MEETING
– AGENDA –
Ngā Take

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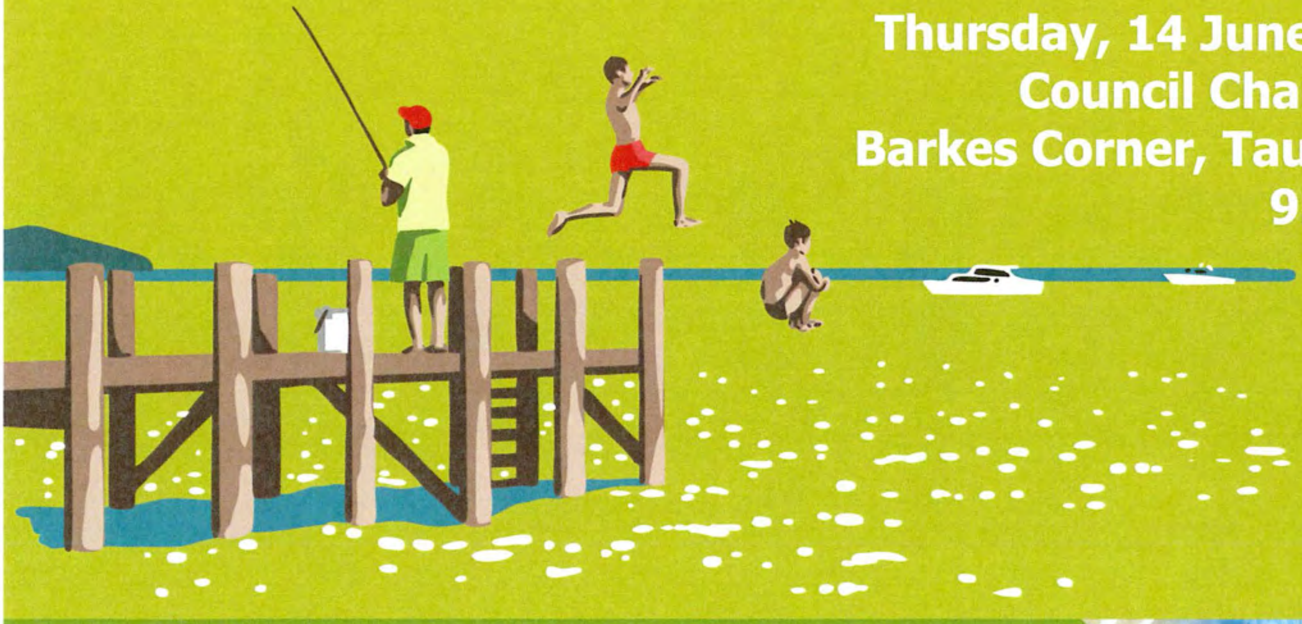
Western Bay of Plenty District Council

POLICY COMMITTEE

Komiti Kaupapa Here

PP13
Thursday, 14 June 2018
Council Chambers
Barkes Corner, Tauranga
9.30am



Te Kaunihera a rohe mai i nga Kuri-a-Wharei ki Otamarakau ki te Uru

Notice of Meeting No PP13
Te Karere

Policy Committee
Komiti Kaupapa Here

Thursday, 14 June 2018
Council Chambers
Barkes Corner
9.30am

His Worship the Mayor	G J Webber
Councillors:	M Williams (Chairperson) D Marshall (Deputy Chairperson) G Dally M Dean M Lally P Mackay K Marsh M Murray-Benge J Palmer J Scrimgeour D Thwaites

Media
Staff

Miriam Taris
Chief Executive Officer
Western Bay of Plenty District Council

Policy Committee Delegations
Mangai o Te Kaunihera

Quorum:

The quorum for this meeting is six members.

Role

Subject to compliance with legislation to develop plans and policies for the future direction of Council and its communities.

General Delegations

- To exercise all decision-making powers of Council within the Committee's scope of delegated functions and in accordance with its role, and to do anything precedent to the exercise by Council of its powers and duties as specified in Schedule 7 of the Local Government Act 2002 Clause 32 subclause 1 items b and h being specifically the following:
- To undertake on behalf of Council all processes and actions (including consultation) for the development of bylaws, remuneration and employment policy, and policies required to be adopted and consulted on under the Local Government Act 2002 developed for the purpose of the local governance statement precedent to adoption by Council.

Subject to compliance with legislation and the Long Term Plan to resolve all matters of policy and planning which do not require, under the Local Government Act 2002, a resolution of Council. Policy is defined as any matter relating but not limited to, the following:

- Policy Development
- Comprehensive Development Planning
- Environmental policy
- Matters of policy referred by Council, Community Boards or other committees
- Reserve Management Planning
- To conduct policy review and monitor policy variation frameworks
- To undertake on behalf of Council all processes and actions (including consultation) to develop bylaws precedent to the recommendation to Council for adoption of the bylaws

Subject to compliance with legislation and the Long Term Plan to resolve all matters of strategic policy outside of the Long Term Plan process, which does not require, under the Local Government Act 2002, a resolution of Council. Strategic policy is defined as any matter relating but not limited to, the following:

- Overall Infrastructure Strategies and financial Planning/Action Plans
- Policy direction for asset management planning
- To set service standards including levels of service.
- Utilities services/ infrastructure policy and planning
- Road / Transport policy and planning

- To receive and resolve on or recommend to Council or its Committees as appropriate the reports, recommendations and minutes of the following:
  - Regional Land Transport Committee
  - SmartGrowth Implementation Committee
  - And any other Joint Committee, working group or forum as directed by Council.
- To receive resolve on or refer to Council and its Committees as appropriate the recommendations from the Rural Forum.

Resource Management Act 1991 - District Plan Policy Development

- Pursuant to the Resource Management Act 1991 to establish and review objectives, policies and methods to achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources of the district by:
- Developing to the point of notification all District Plan and Development Code Changes, variations, designations and reviews and built environment strategies.

Financial Delegations

Pursuant to Section 4(1) of the Public Bodies Contracts Act 1959, the Committee shall have the power to enter into contracts in respect of the Committee's functions to a maximum value of $5,000,000 for any one contract, provided that the exercise of this power shall be subject to, and within the allocation of funds set aside for that purpose in the Long Term Plan, the Annual Plan and Budget or as otherwise specifically approved by Council.

To report to Council financial outcomes and recommend any changes or variations to allocated budgets.

Other

Pursuant to clause 32(1) of Schedule 7 of the Local Government Act 2002, each of the Mayor and Councillors, whether individually or collectively, the power to listen to and receive the presentation of views by people and to engage in spoken interaction with people pursuant to section 83(1)(d) of the Local Government Act 2002 in relation to any processes Council undertakes to consult on under the Special Consultative Procedure as required by the Local Government Act 2002 or any other Act.

The Committee may without confirmation by Council exercise or perform any function, power or duty relating to those matters delegated by Council in like manner, and with the same effect, as the Council could itself have exercised or performed them.

The Committee may delegate any of its functions, duties or powers to a subcommittee subject to the restrictions on its delegations and provided that any sub-delegation to subcommittees includes a statement of purpose and specification of task.

The Committee may make recommendations to Council or its Committees on any matters to achieve the outcomes required in the role of the Committee but outside its delegated authorities.

Agenda for Meeting No. PP13

Pages

Present
In Attendance
Apologies

Public Excluded Items

The Council may by resolution require any item of business contained in the public excluded section of the agenda to be dealt with while the public are present.

Public Forum

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Committee for up to three minutes on items that fall within the delegations of the Committee provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

Attached is a report from the Financial Accountant dated 4 May 2018.

Attached is a report from the Recreation Planner dated 31 May 2018.

Western Bay of Plenty District Council

Policy Committee

Adoption of Western Bay of Plenty District Council's Treasury Policy

Purpose

This report is seeking adoption of Western Bay of Plenty District Council's Treasury Policy (the Policy). The Policy has been revised as suggested by Council's treasury advisor, PwC, and subsequently presented at the Long Term Plan 2018-2028 workshop on 11 December 2017. The revised Policy incorporates changes that reflect good practice in the local government sector. The adoption of the revised Policy will enhance Council's treasury management function and better address Council's strategic funding requirements. It is recommended that the Policy is adopted forthwith.

Recommendation

1. ***THAT the Financial Accountant's report dated 4 May 2018 and titled 'Adoption of Western Bay of Plenty District Council's Treasury Policy' be received.***
2. ***THAT the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.***
3. ***THAT the revised Treasury Policy be adopted forthwith.***

Dion McCall
Financial Accountant

Approved

Kumaren Perumal
Chief Financial Officer

1. Background

The draft summary of the Policy was adopted on 15 March 2018 for the purpose of providing supporting information for the draft Long Term Plan 2018-28 Consultation Document. Consequently, no feedback was provided from the community on the draft summary of the Policy during the consultation period.

Section 102 (5) of the Local Government Act 2002 (the Act) does not require Council's liability management and investment policies to be subject to the consultation requirements set out under section 82 of the Act.

The purpose of the Policy **(Attachment A)** is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Western Bay of Plenty District Council. The formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed. For convenience the track changed version has been provided as **(Attachment B)**.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within 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 Western Bay of Plenty District Council
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on Council's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks
- The operation of a proactive treasury function in an environment of control and compliance
- The robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions
- Assistance to Council in achieving strategic objectives relating to ratepayers.

It is intended that the Policy be distributed to all Council staff involved in any aspect of the Council's financial management. In this respect, all staff must be completely familiar with their responsibilities under the policy at all times.

The key changes to the updated Treasury Policy are noted below.

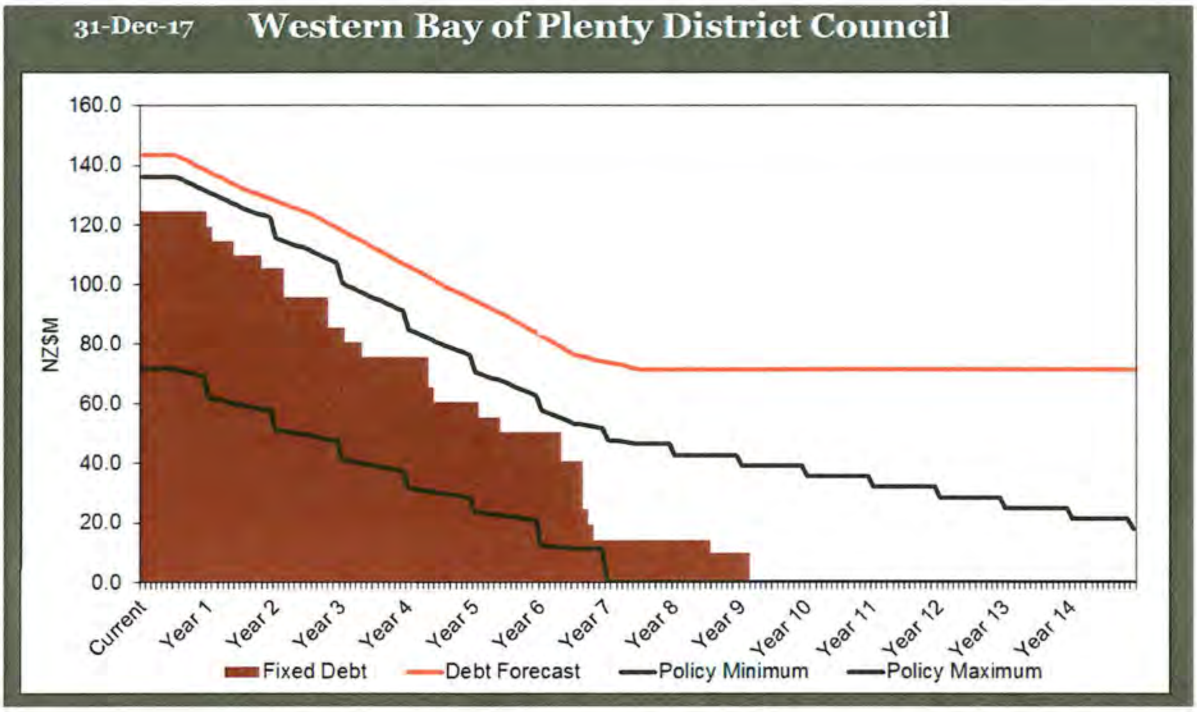
Interest rate risk control limits

Debt Interest Rate Policy Parameter limits have been proposed to change to a 'corridor' approach. This means Council has a specified guided path to follow when considering levels of interest rate risk management (hedging). This corridor specifies a minimum and maximum fixed limit of interest rate cover based on the level of forecast debt.

The proposed parameters are noted below:

Debt Interest Rate Policy Parameters (calculated on a rolling monthly basis)		
Debt Period Ending	**Minimum Fixed**	**Maximum Fixed**
Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	0%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%
Year 16	0%	20%

These proposed limits are illustrated in the example figure below:



This compares with the existing 'time bucket' approach below:

Table 1

Master Fixed / Floating Risk Control Limits	
Minimum Fixed Rate	**Maximum Fixed Rate**
50%	95%

Table 2

Fixed Rate Maturity Profile Limit		
Period	**Minimum Hedge %**	**Maximum Hedge %**
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	0%	60%

Counterparty limits

Counterparty limits have been increased according to the table below. This change allows Council to have larger balances invested with registered banks at any given time. The proposed limit changes are consistent with those of comparable entities to Council in size and risk appetite.

	Counterparty/Issuer	Minimum long 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)
Current	NZ Registered Bank	A-	15.0	20.0	25.0
Proposed	NZ Registered Bank	AA- A-	30.0 15.0	35.0 20.0	40.0 25.0

Liquidity and funding risk control limits

To formalise LGFA borrowing concentration risk, the following addition is proposed. This is to match the requirements of the LGFA.

To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Councils borrowing's from the LGFA will mature in any 12- month period.

Pre-funding

The revised Policy allows the ability to pre-fund up to 18 months of forecast debt requirements including re-financings.

2. Significance and Engagement

The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

In terms of the Significance and Engagement Policy this decision is considered to be of low significance because it is in the interest of the community that Council staff and Elected Members adhere to a treasury policy, as the formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed.

3. Engagement, Consultation and Communication

Interested/Affected Parties	Completed/Planned Engagement/Consultation/Communication
Western Bay of Plenty District Council Staff	Relevant Council Staff will be notified accordingly.
Public	The summary of the Treasury Policy will be adopted as part of the Long Term Plan 2018-2028 process on 28 June 2018.

4. Issues and Options Assessment

THAT the revised Treasury Policy be adopted.	
Reasons why no options are available	**Legislative or other reference**
As noted in the Local Government Act 2002 - Section 102 Funding and Financial Policies, a local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt funding and financial policies.	• Sections 101, 101A, 102, 104, 105, 113 and Schedule 10 of the Local Government Act 2002 • Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.

5. Statutory Compliance

The recommendations of this report meet the requirements of:

- Sections 101, 101A, 102, 104, 105, 113 and Schedule 10 of the Local Government Act 2002
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4
-

6. Funding/Budget Implications

Budget Funding Information	Relevant Detail
	Adoption of the new ratios will ensure Council complies with its Treasury Policy for the full ten years of the Long Term Plan 2018-2028. The adoption of the ratios themselves has no direct financial impact.

ATTACHMENT A

WESTERN BAY OF PLENTY DISTRICT COUNCIL

Treasury Policy

Incorporating the Liability Management and Investment Policies as required by sections 104 and 105 of the Local Government Act 2002

Council Approved: XXXX

CONTENTS

1.0 INTRODUCTION

1.1. Policy purpose

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Western Bay of Plenty District Council ("Council"). The formalisation of such policies and procedures will enable treasury risks within 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 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 Western Bay of Plenty District Council
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers
- The effectiveness and efficiency of the Treasury Policy and treasury management function to recognise, measure, control, manage and report on Council's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks
- The operation of a proactive treasury function in an environment of control and compliance
- The robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions
- Assistance to Council in achieving strategic objectives relating to ratepayers.

It is intended that the policy be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff must be completely familiar with their responsibilities under the policy at all times.

2.0 SCOPE AND OBJECTIVES

2.1. Scope

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

2.2. Objectives

The objective of this Treasury Policy is to control and manage costs and investment returns that can influence operational budgets and public equity. Specifically:-

Statutory objectives

- 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
- Council is governed by the following relevant legislation:
  - Local Government Act 2002, in particular Part 6 including sections 101, 101A, 102, 104, 105 and 113
  - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4
  - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is affected.
- All projected borrowings are to be approved by Council as part of the Annual Plan process or the long term planning process (LTP) or resolution of Council before the borrowing is affected
- All legal documentation in respect to borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed
- Council will not enter into any borrowings denominated in a foreign currency
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
  - The period of indebtedness is less than 91 days (including rollovers); or
  - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate $500,000.
- Other - Instruments not specifically referred to in this policy may only be used with specific Council approval.

General objectives

- To manage investments to optimise returns in the long term whilst balancing risk and return considerations
- Minimise Council's costs and risks in the management of its borrowings
- Minimise 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 Policy so as to protect Council's financial assets and costs
- Arrange and structure long term funding for 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 Council's lending/security arrangements
- Comply with financial ratios and limits stated within this Policy
- Monitor Council's return on investments
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties
- Ensure that all statutory requirements of a financial nature are adhered to
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.

In meeting the above objectives Council is, above all, a risk averse entity and does not seek risk in its treasury activities. Interest rate risk, liquidity risk, funding risk, default or credit risk, and operational risks are all risks which the Council seeks to manage, not capitalise on. Accordingly activity which may be construed as speculative in nature is expressly forbidden.

2.3. Policy setting and management

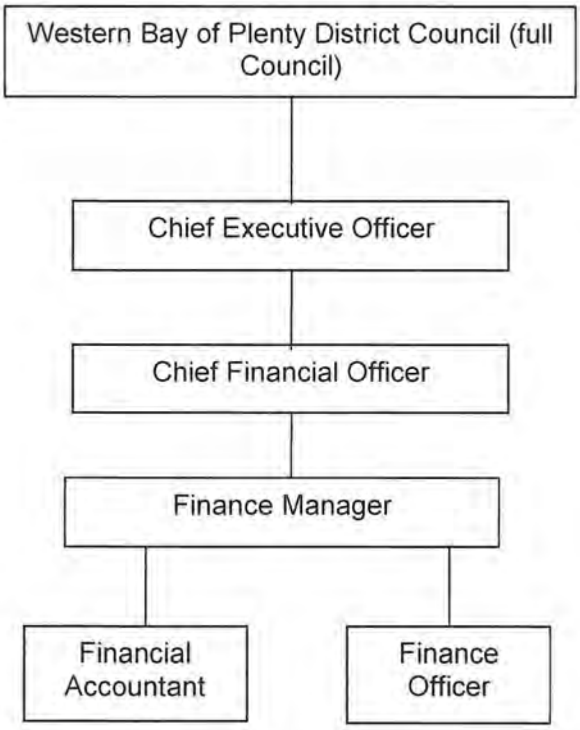
Council approves Policy parameters in relation to its treasury activities. The CEO has overall financial management responsibility for the Council's borrowing and investments, and related activities.

The Council exercises ongoing governance over its subsidiary companies (CCO/CCTO), through the process of approving the Constitutions, Statements of Intent, and the appointment of Directors/Trustees of these organisations.

3.0 MANAGEMENT RESPONSIBILITIES

3.1. Overview of management structure

The following diagram illustrates those positions or functions that have treasury responsibilities.



3.2. Full Council (Elected Members)

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

The full Council is responsible for approving the Treasury Policy in accordance with public consultation obligations. 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 Council through the 10-year Long Term Plan (LTP) and the adopted annual plan
- Approving new debt through the adoption of the Annual Plan, specific Council resolution and approval of this policy

Approving the Treasury Policy incorporating the following delegated authorities:

- Approving budgets and high level performance reporting
- Delegate authority to the CEO and other officers.

The full Council should also ensure that:-

- It receives regular information from management on risk exposure and financial instrument usage in a form, that is understood, and that enables it to make informed judgements as to the level of risk undertaken
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved in a timely manner
- Submissions are received from management requesting approval for one-off transactions falling outside policy guidelines.

3.3. Council consideration of Treasury matters

The full Council will consider treasury matters as part of its six weekly meeting cycle (and informally as required).

Structure:

- Full Council
- Chief Financial Officer or alternative (Finance Manager).

The Quorum is 6.

Either one of the CEO or CFO must be present; i.e. the Acting CEO and the alternative for CFO cannot act together).

Responsibilities include:

- Receive and review monthly treasury report
- Recommending treasury policy (or changes to existing policy) to the full Council
- Receive recommendations from the Chief Financial Officer and making submissions to the Council on all treasury matters requiring Council approval
- Approve facilities and instruments as delegated by the full Council.

3.4. Chief Executive Officer (CEO)

While the full Council has final responsibility for the policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive Officer.

In respect of treasury management activities, the Chief Executive Officer's responsibilities include:-

- Ensuring the Treasury policies comply with existing and new legislation
- Approving the opening and closing of Council bank accounts
- Approving the register of cheque and electronic banking signatories
- Approve new counterparties and counterparty limits
- Approve new borrowing undertaken in line with Council resolution and approved borrowing strategy
- Receive advice of breaches of Treasury Policy and significant treasury events from the Chief Financial Officer or Finance Manager
- Approve treasury transactions in accordance with delegated authority
- Approve all amendments to Council records arising from checks to counterparty confirmations
- Delegate treasury operation responsibilities to management through the Treasury Management Operations Schedule.

3.5. Delegation of authority and authority limits

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

To prevent these types of situations, the following procedures must be complied with:-

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing Policy	The full Council	Unlimited
Borrowing new debt	The full Council	Unlimited (subject to legislative and other regulatory limitations)
Acquisition and disposition of investments other than financial investments	The full Council	Unlimited
Approval for charging assets as security over borrowing	The full Council	Unlimited
Approving transactions outside policy	The full Council	Unlimited
Appoint Debenture Trustee	The full Council	N/A
Approving new debt and/or new facilities as set out in Council-approved AP / LTP	CEO (delegated by the full Council)	Per Council-approved AP / LTP
Arranging new debt as set out in Council-approved AP / LTP	CFO (delegated by the full CEO)	Per full Council-approved AP / LTP
Authorising lists of signatories	CEO (delegated by the full Council)	Unlimited
Opening/closing bank accounts	CEO (delegated by the full Council)	Unlimited
Overall day-to-day risk management	CEO (delegated by the full Council) CFO (delegated by CEO) MF (delegated by CEO)	Overall day-to-day risk management
Re-financing existing debt	CEO (delegated by the full Council) CFO (delegated by CEO)	Re-financing existing debt
Adjust net debt or net investment interest rate risk profile	CEO (delegated by the full Council) CFO (delegated by CEO) MF (delegated by CEO)	Per risk control limits
Managing funding and investment maturities in accordance with Council	CEO (delegated by the full Council) CFO (delegated by CEO)	Per risk control limits

approved risk control limits	FM (delegated by CEO)	
Maximum daily transaction amount (borrowing, investing, interest rate risk management and cash management) excludes roll-overs on floating rate investments and interest rate roll-overs on swaps	The full Council CEO (delegated by the full Council) CFO (delegated by CEO) FM (delegated by CEO) Finance Accountants Team (delegated by CEO)	Unlimited $25 million $10 million $5 million
Triennial review of policy	CFO FM	N/A
Ensuring compliance with policy	CEO CFO FM	N/A

All management delegated limits are authorised by the CEO.

4.0 LIABILITY MANAGEMENT POLICY

Council's liabilities comprise borrowings and various other liabilities. Council maintains borrowings in order to:

- Fund the balance sheet as a whole, including working capital requirements
- Raise specific debt associated with projects and capital expenditures
- Fund assets whose useful lives extend over several generations of ratepayers.

4.1. Debt ratios and limits

Debt will be managed within the following macro limits.

Ratio	Council Preferred Policy Limits	Council Max Policy Limits	LGFA Max Policy Limits
Net Debt as a percentage of Total Revenue	<180% (by 2018)	<200%	<250%
Net Interest as a percentage of Total Revenue	<15%	<20%	<20%
Net Interest as a percentage of Annual Rates Income (debt secured under debenture)	<20%	<25%	<30%
Liquidity (external term debt + committed loan facilities + available liquid short-term financial investments to existing external debt)	>110%	>110%	>110%

- Total Revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets)
- Net Debt is defined as total debt less liquid short-term financial assets and investments
- Liquidity is defined as external term debt plus committed loan facilities plus available liquid short-term financial investments divided by existing external debt. Liquid investments are financial assets defined as being:
  - Overnight bank cash deposits
  - Wholesale/retail bank term deposits no greater than 30 days
  - Bank issued RCD's less than 181 days.
  - Wholesale/ retail bank term deposits linked to pre funding of maturing term debt exposures.
- Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

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

Disaster recovery requirements are to be met through the liquidity ratio.

4.2. Asset management plans

In approving new debt the Council considers the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP.

4.3. Borrowing mechanisms

Council is able to borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, accessing the short and long-term wholesale and retail capital markets directly or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the CFO takes into account the following:-

- Available terms from banks, Local Government Funding Agency (LGFA), debt capital markets and loan stock issuance.
- 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 loan stock issuance, LGFA, debt capital markets and bank borrowing.
- The market's outlook on future credit margin and interest rate movements as well as its own.
- Ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/tax/risk limitation compared to the terms and conditions Council could achieve in its own right.
- Legal documentation and financial covenants together with security and credit rating considerations.
- For internally funded projects, to ensure that finance terms for those projects are at similar terms to those from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, financial institutions/brokers and maintain a strong credit rating.

Council has the ability to pre-fund up to 18 months of forecast debt requirements including re-financings.

4.4. Security

Council's borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. The utilisation of special funds and reserve funds and internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.

Under the Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act, excluding any rates collected by Council on behalf of any other local authority. The security offered by Council ranks equally or 'Pari Passu' with other lenders.

Council offers deemed rates as security for general borrowing programs. From time to time, with prior Council approval, security may be offered by providing a charge over one or more of Councils assets.

Physical assets will be charged only where:-

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance)
- Council considers a charge over physical assets to be appropriate
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Deed.

4.5. Debt repayment

The funds from all asset sales and operating surpluses will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

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

The Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

4.6. Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Financial arrangements include advances to community organisations.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed an amount agreed by Council or an appropriate Council Committee in aggregate. The CFO monitors outstanding guarantees and reports to the Council quarterly.

4.7. Internal borrowing

Council uses its reserves to internally fund new capital projects. The CFO is responsible for administering the Council's internal loan portfolio. Loans are set up within the portfolio based on planned loan funded capital projects or operational expenditure as approved by Council resolution as part of the Annual Plan and LTP.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies through not paying fees/margins and other costs associated with raising external borrowing.

In addition to external borrowing the following specific reserves are used for internal borrowing purposes:

- Special Fund Reserves
- General Accumulated Reserves.

All internal borrowing activities are consistent with the principles and parameters outlined throughout the Liability Management and Investment Policies:

- Council firstly seeks to utilise internal reserve funds and if insufficient reserves are available utilises external borrowing

- A notional internal loan is set up for all new capital or operational expenditure purposes and allocated in the internal loan portfolio to the activity centre incurring the obligation
- Interest received is allocated into the general account and offset against general rate requirements.

For operational lending the following specific parameters apply:

- The term of the loan is limited to a maximum of one year with the loan to be fully repaid by the second anniversary of the loan
- Interest is set based on a margin above the 90-day floating BKBM mid interest rate at the beginning of the calendar quarter. If external debt is used the weighted average cost of external borrowing plus a margin. The margin can include a credit margin and other treasury related costs
- Interest is paid quarterly in arrears.

For capital lending the following specific parameters apply:

- The Council approves lending for capital purposes through the Annual Plan/LTP. These are ratified by the Council subsequent to the Annual Plan being approved.
- Interest on internally-funded loans is charged annually in arrears, on year-end loan balances at the agreed three-year fixed interest rate. Except where a specific rate has been approved for particular circumstances, the three-year rate is set annually at the start of the financial year, based on the three-year swap rate plus the credit margin on three-year loan stock and other related treasury costs. The margin is determined by that of the LGFA three-year credit curve for a non-credit rated non-guaranteeing Council borrower.
- If external debt is used the weighted average cost of external borrowing (including credit margin and other related costs).

4.8. New Zealand Local Government Funding Agency Limited

Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:-

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example, Borrower Notes
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- 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
- Subscribe for shares and uncalled capital in the LGFA.

5.0 INVESTMENT POLICY AND LIMITS

5.1. Investment policy objectives

Council is currently a net borrower and is likely to remain so for the foreseeable future. Council should internally borrow from special reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt. Investments are maintained to meet specified business reasons.

Such reasons can be:-

- For strategic purposes consistent with Council's Long Term Plan
- To reduce the current ratepayer burden
- The retention of vested land
- Holding short term investments for working capital and liquidity requirements
- Holding investments that are necessary to carry out Council operations consistent with Annual Plans, to implement strategic initiatives, or to support inter-generational allocations
- Provide funding through the provision of committed bank facilities in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets
- Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves
- Invest proceeds from the sale of assets.

Council recognises that as a responsible public authority all investments held, should be low risk. Council also recognises that low risk investments generally mean lower returns.

Council should internally borrow from reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

In its financial investment activity, Council's primary objective is the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are acceptable.

5.2. General investment policy

The Council's general Policy on investments is that:

- The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
- The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
- The Council will review its policies on holding investments at least once every three years.

5.3. Acquisition of new investments

With the exception of financial investments, acquisition and management of medium to long-term investments are managed in accordance with goals, objectives and provisions of the LTP and Annual Plans. However, the Council may from time to time deem it appropriate, in terms of prudent financial management, to modify its investment mix such a change would be entered into only through specific Council resolution and in compliance with the provisions of the Local Government Act 2002. The authority to acquire financial investments is delegated to the CFO and reported to Council on a monthly basis.

5.4. Investment mix and related policies

Council may maintain investments in the following assets from time to time:-

- Equity investments, including investments held in CCO/CCTO and other shareholdings
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development
- Forestry investments
- Financial investments
- LGFA investments
- Community loans and advances.

5.4.1 Equity investments

It may be appropriate to have limited investment(s) in equity (shares) when Council wishes to invest for strategic, economic development or social reasons. Council will approve equity investments on a case-by-case basis, if and when they arise.

Generally such investments will be in (but not limited to) infrastructural companies and/or local government joint ventures (including Council Controlled Trading Organisations (CCTO)) to further District or regional economic development. Council does not invest in overseas companies.

Council reviews performance of these investments as part of the annual planning process to ensure that their stated objectives are being achieved.

Any disposition of these investments if the market value exceeds $50,000 requires approval by Council. For investments equal to or less than $50,000, the decision is made by the Chief Executive. Acquisition of new equity investments requires Council approval. The Council decides on the allocation of proceeds from the disposition of equity investments on a case-by-case basis.

All income, including dividends, from the Council's equity investments is included in general revenues in the Statement of Financial Performance.

Equity investments exclude those investments that are not held for strategic or economic development or social reasons.

Equity investments are reported to Council on a quarterly basis.

5.4.2 Property investments

Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows similar assessment criteria in relation to new property investments.

Council reviews the performance of its property investments on a regular basis.

All income, including rentals and ground rent from property investments is included in the consolidated revenue account.

5.4.3 Forestry

Forestry assets are held as long term investments on the basis of net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs.

All income from forestry is included in the consolidated revenue account.

Any disposition of these investments requires Council approval. The proceeds from forestry disposition are used firstly to repay related borrowings and then included in the relevant consolidated capital account.

5.4.4 Financial investments

Financial investment objectives

- Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 6.5. Credit ratings are monitored and reported quarterly to Council.
- Council may invest in approved financial instruments as set out in section 6.4. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets
- Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:
  - Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections
  - Interest income from financial investments is credited to general funds, except for income from investments for special funds, reserve funds and other funds where interest may be credited to the particular fund
  - Internal borrowing will be used wherever possible to avoid external borrowing.

Special funds, sinking funds, reserve and endowment funds

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

Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the trust. If the Trusts investment policy is not specified then this policy should apply.

5.4.5 New Zealand Local Government Funding Agency Limited investment

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

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

- Obtain a return on the investment
- 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 these dual objectives, 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. Notwithstanding the Counterparty Credit Risk Limits (set out in Section 6.3 of this policy), Council may invest in financial instruments issued by the LGFA up to a maximum of $15 million (i.e. borrower notes). If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

Proceeds from share sales will go to repay existing debt, unless Council specifically directs that the funds be put to another use.

5.4.6 Loans, Advances and Investments in Community Projects

From time to time, the Council makes loans to other parties. All loans are secured and all loan advances are reviewed as part of the annual planning process to ensure that interest and principal repayments are made in accordance with the loan agreement.

Council does not lend to CCTO's on more favourable terms than what it can achieve itself, without charging any rate or rate revenue as security.

At various times groups within the community request loans, advances or guarantees for projects that will be of benefit to a significant proportion of the community. As these investments are with groups that the Council would not normally invest with Council needs to debate the suitability of any loan application. During this process Councillors pay particular regard to the ability of the applicant to service the debt and repay principal. Council will be responsible for authorising any such loans, advances or guarantees.

Advances to charitable trusts, and community organisations do not have to be on a fully commercial basis. Where advances are made to charitable trusts and community organisations at below Councils cost of borrowing the additional cost is treated as an annual grant to the organisation.

Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved. The CFO monitors loan advances and reports to Council quarterly.

6.0 RISK MANAGEMENT

The definition and recognition of interest rate, liquidity, funding, investment, counterparty credit, market, operational and legal risk of Council will be as detailed below and applies 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 financing costs will materially fall short of or exceed projections included in the LTP and Annual Plan due to adverse movements in market interest rates, thus adversely impacting revenue projections, cost control and capital investment decisions/returns/and feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of investment returns or financing costs. Certainty around financing costs is to be achieved through the active management of underlying interest rate exposures.

6.1.2 Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's forecast core external debt should be within the following fixed/floating interest rate risk control limit, and will apply when forecast core debt exceeds $25 million.

Core external debt is defined as gross external debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

Debt Interest Rate Policy Parameters (calculated on a rolling monthly basis)		
Debt Period Ending	**Minimum Fixed**	**Maximum Fixed**
Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	0%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%
Year 16	0%	20%

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

"Floating Rate" is defined as an interest rate repricing within 12 months.

The percentages are calculated on the rolling projected core debt level calculated by management (signed off by the CFO).

A fixed rate maturity profile that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.

- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months
- Any interest rate derivatives with a maturity beyond 16 years must be approved by Council. The exception to this will be if council raises LGFA funding as fixed rate and this maturity is beyond 16 years
- Hedging outside the above risk parameters must be approved by Council
- Interest rate options must not be sold outright. However, one for one 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, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money"
- Purchased borrower swaptions mature within 12 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 hedge percentage calculation
- The forward start period on swap/collar strategies is to be no more than 24 months, unless the forward start swap/collar starts on the expiry date of an existing fixed interest rate instrument (i.e. either derivative or fixed rate borrowings) and has a notional amount which is no more than that of the existing fixed interest rate instrument.

6.2. Liquidity and 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 cash, financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding 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 at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:-

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

- Financial market shocks from domestic or global events.

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 so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

6.2.2 Liquidity and funding risk control limits

- External term loans and committed debt facilities together with available short-term liquid investments must be maintained at an amount exceeding 110% of existing total external debt
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds
- Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings. Debt refinancing that have been prefunded, will remain included within the funding maturity profile until their maturity date
- The CEO has the discretionary authority to re-finance existing debt on more acceptable terms. Such action is to be reported and ratified by the Council at the earliest opportunity
- The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system and apply when external debt exceeds $25 million:-

Period	Minimum Cover	Maximum Cover
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	60%

- In addition to the above limits, WBOPDC will not have greater that 35% of total borrowings subject to refinancing within any financial year (including forecast borrowings)
- A funding maturity profile that is outside the above limits but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Councils borrowings from the LGFA will mature in any 12 month period.

6.3. Foreign exchange rate risks

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

All commitments for foreign exchange greater than $100,000 are hedged using foreign exchange contracts, once expenditure is approved. Both spot and forward foreign exchange contracts can be used by Council.

Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.

Council does not hold investments denominated in foreign currency.

All foreign currency hedging must be approved by the CFO.

6.4. Approved financial instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council. Approved financial 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 Loan stock/bond issuance • Floating Rate Note (FRN) • Fixed Rate Note (MTN) Commercial paper (CP) /Bills / Promissory notes Finance Leases
Investments	Short term bank deposits Bank certificates of deposit (RCDs) NZ Government, LGFA, Local Authority stock or State Owned Enterprise (SOE) bonds and FRNs (senior) Corporate bonds (senior) Corporate Floating Rate Notes (senior) Promissory notes/Commercial paper (senior) Corporate/SOE/Other Local Authority Bonds LGFA Borrower Notes Bank term deposits linked to pre funding maturing debt
Interest rate risk management	Forward rate agreements ("FRAs") on: • Bank bills • Government bonds Interest rate swaps including: • Forward start swaps and collars (start date <24 months, unless linked to existing maturing fixed interest rate instruments) • 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 swaptions and one for one collars 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.

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

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and hybrid notes such as convertibles.

6.5. 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 entered into.

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

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's, Fitch or Moody's) being A and above or short term rating of A-1 or above.

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

The following matrix guide will determine limits.

Counterparty/Issuer	Minimum long 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	N/A	Unlimited	none	Unlimited
Local Government Funding Agency	A-	30.0	none	30.0
NZD Registered Supra-nationals	AAA	10.0	none	10.0
State Owned Enterprises	A-	5.0	none	5.0
NZ Registered Bank	AA- A-	30.0 15.0	35.0 20.0	40.0 25.0
Corporate Bonds/ CP	A-	2.0	none	2.0
Local Government Stock/ Bonds/FRN/ CP	A- (if rated) Unrated	2.0 0.5	none	2.0 0.5
This summary list will be expanded on a counterparty named basis which will be authorised by the CEO				

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 exit whereupon a 0% weighting may apply)
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%

- Foreign Exchange – Transactional principal amount x the square root of the Maturity (years) x 15%

Each transaction should be entered into a treasury spreadsheet or treasury system and a quarterly report prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits are kept in a spread sheet by management and updated on a day to day basis. Credit ratings should be reviewed by the MF on an on-going basis and in the event of material credit downgrades; this should be immediately reported to the CFO and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

Investments are normally held to maturity date. Where investments are liquidated before legal maturity date, approval is obtained from the CEO, who also approves guidelines for a minimum acceptable sale price. The CFO evaluates quotes based on these instructions and proceeds with the transaction.

6.6. 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, WBOPDC may be exposed to such risks with Council unable to enforce its rights due to deficient or inaccurate documentation.

WBOPDC will seek to minimise this risk by adopting policy regarding:-

- 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.

6.7.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

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

6.7.2 Financial covenants and other obligations

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

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

7.0 POLICY REVIEW

This Treasury Policy is to be formally reviewed on a triennial basis.

The CEO has the responsibility to prepare a review report that is presented to the Council or Council sub-committee. The report will include:-

- Recommendation as to 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 Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting
- An annual audit of the treasury spreadsheets and procedures should be undertaken
- Total net debt servicing costs and debt should not exceed limits specified in the covenants of lenders to Council.

The Council receives the report, approves policy changes and/or reject recommendations for policy changes.

WESTERN BAY OF PLENTY DISTRICT COUNCIL

Treasury Policy

Incorporating the Liability Management and Investment Policies as required by sections 104 and 105 of the Local Government Act 2002

Council Approved: XXXX

CONTENTS

1.0 INTRODUCTION

Policy purpose

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Western Bay of Plenty District Council ("WBOPDC" or "Council"). The formalisation of such policies and procedures will enable treasury risks within WBOPDC to be prudently managed.

1.1 As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within WBOPDC 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 WBOPDC.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Treasury Policy and treasury management function to recognise, measure, control, manage and report on WBOPDC's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operation of a proactive treasury function in an environment of control and compliance.
- The robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Assistance to WBOPDC in achieving strategic objectives relating to ratepayers.

It is intended that the policy be distributed to all personnel involved in any aspect of the WBOPDC's financial management. In this respect, all staff must be completely familiar with their responsibilities under the policy at all times.

2.0 SCOPE AND OBJECTIVES

Scope

2.1

- This document identifies the policies of WBOPDC in respect of treasury management activities.
- The policy has not been prepared to cover other aspects of WBOPDC's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of WBOPDC cover these matters.
- Planning tools and mechanisms are also outside of the scope of this policy.

Objectives

2.2 The objective of this Treasury Policy is to control and manage costs and investment returns that can influence operational budgets and public equity. Specifically:-

Statutory objectives

- 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.
- WBOPDC is governed by the following relevant legislation:
  - Local Government Act 2002, in particular Part 6 including sections 101, 101A, 102, 104, 105 and 113.
  - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
  - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is affected.
- All projected borrowings are to be approved by Council as part of the Annual Plan process or the long term planning process (LTP) or resolution of Council before the borrowing is affected.
- All legal documentation in respect to borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
  - The period of indebtedness is less than 91 days (including rollovers); or
  - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate $500,000
- Other - Instruments not specifically referred to in this policy may only be used with specific Council approval.

General objectives

- To manage investments to optimise returns in the long term whilst balancing risk and return considerations.
- Minimise Council's costs and risks in the management of its borrowings.
- Minimise 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 Policy so as to protect Council's financial assets and costs.
- Arrange and structure long term funding for 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 Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this policy.
- Monitor Council's return on investments.
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.

In meeting the above objectives Council is, above all, a risk averse entity and does not seek risk in its treasury activities. Interest rate risk, liquidity risk, funding risk, default or credit risk,
2.3. and operational risks are all risks which the Council seeks to manage, not capitalise on. Accordingly activity which may be construed as speculative in nature is expressly forbidden.

Policy setting and management

Council approves Policy parameters in relation to its treasury activities. The CEO has overall financial management responsibility for the Council's borrowing and investments, and related activities.

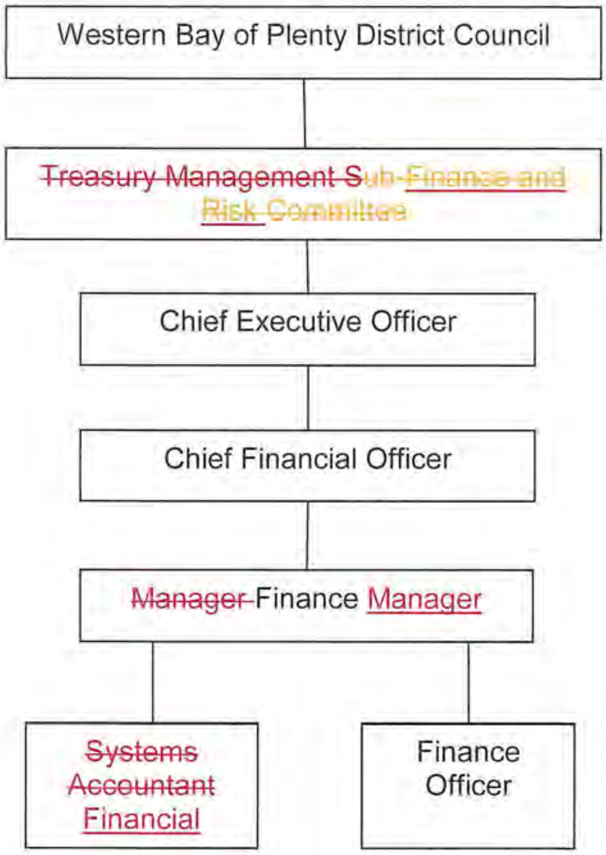
The Council exercises ongoing governance over its subsidiary companies (CCO/CCTO), through the process of approving the Constitutions, Statements of Intent, and the appointment of Directors/Trustees of these organisations.

3.0 MANAGEMENT RESPONSIBILITIES

Overview of management structure

The following diagram illustrates those positions or functions that have treasury responsibilities.

3.1



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, given the underlying objectives of WBOPDC.

The Council is responsible for approving the Treasury Policy in accordance with public consultation obligations. 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 WBOPDC through the 10 year Long Term Plan (LTP) and the adopted annual plan.
- Approving new debt through the adoption of the Annual Plan, specific Council resolution and approval of this policy.
- Approving the Treasury Policy incorporating the following delegated authorities:
- Approving budgets and high level performance reporting
- Delegate authority to the CEO and other officers.

The Council should also ensure that:-

- It receives regular information from management on risk exposure and financial instrument usage in a form, that is understood, and that enables it to make informed judgements as to the level of risk undertaken.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved in a timely manner.
- Submissions are received from management requesting approval for one-off transactions falling outside policy guidelines.

~~Treasury Management Sub-Committee~~~~Finance and Risk Committee~~ ~~(TMSCFARC)~~Council consideration of Treasury matters

~~The Treasury Management Sub-Committee~~~~Finance and Risk Committee~~Council will consider
3.3. treasury matters ~~meet on a monthly basis~~as part of its six weekly meeting cycle (and informally as required).

Structure ~~of TMSC~~~~FARC~~:

- ~~2 elected members plus alternative~~Full Council
- ~~Chief Executive Officer or Acting (Chair)~~
- Chief Financial Officer or alternative (~~Policy Analyst Economic~~Finance Manager)

The Quorum is6 ~~4~~.

Either one of the CEO or CFO must be present; i.e. the Acting CEO and the alternative for CFO cannot act together).

Responsibilities include:

- Receive and review monthly treasury report.
- Recommending treasury policy (or changes to existing policy) to the Council.
- Receive recommendations from the Chief Financial Officer and making submissions to the Council on all treasury matters requiring Council approval.
- Approve ~~to~~ facilities and instruments as delegated by Council

3.4.

Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive Officer.

In respect of treasury management activities, the Chief Executive Officer's responsibilities include:-

- Ensuring the Treasury policies comply with existing and new legislation.
- Approving the opening and closing of Council bank accounts.
- Approving the register of cheque and electronic banking signatories.
- Approve new counterparties and counterparty limits.
- Approve new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Receive advice of breaches of Treasury Policy and significant treasury events from the Chief Financial Officer or ~~Manager Finance~~Finance Manager.
- Approve treasury transactions in accordance with delegated authority.

- Approve all amendments to Council records arising from checks to counterparty confirmations.
- Delegate treasury operation responsibilities to management through the Treasury Management Operations Schedule.

Delegation of authority and authority limits

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

3.5.

To prevent these types of situations, the following procedures must be complied with:-

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing Policy	The Council	Unlimited
Borrowing new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
Acquisition and disposition of investments other than financial investments	The Council	Unlimited
Approval for charging assets as security over borrowing	The Council	Unlimited
Approving transactions outside policy	The Council	Unlimited
Appoint Debenture Trustee	The Council	N/A
Approving new debt and/or new facilities as set out in Council-approved AP / LTP	CEO (delegated by Council)	Per Council-approved AP / LTP
Arranging new debt as set out in Council-approved AP / LTP	CFO (delegated by CEO)	Per Council-approved AP / LTP
Authorising lists of signatories	CEO (delegated by Council)	Unlimited
Opening/closing bank accounts	CEO (delegated by Council)	Unlimited
Overall day-to-day risk management	CEO (delegated by Council) CFO (delegated by CEO) MF (delegated by CEO)	Overall day-to-day risk management
Re-financing existing debt	CEO (delegated by Council) CFO (delegated by CEO)	Re-financing existing debt
Adjust net debt or net	CEO (delegated by Council)	Per risk control limits

investment interest rate risk profile	CFO (delegated by CEO) MF (delegated by CEO)	
Managing funding and investment maturities in accordance with Council approved risk control limits	CEO (delegated by Council) CFO (delegated by CEO) ~~MF~~ FM (delegated by CEO)	Per risk control limits
Maximum daily transaction amount (borrowing, investing, interest rate risk management and cash management) excludes roll-overs on floating rate investments and interest rate roll-overs on swaps	The Council CEO (delegated by Council) CFO (delegated by CEO) ~~MF~~ FM (delegated by CEO) Finance Accountants Team (delegated by CEO)	Unlimited $25 million $10 million $5 million
Triennial review of policy	CFO ~~MF~~FM	N/A
Ensuring compliance with policy	CEO CFO ~~MF~~FM	N/A

All management delegated limits are authorised by the CEO.

4.0 LIABILITY MANAGEMENT POLICY

Council's liabilities comprise borrowings and various other liabilities. Council maintains borrowings in order to:

- Fund the balance sheet as a whole, including working capital requirements.
- Raise specific debt associated with projects and capital expenditures.
- Fund assets whose useful lives extend over several generations of ratepayers.

Debt ratios and limits

Debt will be managed within the following macro limits.

4.1

Ratio	WBOPDC Preferred Policy Limits	WBOPDC Max Policy Limits	LGFA Max Policy Limits
Net Debt as a percentage of Total Revenue	<180% (by 20~~25~~18)	<200%	<250%
Net Interest as a percentage of Total Revenue	<15%	<20%	<20%
Net Interest as a percentage of Annual Rates Income (debt secured under debenture)	<20%	<25%	<30%
Liquidity (external term debt + committed loan facilities + available liquid short-term financial investments to existing external debt)	>110%	>110%	>110%

- Total Revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net Debt is defined as total debt less ~~unencumbered~~ liquid short-term financial assets and investments.
- Liquidity is defined as external term debt plus committed loan facilities plus available liquid short-term financial investments divided by existing external debt. Liquid investments are financial~~unencumbered~~ assets defined as being:
    - Overnight bank cash deposits
    - Wholesale/retail bank term deposits no greater than 30 days
    - Bank issued RCDS's less than 181 days.
    - Wholesale/ retail bank term deposits linked to pre funding of maturing term debt exposures
- Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

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

Disaster recovery requirements are to be met through the liquidity ratio.

Asset management plans

In approving new debt the Council considers the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP.

4 2

Borrowing mechanisms

WBOPDC is able to borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, accessing the short and long-term wholesale and retail capital markets directly or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the CFO takes into account the following:-

4.3.
- Available terms from banks, Local Government Funding Agency (LGFA), debt capital markets and loan stock issuance.
- 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 loan stock issuance, LGFA, debt capital markets and bank borrowing.
- The market's outlook on future credit margin and interest rate movements as well as its own.
- Ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/tax/risk limitation compared to the terms and conditions WBOPDC could achieve in its own right.
- Legal documentation and financial covenants together with security and credit rating considerations.
- For internally funded projects, to ensure that finance terms for those projects are at similar terms to those from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, ~~and~~ financial institutions/brokers and maintain a strong credit rating..

Council has the ability to pre-fund up to 18 months of forecast debt requirements including re-financings.

4.4.

Security

Council's borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. The utilisation of special funds and reserve funds and internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.

Under the Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act, excluding any rates collected by Council on behalf of any other local authority. The security offered by Council ranks equally or 'Pari Passu' with other lenders.

Council offers deemed rates as security for general borrowing programs. From time to time, with prior Council approval, security may be offered by providing a charge over one or more of Councils assets.

Physical assets will be charged only where:-

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance).
- Council considers a charge over physical assets to be appropriate.

- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Deed.

Debt repayment

The funds from all asset sales and operating surpluses will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

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

The Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental
4.6. arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Financial arrangements include advances to community organisations.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed an amount agreed by Council or an appropriate Council Committee in aggregate. The CFO monitors outstanding guarantees and reports to the Council quarterly.

4.7.

Internal borrowing

Council uses its reserves to internally fund new capital projects. The CFO is responsible for administering the Council's internal loan portfolio. Loans are set up within the portfolio based on planned loan funded capital projects or operational expenditure as approved by Council resolution as part of the Annual Plan and LTP.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies through not paying fees/margins and other costs associated with raising external borrowing.

In addition to external borrowing the following specific reserves are used for internal borrowing purposes:

- Special Fund Reserves
- General Accumulated Reserves

All internal borrowing activities are consistent with the principles and parameters outlined throughout the Liability Management and Investment Policies:

- Council firstly seeks to utilise internal reserve funds and if insufficient reserves are available utilises external borrowing.
- A notional internal loan is set up for all new capital or operational expenditure purposes and allocated in the internal loan portfolio to the activity centre incurring the obligation.
- Interest received is allocated into the general account and offset against general rate requirements.

For operational lending the following specific parameters apply:

- The term of the loan is limited to a maximum of one year with the loan to be fully repaid by the second anniversary of the loan.
- Interest is set based on a margin above the 90-day floating BKBM mid interest rate at the beginning of the calendar quarter. If external debt is used the weighted average cost of external borrowing plus a margin. The margin can include a credit margin and other treasury related costs.
- Interest is paid quarterly in arrears.

For capital lending the following specific parameters apply:

- The Council approves lending for capital purposes through the Annual Plan/LTP. These are ratified by the Council subsequent to the Annual Plan being approved.
- Interest on internally-funded loans is charged annually in arrears, on year-end loan balances at the agreed three-year fixed interest rate. Except where a specific rate has been approved for particular circumstances, the three-year rate is set annually at the start of the financial year, based on the three-year swap rate plus the credit margin on three-year loan stock and other related treasury costs. The margin is determined by that of the LGFA three-year credit curve for a non-credit rated non-guaranteeing Council borrower.
- If external debt is used the weighted average cost of external borrowing (including credit margin and other related costs).

4.8 New Zealand Local Government Funding Agency Limited

Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:-

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example, Borrower Notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- 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.
- Subscribe for shares and uncalled capital in the LGFA.

5.0 INVESTMENT POLICY AND LIMITS

Investment policy objectives

Council is currently a net borrower and is likely to remain so for the foreseeable future. Council should internally borrow from special reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt. Investments are maintained to meet specified business reasons.

5.1. Such reasons can be:-

- For strategic purposes consistent with Council's Long Term Plan.
- To reduce the current ratepayer burden.
- The retention of vested land.
- Holding short term investments for working capital and liquidity requirements.
- Holding investments that are necessary to carry out Council operations consistent with Annual Plans, to implement strategic initiatives, or to support inter-generational allocations.
- Provide funding through the provision of committed bank facilities in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets.
- Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves.
- Invest proceeds from the sale of assets.

Council recognises that as a responsible public authority all investments held, should be low risk. Council also recognises that low risk investments generally mean lower returns.

Council should internally borrow from reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

In its financial investment activity, Council's primary objective is the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are
5.2. acceptable.

General investment policy

The Council's general Policy on investments is that:

- The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
- 5.3. The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
- The Council will review its policies on holding investments at least once every three years.

Acquisition of new investments

With the exception of financial investments, acquisition and management of medium to long-term investments are managed in accordance with goals, objectives and provisions of the LTP and Annual Plans. However, the Council may from time to time deem it appropriate, in terms of prudent financial management, to modify its investment mix such a change would be entered into only through specific Council resolution and in compliance with the provisions of the Local Government Act 2002. The authority to acquire financial investments is delegated to the CFO and reported to Council on a monthly basis.

Investment mix and related policies

Council may maintain investments in the following assets from time to time:-

- Equity investments, including investments held in CCO/CCTO and other shareholdings.
5.4 - Property investments incorporating land, buildings, a portfolio of ground leases and land held for development.
- Forestry investments
- Financial investments
- LGFA investments
- Community loans and advances

5.4.1 Equity investments

It may be appropriate to have limited investment(s) in equity (shares) when Council wishes to invest for strategic, economic development or social reasons. Council will approve equity investments on a case-by-case basis, if and when they arise.

Generally such investments will be in (but not limited to) infrastructural companies and/or local government joint ventures (including Council Controlled Trading Organisations (CCTO)) to further District or regional economic development. Council does not invest in overseas companies.

Council reviews performance of these investments as part of the annual planning process to ensure that their stated objectives are being achieved.

Any disposition of these investments if the market value exceeds $50,000 requires approval by Council. For investments equal to or less than $50,000, the decision is made by the Chief Executive. Acquisition of new equity investments requires Council approval. The Council decides on the allocation of proceeds from the disposition of equity investments on a case-by-case basis.

All income, including dividends, from the Council's equity investments is included in general revenues in the Statement of Financial Performance.

Equity investments exclude those investments that are not held for strategic or economic development or social reasons.

Equity investments are reported to Council on a quarterly basis.

5.4.2 Property investments

Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows similar assessment criteria in relation to new property investments.

Council reviews the performance of its property investments on a regular basis.

All income, including rentals and ground rent from property investments is included in the consolidated revenue account.

5.4.3 Forestry

Forestry assets are held as long term investments on the basis of net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs.

All income from forestry is included in the consolidated revenue account.

Any disposition of these investments requires Council approval. The proceeds from forestry disposition are used firstly to repay related borrowings and then included in the relevant consolidated capital account.

5.4.4 Financial investments

Financial investment objectives

- Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 6.5. Credit ratings are monitored and reported quarterly to Council.
- Council may invest in approved financial instruments as set out in section 6.4. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
- Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:
  - Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
  - Interest income from financial investments is credited to general funds, except for income from investments for special funds, reserve funds and other funds where interest may be credited to the particular fund.
  - Internal borrowing will be used wherever possible to avoid external borrowing

Special funds, sinking funds, reserve and endowment funds

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

~~No interest is payable on internal borrowing to/from reserves, unless otherwise directed by Council, or in accordance with the fund agreements.~~

Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the trust. If the Trusts investment policy is not specified then this policy should apply.

5.4.5 New Zealand Local Government Funding Agency Limited investment

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

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

- Obtain a return on the investment.
- 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 these dual objectives, 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. Notwithstanding the Counterparty Credit Risk Limits (set out in Section 6.3 of this policy), Council may invest in financial instruments issued by the LGFA up to a maximum of $15 million (i.e. borrower notes). If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

Proceeds from share sales will go to repay existing debt, unless Council specifically directs that the funds be put to another use.

5.4.6 Loans, Advances and Investments in Community Projects

From time to time, the Council makes loans to other parties. All loans are secured and all loan advances are reviewed as part of the annual planning process to ensure that interest and principal repayments are made in accordance with the loan agreement.

Council does not lend to CCTO's on more favourable terms than what it can achieve itself, without charging any rate or rate revenue as security.

At various times groups within the community request loans, advances or guarantees for projects that will be of benefit to a significant proportion of the community. As these investments are with groups that the Council would not normally invest with Council needs to debate the suitability of any loan application. During this process Councillors pay particular regard to the ability of the applicant to service the debt and repay principal. Council will be responsible for authorising any such loans, advances or guarantees.

Advances to charitable trusts, and community organisations do not have to be on a fully commercial basis. Where advances are made to charitable trusts and community organisations at below Councils cost of borrowing the additional cost is treated as an annual grant to the organisation.

Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved. The CFO monitors loan advances and reports to ~~Treasury Management Sub-Committee~~~~Finance and Risk Committee~~ Council quarterly.

6.0 RISK MANAGEMENT

The definition and recognition of interest rate, liquidity, funding, investment, counterparty credit, market, operational and legal risk of Council will be as detailed below and applies to both the Liability Management policy and Investment policy.

Interest rate risk

6.1.1 Risk recognition

Interest rate risk is the risk that investment returns or financing costs will materially fall short
6.1. of or exceed projections included in the LTP and Annual Plan due to adverse movements in market interest rates, thus adversely impacting revenue projections, cost control and capital investment decisions/returns/and feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of investment returns or financing costs. Certainty around financing costs is to be achieved through the active management of underlying interest rate exposures.

6.1.2 Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's forecast core external debt should be within the following fixed/floating interest rate risk control limit, and will apply when forecast ~~12 month~~ core debt exceeds $25 million.

Core external debt is defined as gross external debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

Debt Interest Rate Policy Parameters (calculated on a rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed
Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	0%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%
Year 16	0%	20%

~~Master Fixed / Floating Risk Control Limits~~		
~~Minimum Fixed Rate~~		~~Maximum Fixed Rate~~
~~50%~~		~~95%~~

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

"Floating Rate" is defined as an interest rate repricing within 12 months.

The percentages are calculated on the rolling ~~12 month~~ projected core debt level calculated by management (signed off by the CFO).

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

~~Fixed Rate Maturity Profile Limit~~		
~~Period~~	~~Minimum Hedge %~~	~~Maximum Hedge %~~
~~1 to 3 years~~	~~15%~~	~~60%~~
~~3 to 5 years~~	~~15%~~	~~60%~~
~~5 years plus~~	~~0%~~	~~60%~~

A fixed rate maturity profile that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.

- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate ~~swaps~~ derivatives with a maturity beyond 16~~52~~ years must be approved by Council. The exception to this will be if council raises LGFA funding as fixed rate and this maturity is beyond 156 years.
- Hedging outside the above risk parameters must be approved by Council.
- Interest rate options must not be sold outright. However, one for one 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, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 12 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 hedge percentage calculation.
- The forward start period on swap/collar strategies is to be no more than 24 months, unless the forward start swap/collar starts on the expiry date of an existing fixed interest rate instrument (i.e. either derivative or fixed rate borrowings) ~~swap/collar~~ and has a notional amount which is no more than that of the existing fixed interest rate instrument.~~swap/collar.~~

6.2. Liquidity and 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 cash, financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding 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 at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:-

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

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 so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

6.2.2 Liquidity and funding risk control limits

- External term loans and committed debt facilities together with available short-term liquid investments must be maintained at an amount exceeding 110% of existing total external debt.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.
- Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings. Debt refinancing that have been prefunded, will remain included within the funding maturity profile until their maturity date.
- The CEO has the discretionary authority to re-finance existing debt on more ~~favourable~~ acceptable terms. Such action is to be reported and ratified by the Council at the earliest opportunity.
- The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system and apply when external debt exceeds $25 million:-

Period	Minimum Cover	Maximum Cover
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	60%

- In addition to the above limits, WBOPDC will not have greater that 35% of total borrowings subject to refinancing within any financial year (including forecast borrowings).
- A funding maturity profile that is outside the above limits but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Councils borrowings from the LGFA will mature in any 12 month period.

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

6.3. Foreign exchange rate risks

WBOPDC has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

All commitments for foreign exchange greater than $100~~25,000~~,000 are hedged using foreign exchange contracts, once expenditure is approved. Both spot and forward foreign exchange contracts can be used by WBOPDC.

Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.

Council does not hold investments denominated in foreign currency.

All foreign currency hedging must be approved by the CFO.

6.4. Approved financial instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council. Approved financial 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 Loan stock/bond issuance ▪ Floating Rate Note (FRN) ▪ Fixed Rate Note (MTN) Commercial paper (CP) /Bills / Promissory notes Finance Leases
Investments	Short term bank deposits Bank certificates of deposit (RCDs) ~~Treasury bills~~ NZ Government, LGFA, Local Authority stock or State Owned Enterprise (SOE) bonds and FRNs (senior) Corporate bonds (senior) Corporate Floating Rate Notes (senior) Promissory notes/Commercial paper (senior) Corporate/SOE/Other Local Authority Bonds LGFA Borrower Notes Bank term deposits linked to pre funding maturing debt
Interest rate risk management	Forward rate agreements ("FRAs") on: ▪ Bank bills ▪ Government bonds Interest rate swaps including: ▪ Forward start swaps and collars (start date <24 months, unless linked to existing maturing ~~swaps and collars~~fixed interest rate instruments) ▪ 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 swaptions and one for one collars 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.

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

- Structured debt where issuing entities are not a primary borrower/ issuer.
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and hybrid notes such as convertibles.

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
6.5. to the Council in a default event will be weighted differently depending on the type of instrument entered into.

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

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's, Fitch or Moody's) being A~~+~~ and above or short term rating of A-1 or above.

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

The following matrix guide will determine limits.

Counterparty/Issuer	Minimum long 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	N/A	Unlimited	none	Unlimited
Local Government Funding Agency	A-	30.0	none	30.0
NZD Registered Supra-nationals	AAA	10.0	none	10.0
State Owned Enterprises	A-	5.0	none	5.0
NZ Registered Bank	~~A-~~ AA- A-	~~20.0~~ 30.0 15.0	~~25.0~~ 35.0 20.0	~~30.0~~ 40.0 25.0
Corporate Bonds/ CP	A-	2.0	none	2.0
Local Government Stock/ Bonds/FRN/ CP	A- (if rated) Unrated	2.0 0.5	none	2.0 0.5
This summary list will be expanded on a counterparty named basis which will be authorised by the CEO				

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 exit whereupon a 0% weighting may apply).
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.
- Foreign Exchange – Transactional principal amount x the square root of the Maturity (years) x 15%

Each transaction should be entered into a treasury spreadsheet or treasury system and a quarterly report prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits are kept in a spread sheet by management and updated on a day to day basis. Credit ratings should be reviewed by the MF on an on-going basis and in the event of material credit downgrades; this should be immediately reported to the CFO and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

Investments are normally held to maturity date. Where investments are liquidated before legal maturity date, approval is obtained from the CEO, who also approves guidelines for a minimum acceptable sale price. The CFO evaluates quotes based on these instructions and proceeds with the transaction.

Legal risk

6.6. 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, WBOPDC may be exposed to such risks with Council unable to enforce its rights due to deficient or inaccurate documentation.

WBOPDC will seek to minimise this risk by adopting policy regarding:-

- 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.

6.7.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

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

6.7.2 Financial covenants and other obligations

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

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

7.0 POLICY REVIEW

This Treasury Policy is to be formally reviewed on a triennial basis.

The CEO has the responsibility to prepare a review report that is presented to the Council or Council sub-committee. The report will include:-

- Recommendation as to 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 Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- An annual audit of the treasury spreadsheets and procedures should be undertaken.
- Total net debt servicing costs and debt should not exceed limits specified in the covenants of lenders to Council.

The Council receives the report, approves policy changes and/or reject recommendations for policy changes.

Western Bay of Plenty District Council

Policy Committee

Precious Family Reserve Concept Plan 2018

Purpose

The Committee is asked to approve the concept plan for the Precious Family Reserve.

Recommendation

1. THAT the Recreation Planner's report dated 29 May 2018 and titled "Precious Family Reserve Concept Plan" be received.

2. THAT the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.

3. THAT the Policy Committee approves the concept plan for Precious Family Reserve (ATTACHMENT A) and directs that the Kaimai Ward Reserve Management Plan be updated accordingly.

OR

THAT the Policy Committee does not approve the concept plan for Precious Family Reserve.

4. THAT the Policy Committee proposes;

- ***the name change to Precious Reserve;***
- ***walkways within the reserve, to be unnamed (including the Mabs Kelly walkway);***

And directs Staff to undertake consultation in accordance with the Reserve Management Plan Policy P8 Naming.

OR

THAT the Policy Committee does not approve the name changes in relation to Precious Family Reserve.

5. THAT the Policy Committee approves the Precious Family Reserve Decision Story (ATTACHMENT A) for dissemination to those that provided feedback as the response to their feedback.

....

John Rauputu
Recreation Planner

1. Background

The Kaimai Ward Reserve Management Plan review adopted in August 2016 recommended that the existing concept plan for Precious Family Reserve needed reviewing. A draft concept plan was prepared from community feedback received during the Reserve Management Plan review 2016, information held on Council files and from the collective knowledge held by Council Staff. Opportunities to provide feedback to the concept plan was also available during the Long Term Plan Community Conversations held at Omokoroa on 6 May and 6 June 2017.

On 7 September 2017, the Policy Committee approved the release of the draft reserve concept plan for Precious Family Reserve. A 'Drop In' information Day was held at Omokoroa on 21 October 2017.

2. Significance and Engagement

The Local Government Act 2002 requires a formal assessment of the significance of matters and decisions in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

In terms of the Significance and Engagement Policy, this decision is considered to be of low significance.

3. Consultation, Communication and Feedback

3.1 Consultation

Interested / Affected Parties	Completed Consultation/Communication
Omokoroa Community, Tangata Whenua and general public	- Local paper advertisements 13, 18 October 1, 3, 15 November 2017. - Letters posted out to stakeholders, Iwi, Hapu, Marae on 10 October 2017. - 'Drop In' information Day 21 October 2017 in Omokoroa. - Council Website information. - Submissions closed on 20 November 2017.
Internal Staff	Council staff notified accordingly.

3.2 Key Themes of feedback

Thirty-seven feedback submissions were received with comments about specific issues as follows;

Mabs Kelly Walkway (access to harbour)
Carpark on Hamurana Road
Service vehicle access to pump station
Expansion of wetlands, storm water and silt disposal management area
Toilet
Lower area for harbour access and boat launching
Park furniture seats tables
Passive recreation, planting
Playgrounds
Signage and sign board

3.3 Council Workshop

The Council workshop on 8 February 2018 considered all the feedback received and agreed on amendments to the Precious Family Reserve draft concept plan. Further feedback was provided during discussions with local Elected Members and staff on the 12 April 2018 resulting in the final concept plan and Decision Story as **ATTACHMENT A**.

3.4 Naming Precious Family Reserve and Mabs Kelly Walkway

Although the concept plan process did not seek comment about name changes to the reserve and walkway, several comments were received. As with the previous 2016 Kaimai Ward Reserve Management Plan, feedback support the existing names, others support changing the reserve name to "Precious Reserve" and there is support for walkways within the reserve to be unnamed; a request was also made to name the storm water pond.

During the negotiations to acquire the reserve from brothers E S and J A Precious in 1998, naming rights were a condition of purchase. On the 4 March 1999, Council agreed to name the reserve, Precious Family Reserve and the associated walkway, Mabs Kelly walkway.

Naming of new and existing reserves is provided in Council's Ward Reserves Management Plan, Generic Policies **P8 Naming**, refer **ATTACHMENT B.** This requires consultation for naming of reserves.

4. Issues and Options Assessment

Option A ***THAT the Policy Committee approves the concept plan for Precious Family Reserve (ATTACHMENT A) and directs that the Kaimai Ward Reserve Management Plan be updated accordingly.***	
Benefits in terms of the present and future interests of the District taking a sustainable development approach	• Generates positive community interest toward reserves. • Provides certainty and transparency regarding Council's approach to management of the reserve.
Costs (including present and future costs, direct, indirect and contingent costs)	Current and future costs for implementing the concept plan will be requested in the Annual Plan and Long Term Plan processes.
Assessment of cost effectiveness for households and businesses	The concept plan implementation process includes working with users and the community to ensure that Council's funding policy regarding financial contributions is adhered to.
Other financial implications	Not applicable.
Option B ***THAT the Policy Committee does not approve the concept plan for Precious Family Reserve.***	
Benefits in terms of the present and future interests of the District taking a sustainable development approach	Council's strategic community outcomes regarding its approach to management of reserves with certainty and transparency will not be adequately achieved. Lack of certainty for community particularly those who have provided feedback to the consultation process.
Costs (including present and future costs, direct, indirect and contingent costs)	Current and future costs for development of the reserve as contemplated in this concept plan will not be able to be funded by Council.
Assessment of cost	Management of the reserve with certainty and

effectiveness for households and businesses	transparency will not be adequately achieved.
Other financial implications	Not applicable.

Option A ***THAT the Policy Committee proposes;*** • ***the name change to Precious Reserve;*** • ***walkways within the reserve, to be unnamed (including the Mabs Kelly walkway);*** ***And directs Staff to undertake consultation in accordance with the Reserve Management Plan Policy P8 Naming.***	
Benefits in terms of the present and future interests of the District taking a sustainable development approach	• Responds to a small number of submissions requesting name change. • Requires a further consultation process.
Costs (including present and future costs, direct, indirect and contingent costs)	Costs associated with further consultation.
Assessment of cost effectiveness for households and businesses	Not applicable.
Other financial implications	Not applicable.
Option B ***THAT the Policy Committee does not approve the name changes in relation to Precious Family Reserve.***	
Benefits in terms of the present and future interests of the District taking a sustainable development approach	Further consultation not required. Name changes can be included as an action in future reviews.

Costs (including present and future costs, direct, indirect and contingent costs)	Cost of further consultation not incurred.
Assessment of cost effectiveness for households and businesses	Not applicable.
Other financial implications	Not applicable.

6. Statutory Compliance

Act/Legal Issue	Relevant Detail
Reserves Act 1977	Section 41(4) provides for reviewing a reserves management plan. Section 41(6) provides for consultation of a reserves management plan.
Recreation and Leisure Strategy	Strategy goals and approaches provide the statutory framework to plan for the future of council reserves and recreational facilities.

Reserves planning and policy development are the responsibilities of the Policy Committee, which has delegated authority to hear submissions to draft reserves management plans, reserve concept plans and adopt or not adopt accordingly.

7. Funding/Budget Implications

Updating the Kaimai Ward Reserve Management Plan by adopting concept plans has no financial implications. However, proposed actions in the individual concept plans requiring additional funding have implications, which will be referred to Annual Plan and Long Term Plan processes for consideration.

Precious Family Reserve Concept Plan Decision Story

ATTACHMENT A

Thank you for taking part in the Concept Planning for Precious Family Reserve. We have completed the Plan and this document contains information on some of the key issues, themes of community feedback and the decisions.

What's the story?

Council looks after more than 200 reserves in the Western Bay. Our Reserve Management Plans set the rules for each reserve and provide a vision for how we use and develop public spaces for, and with, our communities. The Kaimai Ward Reserve Management Plan was prepared in October 2003, reviewed in October 2008, and again in August 2016. During the latest review, it was agreed that the existing concept plan for Precious Family Reserve would be reviewed.

Creating a draft plan

The draft concept plan was prepared from community feedback during the Kaimai Ward Reserve Management Plan review, information held on Council files and from the collective knowledge held by Council staff. Opportunities to provide initial feedback to the concept plan was available during the Long Term Plan Community Conversations held at Omokoroa on 6 May and 6 June 2017, and at Te Puna on 27 May 2017.

Engaging with the community

Community engagement for the draft plan started mid October 2017 with advertisements in local newspapers, written invitations to hapū, marae and stakeholders and a notice on Council's web page. Consultation ended on 20 November 2017. People gave feedback on the draft plan through our website, or by filling out submission forms at our libraries and offices.

A drop-in day to allow elected members and staff to provide information about the draft plan was held at Omokoroa on Saturday 21 October 2017.

Those who wished to have their say on the draft concept plan with elected members attended a meeting held in Council Chambers on 5 December 2018.

Our response to your feedback

We received 37 submissions with considerable positive feedback about the key features of the draft plan. A copy of the approved plan is provided in this decision story and if you are interested, all approved concept plans will be posted on our webpage for the next two months.

What will Precious Family Reserve be used for?

The land was purchased primarily to meet storm water management requirements but because of it's strategic location it can be developed to also function as a valuable recreation reserve. With the current and expected growth of Omokoroa, the Precious Family Reserve is a very important harbour access point. Its location close to the harbour, within handy walking and cycling distance for many residents, was evident from the feedback supporting continued passive use. Many also supported the ongoing development of the wetland.

The review of the Kaimai Ward Reserve Management Plan in 2016 also received similar comments plus a petition supporting passive recreation and a place to launch small kayaks, canoes and boats.

Many comments supported walkway only access to the beach.

Feedback on the need for a toilet at Precious Family Reserve was varied e.g. build it close to the water's edge, or we do not need a toilet at all. However, the majority of submissions were in favour of the location proposed - if it is demonstrated that it is needed. We acknowledge that availability of toilets and fresh drinking water outlets will be important for reserve users, particularly with the expected increased use.

We also received considerable support for parking nearer the foreshore. The location of the carpark in the plan is near the proposed toilet with vehicle access from Hamurana Road.

When community demand dictates, the final site layout details will be decided after investigations for storm water management have been carried out, as these could affect the locations of the toilet and carpark areas.

We will also be initiating a future review of Dog Exercise Areas in the District as signalled through our Dog Control Policy and Bylaw review in 2017.

What are we getting in the reserve?

As funding allows, we will continue to work on developing the walkways drains and wetlands.

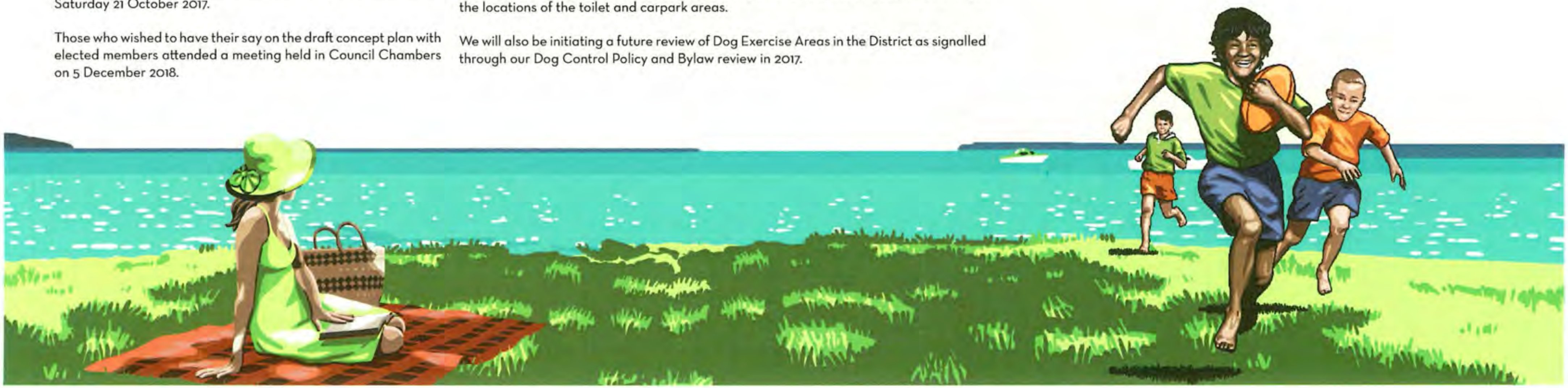
Several comments were received about more signage and naming the ponds however, the concept plan does not envisage naming the pond. We will consider installing more signs but we heard that we need to retain the natural feel of the area and not have too many signs. We currently have other projects dealing with signage and installation of story boards. We will work with hapū and the local community to clarify details about how to provide these on the respective sites in a manner that meets our signage policy. Park furniture, seats and tables enhance reserves and make a difference to all communities. Once the final design of the wetland and stormwater is completed, determining the location and timing will need monitoring to ensure furniture, seats and tables are in the best locations.

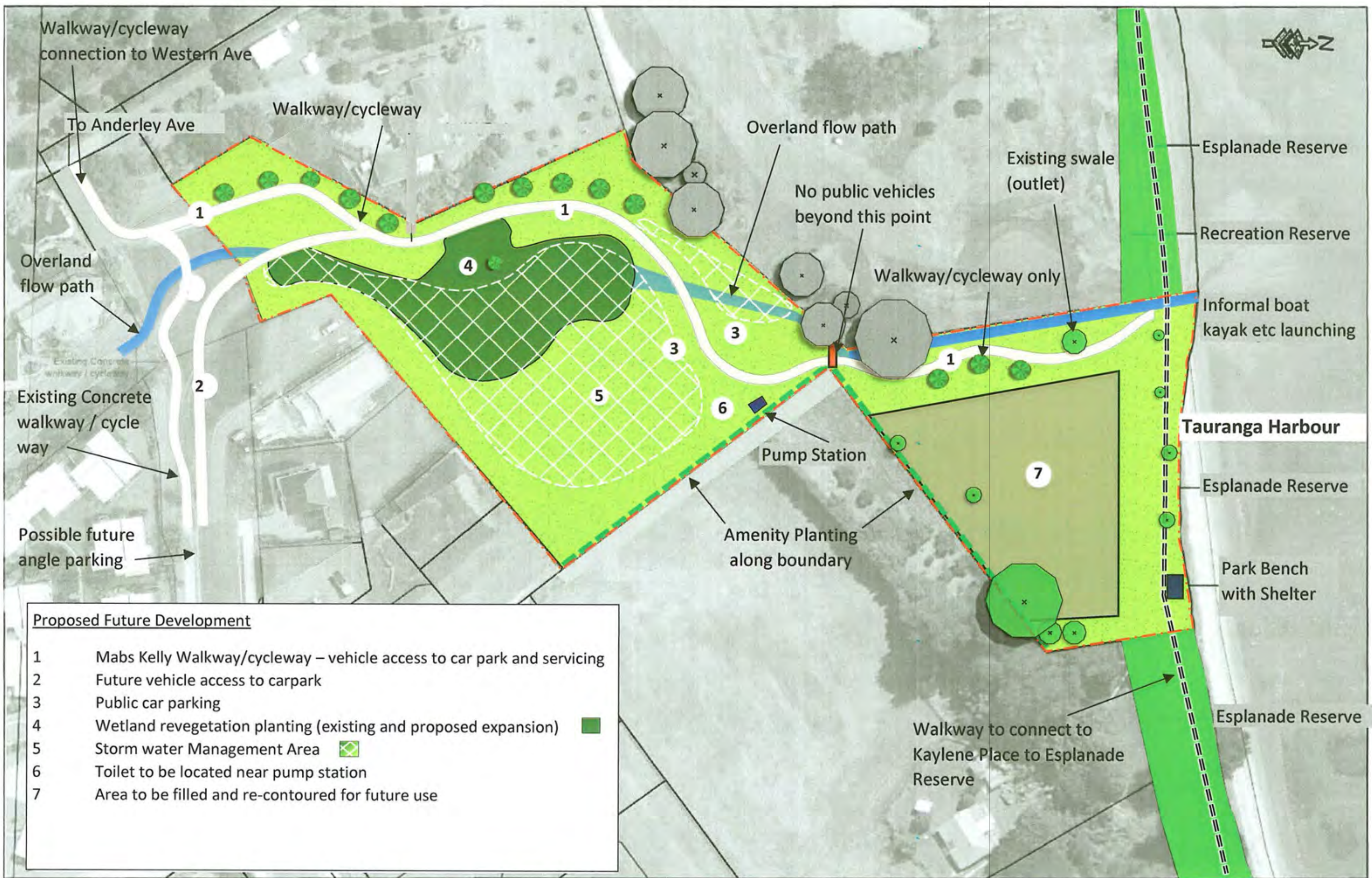
A few people asked whether there was an opportunity to install a playground. Our preference at this stage is to encourage users of playgrounds and play equipment in this part of Omokoroa to make use of the new skate path at the Omokoroa sportsground and the new play ground planned to be built alongside the skate path.

People concerned about planting of reserves can be assured that this will be guided by the location and environment of individual reserves and Council's planting policy. Similarly, our approach to managing rubbish on reserves is primarily to erect signage encouraging users of parks, walkways and cycle ways to take their refuse with them. We will continue to monitor the situation.

Implementation of concept plan

Following adoption of the concept plan, implementation estimates will be prepared and referred to Council for consideration to allocate funds.





Boffa Miskell
www.boffamiskell.co.nz

Data Sources: BOPLASS Limited
Projection: NZGD2000 N.Z. Transverse Mercator

Legend
Beach
Reserve
Existing planting and proposed expansion
Walkway/cycleway
Stormwater management area
Amenity planting
Site Boundary
Small tree
Existing tree

PRECIOUS FAMILY RESERVE
Concept Plan
Date: 25/05/2018

Project Manager: bryan.sanson@boffamiskell.co.nz | Drawn: TKE | Checked: BSA

ATTACHMENT B

P8 Naming

Policy

All reserves vested in or administered by Council will be named through a formal resolution of Council following consultation with Tangata Whenua and interested parties.

Naming will generally be initiated at the time of vesting and will be publicly advertised with a one month period for comment. Where an existing reserve is known by the community by a local rather than the official name signage that recognises both names will be considered.

This Reserves Naming Policy acknowledges the New Zealand Geographic Board (Ngā Pou Taunaha O Aotearoa) "Rules of Nomenclature" which act as guiding principles for determining place names in New Zealand. In summary these rules as they relate to Council administered reserves are:

- Names which have historic, geographic or particular local significance are generally acceptable. So too, for example, are names of early explorers and discoverers, early settlers, surveyors and geologists and early notable people or events which have some connection with the proposed area to be named.
- Names of persons will not be given to features during the person's lifetime. If the name of a deceased person is used, generally the surname is chosen.
- Descriptive names can be used provided there is no duplication of the name in a neighbouring area.
- Name duplication is avoided.
- The use of the possessive form is avoided; e.g. Smith's Reserve.
- Names in local usage normally take precedence.
- Names considered to be in poor taste are avoided.
- Original Māori place names will be encouraged - an "original Māori place-name" means any Māori place name that is recognised by the tangata whenua as one historically associated with a place within their tribal boundary.
- Includes reserves which are approved by the Department of Conservation through the Management Plan process

Explanation: When new reserves are created or when existing reserves have names that are poorly related to the locality, purpose or nature of the reserve or to its community use, it is desirable for the reserve to be named, or renamed, to ensure ease and consistency of identity.