local ecology.

Timeframe of benefits: Soil conservation benefits start to accrue five to seven years after planting and the income

Environment

from a wood lot may take up to 30 years after planting.

Accordingly, landowners do not see a cash benefit for a considerable time, if at all, and may not make appropriate decisions about work required.

Contributors to the need for activity: Private landowners drive the costs as past land management practices have not always been sustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices.

Hill country farming is only sustainable when appropriate protection methods are used. There is a demand from landowners to maximise returns, even on relatively small blocks of land.

Costs and benefits of distinct funding: The significant beneficiaries are required to pay a reasonable share of the costs.

Funding: Farm Plans

- 60% to 70% user charge / 30% to 40% general rate

Farm Environment Plans

- 50% user charge / 50% general rate

WRECI Plans

- 40% user charge / 30% crown funding / 30% general rate

Consultancy – all costs are to be funded by way of direct payment by those who seek the service. Typically, GWRC's operational staff supervises contractors to do the work. A service fee on services delivered by the contractors pays for the costs of GWRC's supervision.

Environment

Catchment schemes

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit directly from property protection, stabilised soil, flood protection and the maintenance of a long-term productive asset. The wider community benefits directly through reduced flood risk, improved water quality and better infrastructure protection.

The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.

Timeframe of benefits: Soil conservation benefits start to accrue five to seven years after planting and consolidation of river management works has a similar timeframe.

Accordingly, ratepayers do not see benefits for a considerable time.

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

Costs and benefits of distinct funding: The significant beneficiaries are required to pay a reasonable share of the costs, e.g. scheme rates.

Funding:

Catchment schemes

- Up to 50% general rates
- The balance of costs (i.e., to 100%) met via targeted or scheme rates or direct contribution from both the direct beneficiaries and the beneficiaries in the economic catchment area

Discussion: GWRC believes that the benefits to the region are similar to those enjoyed by local scheme ratepayers and the district ratepayers. Strong emphasis on sustainable land management, river management, flood protection and biodiversity ensures that a regional contribution is considered to be appropriate.

Environment

Soil conservation reserves

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit directly from reduced flood risk, less soil deposition and better protection of infrastructure.

The local community benefits directly through reduced flood risk, improved water quality and better infrastructure protection.

The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding:100% general rates

Akura conservation centre

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit directly from quality material and advice from nursery staff. The local community benefits directly from landowners implementing soil conservation programmes, thereby ensuring that sustainable land management is a developing ethic within the region.

The regional community also benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% user charges

Land management advice

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit through the use of sustainable land use practices.

The regional community benefits by having its land used sustainably.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates

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

Environment

Biodiversity management

Primary Community Outcome: Healthy environment

Distribution of benefits: Private landowners benefit from having indigenous ecosystems protected and enhanced.

The regional community benefits from having rare and endangered indigenous ecosystems protected and enhanced, as well as from improved water quality, reduced flood risk and enhanced recreational opportunities.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates, except for the Key Native Ecosystems programme which receives 10% of its overall funding from participating city and district councils.

Discussion

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

Pest management - Regional pest management strategy

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production.

The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.

The regional community benefits by the flow–on economic effects of improved production systems.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates.

Pest management - Regional possum predator control (RPPCP)

Primary Community Outcome: Healthy environment, strong economy

Distribution of benefits: Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production.

The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.

Cattle and deer farmers in operational areas benefit by reducing the risk of bovine Tb re-entering wildlife vectors and spreading the disease to farmed animals.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 40% targeted works and services rate (land area) on all rateable properties 4ha and over, and 60% general rates

Harbour Management

Harbour management - Navigational aids and communications service

Primary Community Outcome: Strong economy

Distribution of benefits: Recreational users benefit directly by avoiding natural and other hazards (eg, collisions).

Commercial shipping and commercial fishing owners and operators benefit directly by avoiding natural and other hazards (e.g. collisions) – they also enjoy a direct commercial benefit.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Collection of user-charges via CentrePort Ltd is a cost-effective funding mechanism that is appropriately targeted.

Funding:

- 40% from the general rates for non-commercial users
- 60% from user charges on commercial shipping

Note: CentrePort Ltd collects user charges from commercial shipping on GWRC's behalf.

Discussion:

Maritime New Zealand has investigated a number of systems for charging non-commercial users for navigational aids and found them to be impractical.

Harbour management - Enforce maritime safety regulations and educate people about water safety

Primary Community Outcome: Resilient community

Distribution of benefits: The regional community benefits from having safe harbours and coastal waters available for their use.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Those actively using harbours and coastal waters for recreational purposes contribute to the need for this activity.

Costs and benefits of distinct funding: Not applicable

Funding: 100% general rates

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

Harbour Management

Harbour management - Clean-up of oil spills funding:

Primary Community Outcome: Healthy environment

Distribution of benefits: Commercial harbour users benefit directly from a clean marine environment, and through shorter duration of pollution (thus avoiding delays and loss of business).

Recreational harbour users benefit directly from a clean marine environment and shorter duration of pollution.

The regional community benefits from a clean marine environment and shorter duration of pollution

Timeframe of benefits: Ongoing

Contributors to the need for activity: The polluters create the need for any clean-up activities and services

Costs and benefits of distinct funding: Not applicable

Funding:

Standing costs:

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

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

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

Discussion: It is not feasible to levy recreational harbour users.

Flood protection and control works

Understanding flood risk

Primary Community Outcome: Resilient community

Distribution of benefits: Ratepayers in the floodplain area (residents and businesses) directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property values.

Owners and providers of infrastructure (telephone, roads, rails, etc.) including territorial authorities, also benefit directly through avoiding damage to their assets.

Ratepayers in the surrounding economic “catchment” adjacent to the floodplain benefit indirectly through their association with the area affected by the flood protection scheme.

The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure).

Timeframe of benefits: Future generations will benefit from implementation of the plans. The planning work is funded by loans repaid over time.

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding: 100% funded by general rates.

Flood protection and control works

Maintaining flood protection and control works. Improving flood security.

Improving flood security Primary Community Outcome: Resilient community

Distribution of benefits: Ratepayers in the floodplain (residents and businesses) in the area directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property value.

Owners and providers of infrastructure (telephone, roads, rails etc.) (including territorial local authorities) also benefit directly by avoiding damage to their assets.

Ratepayers in the surrounding economic “catchment” adjacent to the floodplain benefit indirectly through their integration with the area affected by the flood protection scheme.

The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure)

Timeframe of benefits: Significant capital costs are incurred in providing this service and thus there are significant intergenerational equity considerations – future generations benefit from capital expenditure made now

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: A targeted or scheme rate is a cost-effective mechanism that makes sure that significant beneficiaries of the activity pay their reasonable share of the cost.

Funding:

- GWRC sets two rates on a scheme-by-scheme basis (capital and operations):
- Up to 50% general rates

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

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

Flood Protection:

Funding issues

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

In relation to valuing safety and security, GWRC values the protection of all residents and businesses in the region from the risk of flooding and from the associated effects of dislocation, stress and trauma, as well as from losses to the region's productive capacity. However, the downside of spreading costs across the region can be that residents and businesses on the floodplain do not have the appropriate incentives to weigh up the costs of flood protection works against the level of risk. GWRC has decided that it is appropriate for the whole region to pay for some of the protection for those areas at risk from flooding because of these wider considerations.

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

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

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

Feasibility issues

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

Residents and businesses on the floodplain: in theory, the direct beneficiaries on the floodplain can be identified and rated accordingly through a combination of mapping and GWRC's knowledge and judgement. However, this approach is currently not considered to be cost effective in all circumstances and GWRC has decided to use the local authority boundary as a surrogate for direct beneficiaries, in some cases.

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

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

Summary of feasibility issues

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

Flood warning service

Primary Community Outcome: Resilient community

Distribution of benefits: Ratepayers in the floodplain (residents and businesses) in the area.

Owners and providers of infrastructure (telephone, roads, rails etc.) (including territorial local authorities) also directly benefit.

Ratepayers in the surrounding economic "catchment" adjacent to the floodplain benefit indirectly through their integration with the area affected by the flood protection scheme.

The regional community also benefits indirectly through knowing where flooding may occur.

Timeframe of benefits: Ongoing

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding 100% General Rates

Parks

Parks Planning. Parks Visitor Services.

Primary Community Outcome: Healthy environment, engaged community

Distribution of benefits: Individuals who use the parks benefit directly.

The regional community benefits from preservation of regionally significant landscapes, forests and heritage features for future generations.

The national community benefits from preservation of nationally significant landscapes, forests and heritage features for future generations.

Timeframe of benefits: There are significant intergenerational benefits from maintaining the present network

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: Not applicable

Funding:

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

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

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

Other rates funding

Westpac Stadium –Repaying the $25 million advance

Primary Community Outcome: Strong economy

Distribution of benefits: The degree of indirect benefit derived from the multipurpose regional stadium by any category of property in different parts of the region has been assessed by GWRC as follows:

- 70% – benefits arising from flow-on economic activity from the Stadium through increased business and employment opportunities
- 20% – benefits arising from the opportunity to attend events at the Stadium which would not otherwise be held in Wellington
- 10% – other benefits arising from publicity for the region, civic pride, critical mass in tourism, promotion of increased participation in sport and physical leisure and ability of the region to attract new residents and businesses

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

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

Timeframe of benefits: There are significant inter-generational equity considerations as the facility will be available for future generations. For reasons of inter-generational equity and transparency, this funding requirement was met by way of loans over 20 years, fully serviced and funded by a targeted rate. Ratepayers are made fully aware of their annual contribution to the provision of a stadium, and those who benefit over the life of the asset contribute to it.

Contributors to the need for activity: Not applicable

Costs and benefits of distinct funding: A dedicated rate is justified as the funds raised are significant, the costs of collection are reasonable and the distribution of benefit is particular.

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

2. SIGNIFICANCE AND ENGAGEMENT POLICY

Purpose

This policy is required under **Section 76AA** of the Local Government Act 2002. It sets out:

- How Greater Wellington Regional Council will assess the relative importance of decisions or matters in terms of the likely impact or consequence
- How Greater Wellington Regional Council will engage with the community as part of the decision-making process.

General approach

a. Engaging with the community is important to understand the views and preferences of people likely to be affected by or interested in a proposal or decision.

b. The degree of importance of proposals and decisions, and the appropriate level of engagement, will be considered in the early stages of the decision making process and, if necessary, reconsidered as a proposal develops.

c. The level of engagement with the community will reflect the significance of the proposal and the need for public involvement.

Determining significance

d. Greater Wellington Regional Council will consider each proposal or decision in relation to issues, assets and other matters on a case-by-case basis to determine its significance.

e. When determining the **degree of significance**, Greater Wellington Regional Council will consider the extent to which the matter:

(i) is likely to affect the current and future social, economic, environmental and cultural well-being of the Wellington region

(ii) is likely to affect residents or ratepayers (proposals with a moderate impact on a large number of residents or ratepayers, or proposals with a major impact on a small number of residents or ratepayers will have greater significance than those of a minor impact)

(iii) has a history of generating public concern within the Wellington region or New Zealand generally

(iv) is likely to affect Greater Wellington Regional Council's capacity to perform its role (proposals that affect Greater Wellington Regional Council's capacity to perform its role and carry out its existing activities, now and in the future, will have greater significance than those that do not).

f. Greater Wellington Regional Council will consider a decision or other matter to be **significant** if it is assessed to:

(v) have a high degree of significance (based on an assessment of the factors set out above); or,

(vi) it meets any one or more of the following criteria:

- The proposal substantially affects Greater Wellington Regional Council's ability to deliver the levels of service outlined in its Long-Term Plan
- 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).

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

Engagement

Special consultative procedure

h. The Council will use the Special Consultative Procedure (as set out in section 83 of the LGA 2002) where required to do so by law (Refer to Table 3 of Schedule 2 to this policy).

Engagement on all other matters

i. Any consultation that is carried out by Greater Wellington Regional Council will be in accordance with the principles of consultation set out in section 82 of the Act.

j. Greater Wellington Regional Council will carry out consultation on those matters or decisions where required to do so by law.

k. Where not required by law to consult on a particular matter or decision, the need for consultation and the appropriate extent and form of any engagement will be assessed and determined by Greater Wellington Regional Council on a case by case basis.

l. In general, the more significant an issue, the greater the need for community engagement.

m. Matters that are in accordance with Greater Wellington Regional Council's Long-Term Plan, or are specified within another policy or plan that has been subject to public consultation as required by the Act or other legislation will not usually require further engagement.

n. The 'Community Engagement Approach' (Schedule 2 to this policy) provides further guidance as to the approach that Greater Wellington Regional Council will take in determining the appropriate level and method of engagement and how this responds to community preferences on engagement.

Engagement with Māori

o. Greater Wellington Regional Council has appropriate processes for consulting with Māori.[1]

Reporting

p. Every report to the Council (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 in accordance with the relevant guidelines.

q. When Council makes a decision that is significantly inconsistent with this policy, the steps identified in Section 80 of the Local Government Act 2002 will be undertaken.

Feedback

r. Information relating to the final decision will be provided in a form appropriate to the significance of that decision and the level and form of the engagement.

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[1] Greater Wellington Regional Council Engagement with Māori Guidelines are being implemented alongside the Community Engagement Strategy and Techniques Toolbox.

SCHEDULE 1– STRATEGIC ASSETS

Section 5 of the Local Government Act defines "strategic asset" as including 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 Regional Council holds and considers to be strategic assets are:

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

In addition, Greater Wellington Regional Council 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 Regional Council 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 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

Engagement approach

Community engagement is a process, involves all or some of the community and is focussed on decision-making or problem-solving. GWRC recognises the value of community engagement and uses the following definition:

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.

GWRC has adopted a public participation spectrum to demonstrate the possible types of engagement with the community, adapted from work of the International Association for Public Participation. This model shows the increasing level of public impact as you progress through the spectrum from left to right - 'informing' through to 'collaborating'. 'Informing' stakeholders has no expectation of receiving feedback, and consequently there is a low level of public impact.

At the other end of the spectrum, 'collaborating' with stakeholders implies an increase in expectations and therefore an increased level of public impact.

Differing levels of engagement may be required during the varying phases of decision-making on an issue, and for different stakeholders.

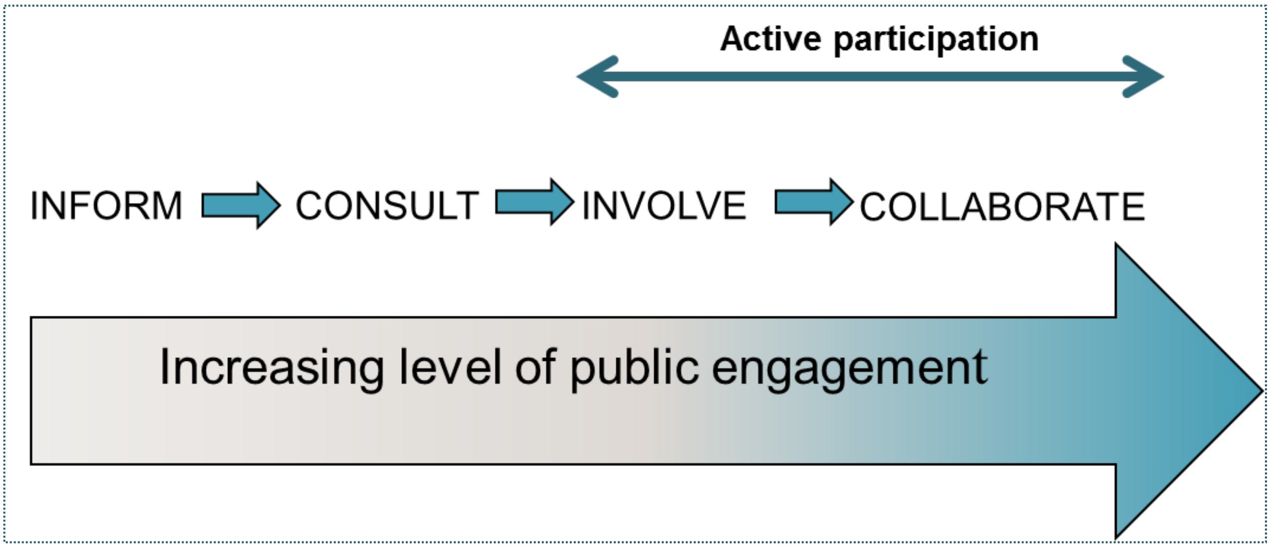


Figure 1: public participation spectrum

In general, the more significant an issue, the greater the need for community engagement.

Community preferences for engagement

Community views about consultation and engagement preferences were sought as part of the 10 Year Plan development process.

The feedback received included:

- For *major initiatives and decisions*, there was a clear preference for online engagement tools. However, some people would still like to use formal submission and hearing processes or focus groups and community workshops for these matters. Around 10% of respondents preferred consultation to be kept to a minimum.
- For *other initiatives and decisions*, there is a lower preference for formal submissions and hearings and more respondents would prefer consultation to be kept to a minimum.
- Need for more representative methods of obtaining views and feedback – such as surveys - to ensure views of majority are better reflected and consultation is not dominated by small groups of individuals or interest groups.
- Need for time efficient engagement tools to enable more people to contribute.
- Need to have options for those without access to the internet to provide feedback.
- Early and open minded engagement before options are developed and decisions made were sought by some, who felt consultation processes are not always meaningful.

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

Table 1: Characteristics and examples of different levels of engagement

Inform	Consult	Active participation	
		Involve	Collaborate
One-way communication providing information that is accurate, relevant and easy to understand about something that is going to happen or has happened.	Two-way process designed to obtain public feedback about issues and proposals initiated and defined by GWRC to inform decision-making.	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.	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 –** *Issue:* Annual Plan *Tools:* Submissions and hearings process *When:* When a draft Plan has been developed	**Example –** *Issue:* Parks Network Plan amendment - Baring Head/Ōrua-pouanui *Tools:* Focus groups and online discussion forum to identify issues and develop options. *When:* At an early stage, prior to a draft plan being developed.	**Example –** *Issue*: Regional Plan development *Tools*: Whaitua Committee approach – form of community advisory committees *When*: Regularly throughout the process

Potential engagement tools and techniques

The following table has been developed to provide examples of the differing levels of engagement techniques that might be considered appropriate, and the types of tools that may be used at each level. The engagement techniques and particular tool/s for that technique will be decided on a case by case basis as appropriate. The technique considered appropriate may not be the highest level available within the range highlighted by the arrows below. For example, for a proposal deemed to be of medium of high significance the council may determine that consultation by way of surveys is sufficient.

Table 2: Examples of possible engagement methods

COMMUNITY ENGAGEMENT TECHNIQUES	SIGNIFICANCE		
	Low	Med	High
1. Informing			
• 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			
• Submissions and hearings processes • Surveys, feedback form, polls • Interviews • Citizens panels, focus groups • Public meetings or surgeries			
3. Involving			
• 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			
• Community advisory committee • Consensus building and participatory decision making forums			

Table 3: Mandatory consultation

Type	Applies	Engagement method
Special consultative procedure (Refer to s 83 of the LGA 2002)	▪ When adopting or amending our long-term plan ▪ When making, amending or revoking bylaws that are likely to involve significant interest or significant impact on the public ▪ When legislation other than the Local Government Act 2002 requires that it be used, e.g. section 36(2) of the Resource Management Act 1991.	▪ Prepare and adopt a statement of proposal (and summary if necessary) ▪ Make the statement of proposal publically available, along with information about how the community can present their views and the relevant timeframe (not less than one month) ▪ Distribute the proposal (and summary if applicable) as widely as is practical ▪ Provide an opportunity for views to be presented to Greater Wellington Regional Council via spoken/sign language means, which may include via an audio or audio-visual link.
Other consultation specifically required by the LGA 2002 - regardless of its level of significance	▪ When transferring responsibilities between a regional council and a territorial authority ▪ When proposing to establish a council-controlled organisation ▪ When adopting an annual plan (which differs significantly from the content of the long-term plan) ▪ Adopting or amending a policy under sections 102, 106,108-110 of the LGA 2002 revenue and financing policy, development contributions policy, financial contributions policy, rates remission policy, rates postponement policy, or a policy on the remission or postponement of rate on Māori freehold land ▪ When proposing to dispose part of a protected regional park in accordance with section 139 of the Act ▪ When prescribing a fee or charge ▪ When making, amending or revoking bylaws, which have not been identified	▪ The engagement will be carried out in accordance with the six principles set out in Section 82 of the LGA2002 • These can be summarised as: - providing people with reasonable access to relevant information - encouraging people to present their views - giving clear information on the purpose and scope of the consultation - providing reasonable opportunities for people to present their views to the local authority - receiving those views with an open mind - providing submitters with information relating to the decision. ▪ Information will be developed fulfilling the requirements of

Type	Applies	Engagement method
	as being of significant interest or impact ▪ When adopting or amending its significance and engagement policy	Section 82A of the LGA 2002 ▪ The engagement level will be at the 'consult' level described in Table 1 above as a minimum. ▪ The appropriate method of engagement will be selected following consideration of a number of factors such as those outlined in Table 4 below and section 82(4).

Table 4: Other non-mandatory consultation

Type	Applies	Engagement method
Other non-mandatory consultation	▪ When the views of the community need to be better understood in relation to any other matter or decision where consultation is not specifically identified by the LGA 2002 or other Act(s).	▪ The engagement will be carried out in accordance with the six principles set out in Section 82 of the LGA 2002 ▪ The method of engagement will depend on a number of factors and circumstances, such as: - Who is affected, interested in, or likely to have a view on the issue - Whether community interest is high - The extent to which the community views on the matter are known - The significance of the matter - Whether there is any good reason for withholding information - The costs and benefits of any consultation process - The community's preferences for engagement - The circumstances in which the decision is taken or the issue arose. ▪ In some cases, the assessment of the above factors may lead to the conclusion that no engagement is required for a particular matter or decision.

Definitions

Community	A group of people living in the same place or having a particular interest in common. This includes: • Communities of place (towns, suburbs, neighbourhoods) • Communities of interest (special interest groups).
Decisions	Refers to all the decisions made by or on behalf of Council including those made by officers under delegation.
Engagement	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.
Significance	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,— (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	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
Strategic asset	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— (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"

3. 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 (the Council). The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within the Council 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 Wellington Regional Council.
- 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 the Council'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 the Council in achieving strategic objectives relating to ratepayers.

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

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

2. Scope and objectives

2.1 Scope

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

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

2.2 Principles

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by the Council's solicitors.
- The Council will not enter into any borrowings denominated in a foreign currency.
- The Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which the Council would achieve without pledging rates revenue.
- A resolution of the Council 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

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 the Council's costs and risks in the management of its borrowings and maximise its return on investments.
- Minimise the Council'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 the Council's financial assets and costs.
- Arrange and structure appropriate funding for the Council 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 the Council'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 the Council's return on investments in CCTOs, property and other shareholdings.
- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain liquidity levels and manage cash flows within the Council 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 the Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions and investors in the Council's debt securities.
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.4 of this policy.
- Keep Council abreast of macro-economic trends.

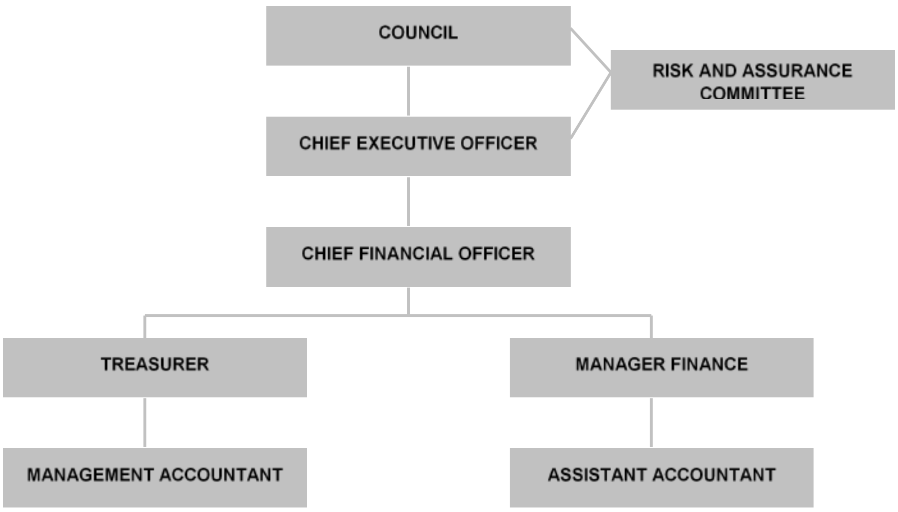
2.4 Policy exclusion

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

3. Management responsibilities

3.1 Overview of management structure

All of the Council's treasury management activities are undertaken by the Treasury Management Department. The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in sections 3.2 – 3.8 of this policy:



3.2 Council

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

The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time to time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of the Council through the 10-year Long-Term Council Community Plan (LTP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan.
- Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other managers
  - counterparties and credit limits
  - risk management methodologies and benchmarks
  - guidelines for the use of financial instruments.
- Approving budgets and high level performance reporting.
- Delegating authority to the CEO and other officers.
- Reviewing and approving the Treasury Risk Management Policy every three years.

The Council will also ensure that:

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

3.3 Risk and Assurance Committee (Risk and Assurance)

Risk and Assurance has the following responsibilities:

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

Risk and Assurance will:

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

3.4 Chief Executive Officer (CEO)

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

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

3.5 Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Management responsibility for borrowing and investment activities.
- Recommending policy changes to Risk and Assurance for evaluation.
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approving re-financing of existing debt.
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority.
- Authorising the use of approved financial market risk management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Recommending changes to credit counterparties to the CEO.
- Proposing new funding requirements falling outside the Annual Plan and Long-Term Plan (LTP) to Risk and Assurance for consideration and submission to the Council.

- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to 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 Manager, Finance.
- Managing the long-term financial position of the Council in accordance with the Council'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 the Council'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 the Council'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 the Council'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 the Council'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 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 Manager, Finance.
- Co-ordinating the compilation of cash flow forecasts and cash management.
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features.
- Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- Preparing treasury reports.
- Monitoring all treasury exposures daily.
- Forecasting future cash requirements.
- Providing regular short-term and long-term cash flow and debt projections to the CFO.
- Completing deal tickets for treasury transactions.
- Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- Updating credit standing of approved counterparty credit list on a quarterly basis.

3.7 Manager, Finance (MF)

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

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO.

- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and the Council's accounting policy.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Approving all amendments to the Council'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 the Council 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 the Council and contracted personnel empowered to bind the Council.
- Whenever a person with delegated authority on any account or facility leaves the Council, 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.

The Council has the following responsibilities, either directly, or via the following stated delegated authorities:

Activity	Delegated Authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt	The Council CEO (delegated by Council) CFO (delegated by Council)	Unlimited (subject to legislative and other regulatory limitations) Subject to Council Resolution and policy
Signing Stock/Debenture Issuance Certificate – As per the Debenture Trust Deed	CFO (delegated by the CEO)	As per the Annual Council Plan to meet lenders requirements
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Debenture Trust Deed
Overall day-to-day risk management	CEO (delegated by Council) CFO (delegated by Council)	Subject to policy
Re-financing existing debt	CEO (delegated by Council) CFO (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Acquiring and disposing of Carbon credits	CFO (delegated by Council)	$5m 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	The Council CEO (delegated by Council) CFO (delegated by Council) Treasurer (delegated by Council)	Unlimited $75 million $50 million $30 million
Authorising lists of signatories	CEO	Unlimited

Activity	Delegated Authority	Limit
Opening/closing bank accounts	CEO/CFO	Unlimited
Reviewing the Treasury Management Policy every 3 years	Risk and Assurance	N/A
Ensuring compliance with Policy	CFO	N/A

4. Liability Management Policy

The Council's liabilities comprise borrowings and various other liabilities. The Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the Council 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.

The Council'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.

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 Council only not consolidated group.

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

4.3 Security and charges

The Council borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over the Council's rates and rates revenue. A DTD was entered into during 2011 as part of the Council'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 Council approval, security may be offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds (e.g. through a finance lease, or some form of project finance)
- the Council considers a security interest or security in the physical assets to be appropriate

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

4.4 Borrowing mechanisms

The Council 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
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing
- The market's outlook on future interest rate movements
- The Council's outlook on future 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

The Council 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. The Council may invest liquid funds externally for the following reasons:

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

The Council 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, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

5.2 Investment mix

The Council 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

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

WRC Holdings Limited owns the following companies:

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

The above companies are CCOs or CCTOs.

5.2.2 Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

The Council is responsible for the appointment of the board of directors for the Council'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 the Council's CCOs and CCTOs are to:

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

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

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

1. (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 the Council.

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

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

5.2.4 Other Investments

The Council's other investments are:

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

CentrePort

The Council, through Port Investments Ltd (PIL), owns 76.9% of CentrePort. CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

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

The Council manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing of the Council's CFO as reporting officer for the Council in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's Statement of Corporate Intent.

Forestry investments

The Council 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). The Council 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. The Council will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance. The Council and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

Liquid financial investments

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

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

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

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

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

Contingency Funds

The Council 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 the Council 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 the Council will internally utilise or borrow these funds where ever possible.

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

6. Risk recognition/identification management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council, 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 LTP.

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

6.1.2 Approved Financial Instruments

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

Category	Instrument
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 certificates of deposit Treasury bills Local authority stock or State-owned Enterprise (SOE) bonds and FRNs Corporate/bank senior bonds Floating Rate Notes Promissory notes/Commercial paper Redeemable Preference Shares (RPS)
Interest rate risk management	Forward rate agreements (FRAs) on: - Bank bills - Government bonds Interest rate swaps including: - Forward start swaps - Amortising swaps (whereby notional principal amount reduces) - Swap extensions and shortenings Interest rate options on: - Bank bills (purchased caps and one-for-one collars) - Government bonds - Interest rate swaptions (purchased only)

Category	Instrument
Foreign exchange risk management	- Foreign currency deposits - Purchased currency options - Collars (one-for-one) - Forward foreign exchange contracts

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

6.1.3 Interest Rate Risk Control 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		5%	65%		
Year 8		0%	60%		
Year 9		0%	55%		
Year 10		0%	50%		
Year 11		0%	45%		
Year 12			40%		
Year 13			35%		
Year 14			30%		
Year 15			25%		

Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 15 years, based on anticipated future interest rate movements.

- Forward Rate Agreement, (FRAs) outstanding at any one time must not exceed 75% of the total floating rate debt. FRAs may be closed out before their maturity date by entering an equal and opposite FRA to the same maturity date or, alternatively, by purchasing an option on an FRA for the equal and opposite amount to the same date.
- 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.

Risk management

Instruments

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

Current approved interest rate instruments are as follows:

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) • commercial paper (CP) • New Zealand dollar denominated private placements • retail bond and FRN
Interest rate risk management	• forward rate agreements (FRAs) on: - bank bills - government bonds • interest rate swaps including: - forward start swaps - amortising swaps (whereby notional principal amount reduces) - swap extensions and shortenings • interest rate options on: - bank bills (purchased caps and one-for-one collars) - government bonds - interest rate swaptions (purchased only)

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

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 the Council 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, the Council 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 the Council’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.
- The Council’s own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to the Council experiences its own financial/exposure difficulties resulting in the Council not being able to manage its debt portfolio as optimally as desired.
- New Zealand’s investment community experiences a substantial ‘over supply’ of the Council’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% 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 5 years	15%	60%
5 years plus	10%*	60%

When total external debt exceeds $400 million this minimum will increase to 10%.

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

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

The Council may prefund its forecasted debt requirements up to 12 months in advance (and in some cases up to 18 months) including the re-financing of existing debt maturities.

6.2.3 Commercial Paper

Commercial Paper[2] (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 the Council 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, know or contracted cashflows are used to repay the CP on maturity.

[2] 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.

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 the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument.

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

Counterparty/Issuer	Minimum long term/ short term credit rating – stated and possible	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)
NZ Government		Unlimited	none	unlimited
Local Government Funding Agency		50.0	none	50.0
NZD Registered Supranationals[3]	AAA/A1+	50.0	none	50.0
State Owned Enterprises	A-/ A2	15.0	none	15.0
NZ Registered Bank	A-/ A2	60.0	70.0	80.0
Corporate Bonds/ CP[4]	A-/ A2 (if rated)	10.0	none	10.0
Local Government Stock/ Bonds/ FRN/ CP[5]	A-/ A2 or Unrated	40.0 25.0	none none	40.0 25.0

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

- Investments (e.g. bank deposits) – transaction notional × weighting 100% (unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply).

[3] This excluding Equity investment or investment connected with borrowing funds via borrower notes.

[4] Subject to a maximum exposure no greater than 25% of total funds invested in corporate debt at any one point in time. Debt instruments should rank as senior debt and subordinated debt investments are not permitted

[5] Subject to a maximum exposure no greater than 60% of total funds invested in Local Government debt at any one point in time.

- Interest rate risk management (e.g. swaps, FRAs) – transaction notional × maturity (years) × 3%.
- Foreign exchange – transactional principal amount x the square root of the maturity (years) x 15%.

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

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 the Council.

6.4 CentrePort Debt and Guaranteeing Debt

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

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

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

The Council 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

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

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

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

6.6 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 the Council.

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

6.6.3 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 the Council.
- All treasury products will be recorded and diarised within a treasury system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. The Council 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 the Council's accounts and records are updated promptly, accurately and completely
  - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
  - Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.

- All counterparties will be provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
- All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.
- All inward letter confirmations, including registry confirmations, will be received and checked by the MF against completed deal tickets and summary spreadsheets records to ensure accuracy.
- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to the Council records will be signed off by the CFO.
- The majority of borrowing and investment payments will be settled by direct debit authority.
- For electronic payments, batches will be set up electronically. These batches will be checked by the MF to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.
- Bank reconciliations will be performed monthly by the MF. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's's records will be signed off by the CFO.
- A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasurer and reviewed by the MF.

6.7 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, the Council may be exposed to such risks.

In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation, the Council 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 the Council. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

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

Currently, the Council has ISDA agreements with the following banks:

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

6.7.2 Financial Covenants and Other Obligations

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

The Council 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 the Council. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Maximum term of a hedge or option contact 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 the Council. 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, the Council would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to the Council. If the preferred hedge counter-party does not have an external credit rating with Standard & Poor's the Chief Financial Officer 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 the Council'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 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 the Council (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 the Council bank account information daily
- Co-ordinate the Council'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 the Council'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 swaps/swaptions/FRAs must be incorporated.

9.1 Treasury reporting

The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Daily Cash Position	Daily	Treasurer	CFO
Treasury Exceptions Report	Daily	Treasurer	CFO
Risk Exposure position	Monthly	Treasurer	CFO
Risk Management performance	Monthly	Treasurer	CFO
Policy Compliance	Monthly	MF	CFO
Interest rate exposure report	Monthly	Treasurer	CFO
Cost of funds report	Monthly	Treasurer	CFO
Funding facility report	Monthly	Treasurer	CFO
Funding risk report	Monthly	Treasurer	CFO
Cash flow forecast report	Monthly	Treasurer	CFO
Summary Treasury Report	Monthly Quarterly	Treasurer	CFO Risk and Assurance / Council
Quarterly Treasury Strategy Paper	Quarterly	Treasurer	CFO CEO / Risk and Assurance
Limits Report	Daily on exceptions Quarterly	MF	Treasurer Risk and Assurance
Debt Maturity Profile	Quarterly	Treasurer	Risk and Assurance / Council
Statement of Public Debt	Quarterly	Treasurer	Risk and Assurance / Council
Revaluation of financial instruments	Quarterly	Treasurer	CFO

9.2 Accounting treatment of financial instruments

The Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates. The accounting treatment for such financial instruments will follow IFRS accounting standards.

9.3 Valuation of treasury instruments

All treasury financial instruments will be revalued at least quarterly for risk management purposes. This includes those instruments that are used only for hedging purposes. Underlying rates to be used to value treasury instruments are as follows:

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

10. Policy review

This Treasury Risk Management Policy will be formally reviewed every three years. The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to 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 the Council'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 Risk and Assurance within five months of the financial year-end. Risk and Assurance will approve any resulting policy changes.

4. RATES REMISSION AND POSTPONEMENT POLICIES

Remission and postponement of penalties

Objective

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

Criteria and conditions

Greater Wellington Regional Council will consider each application on its merit, and remission or postponement of penalties may 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 Regional Council, Greater Wellington Regional Council may remit or postpone all or part of a penalty where it considers that it is fair and equitable to do so. Matters that will be taken into consideration by Greater Wellington Regional Council include the following:
    a) The ratepayer’s payment history
    b) The impact on the ratepayer of extraordinary events
    c) The payment of the full amount of rates due
    d) The ratepayer entering into an agreement with Greater Wellington Regional Council for the payment of rates.

Conditions

1) Greater Wellington Regional Council reserves the right to impose conditions on the remission or postponement of penalties.

Decisions

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

Rates postponement

Objective

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

Criteria and conditions

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

Criteria

Greater Wellington Regional Council 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 Regional Council 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 Regional Council 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 request a postponement of the payment of a lesser amount of rates than the full amount owing.

Decisions

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

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 Regional Council has considered the matters identified in schedule 11 of the Local Government Act 2002.

Criteria and conditions

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

Criteria

1) Greater Wellington Regional Council will give a remission or postponement of up to 100% of all rates for the year for which it is applied for based on the extent to which the remission or postponement of rates will:
   a. Support the use of the land by 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 Regional Council. 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 Regional Council 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 Regional Council and may be cancelled and reduced at any time.
5) The applicant may request a postponement of 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 may be delegated to Greater Wellington Regional Council officers. All delegations will be recorded in the delegations register.

Remission of rates in special circumstances

Objective

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

Criteria and conditions

Greater Wellington Regional Council 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 Regional Council 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 rating year. An application for remission under this policy must be made within the rating/financial year for which remission is sought.
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 Regional Council and
   c. Contain supporting information.
5) The Council may of its own volition investigate and grant remission of rates that satisfy the requirements of any request it receives from the Government or other agency to remit rates. In such circumstances rates will generally be remitted to the extent Greater Wellington Regional Council 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 $250.

Decisions on the remission of rates in special circumstances where the amount requested is $250 or less may be delegated to Greater Wellington Regional Council officers. All delegations will be recorded in the delegations register.

5. POLICY ON DEVELOPMENT CONTRIBUTIONS OR FINANCIAL CONTRIBUTIONS

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

Development contributions

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

Financial contributions

Greater Wellington Regional Council 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 Regional Council unless they are included within a regional plan.

The Greater Wellington Regional Council's purpose is to enrich life in the Wellington Region by building resilient, connected and prosperous communities, protecting and enhancing our natural assets, and inspiring pride in what makes us unique

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