



AGENDA

RĀRANGI TAKE

NOTICE OF THE INAUGURAL MEETING OF

AUDIT AND RISK COMMITTEE

to be held on **Tuesday 17 March 2020** commencing at **1.00 pm**
in the Council Chambers, 36 Weld Street, Hokitika

Chairperson: Rachael Dean

Members: His Worship the Mayor
Cr Neale
Kw Tumahai

Cr Hart
Kw Madgwick



Council Vision:

We work with the people of Westland to grow and protect our communities, our economy and our unique natural environment.

Purpose:

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) To promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

1. **NGĀ WHAKAPAAHA APOLOGIES**

(includes leave of absence notification)

Kw Tumahai

2. **WHAKAPUAKITANGA WHAIPĀNGA DECLARATIONS OF INTEREST**

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a member thinks they may have a conflict of interest, they can seek advice from the Chief Executive or the Group Manager: Corporate Services (preferably before the meeting). It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

3. **STAFF REPORTS**

- Audit and Risk Committee Terms of Reference (Pages 4 - 10)
- Quarter 2 Financial Report (Pages 11 - 56)
- Investment and Liability Management Policy review (Pages 57 -83)

**DATE OF NEXT AUDIT AND RISK COMMITTEE MEETING
07 MAY 2020
COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA**

Report



DATE: 17 March 2020

TO: Audit and Risk Committee

FROM: Group Manager: Corporate Services

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1 SUMMARY

- 1.1 The purpose of this report is for the Audit and Risk Committee to receive the Terms of Reference (ToR) adopted by Council on 27 February 2020.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which are set out in the Long Term Plan 2018-28. These are stated on Page 2 of this agenda.
- 1.3 This report concludes by recommending the Committee receive the Terms of Reference for the Audit and Risk Committee adopted by Council 27 February 2020.

2 BACKGROUND

- 2.1 At the Inaugural Council meeting it was determined that a committee structure would be more relevant and effective than a portfolio system.
- 2.2 As part of this, Council determined that an Audit and Risk Committee with an Independent Chair was best practice.
- 2.3 Appointment of an Independent Chair is also considered best practice by various agencies including Local Government NZ and the Office of the Auditor General.

3 CURRENT SITUATION

- 3.1 Council appointed Rachael Dean as Independent Chair at the 27 February 2020 Council meeting.
- 3.2 The Council has adopted ToR which prescribes how the Committee will function and the responsibilities that will sit within that Committee.
 - 3.2.1 Purpose
 - 3.2.2 Responsibilities
 - 3.2.3 Internal Control
 - 3.2.4 Other Matters
 - 3.2.5 Delegated Authority
 - 3.2.6 Committee meetings, reporting and structure
- 3.3 It is expected that the Audit and Risk Committee may recommend improvements to the ToR which can be taken back to Council for further review and adoption.

4 OPTIONS

- 4.1 **Option 1:** Receive the Terms of Reference for the Audit and Risk Committee adopted by Council 27 February 2020.

5 SIGNIFICANCE AND ENGAGEMENT

- 5.1 Receiving the Audit and Risk Committee terms of reference is administrative and is therefore of low significance.
- 5.2 Wider community engagement is not necessary.

6 ASSESSMENT OF OPTIONS

- 6.1 **Option 1:** Receive the terms of reference for the Audit and Risk Committee.
 - 6.1.1 The Committee cannot function without ToR and does not mean that further improvements cannot be made.

7 RECOMMENDATION

- A) **THAT** The Committee receive the Terms of Reference for the Audit and Risk Committee adopted by Council 27 February 2020.

Lesley Crichton
Group Manager: Corporate Services

Appendix 1: Audit and Risk Committee Terms of Reference



DRAFT TERMS OF REFERENCE

Audit and Risk Committee

This document outlines the Terms of Reference for the Audit and Risk Committee.

The Chief Executive Officer (CE) will assign the Group Manager, Corporate Services (GMCS) to the Committee. The GMCS will be responsible for coordinating agendas and be the principal point of contact for committee members.

1. Purpose

To assist the Council to discharge its responsibilities for:

- Monitoring the Councils external and internal audit process
- Recommend to Council an appropriate risk management strategy and monitor the effectiveness of that strategy
- Ensure the independence and effectiveness of Councils Internal Audit processes
- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities
- Provide a communication link between management, Internal auditors/external auditors and Council
- Support measures to improve internal controls

2. Responsibilities

External Audit

- Engage with Councils external auditors regarding the external audit work programme and agree the terms and arrangements of the external audit
- Recommend to Council the terms and arrangements for the external audit programme
- Review of effectiveness of the annual audit and Long Term Plan audit
- Monitor managements response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented

Internal Control

- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities. This also includes a reviewing/monitoring role of the documentation of policies and procedures
- In conjunction with the CE be satisfied with the existence and quality of cost-effective internal control and risk management systems, the proper application of processes, and agree the scope of the annual internal audit work programme
- Monitor the delivery of the internal audit work programme
- Review the annual internal audit plans and assess whether resources available to internal audit are adequate to implement the plans, and
- Assess whether all significant recommendations of the internal audit have been properly implemented by management.

Other Matters

- Review the effectiveness of the risk assessment/management policies and processes
- Review the effectiveness of the control environment established by management including computerised information systems controls and security. This also includes a review/monitoring role of the documentation of policies and procedures.
- Health and Safety.
- Review the process of the development of the financial strategy as required by the Long Term Plan. Monitor Councils treasury activities to ensure that it remains within policy limits, where there are good reasons to exceed policy, that this be recommended to Council; and
- Engage with internal and external auditors on any specific one-off audit assignments
- The Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Council.

3. Delegated Authority

- The Audit and Risk Committee shall have delegated authority to approve the appointment of the internal auditor, risk management and internal audit programmes, audit engagement letters and letters of undertaking for audit functions, and additional services provided by the external auditor.
- The audit and risk committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and where appropriate, recommend action (s) to Council.

The audit and risk Committee can recommend to Council

- Adoption, or non-adoption of completed financial and non-financial performance statements
- Governance policies associated with Councils financial, accounting, risk management, compliance and ethics programmes, and internal control functions
- Accounting treatments, changes in generally accepted accounting practice
- New accounting and reporting requirements

Power to delegate

The audit and risk committee may not delegate any of its responsibilities, duties or powers.

4. Committee Meetings, records and reporting structure

- The committee will meet at least quarterly in each financial year.
- One meeting must consider the draft annual report prior to adoption of the annual report by Council
- Minutes of the committee be presented to the Council for its consideration
- Report to the Council at least twice a year on the effectiveness of internal controls, risk management and financial reporting, noting any recommendations for improvement.
- A quorum of 50% plus one of the committee is required to conduct committee business.
- The committee will be attended by a representative of External Audit for one meeting each year

Role of Chair

The role of Chair is key to achieving committee effectiveness, to achieve this;

- The chair should meet with the GMCS before each meeting to discuss and agree the business for the meeting.
- The Chair should take ownership of, and have final say in, the decisions about what business will be pursued at any particular meeting.
- The Chair should ensure that after each meeting appropriate reports (minutes) are prepared from the Audit and Risk Committee to the Council.
- Encourage good, open relationships between the Audit and Risk Committee, CE, GMCS and internal and external auditors.

Committee Membership

- Independent Chair
- His Worship the Mayor
- Councillor Hart
- Councillor Neale
- Iwi representatives

The Committee Chair will usually be the spokesperson on matters of public interest within the committee's scope of work. Some issues may be of such public interest that it is more appropriate for the Mayor to be the spokesperson. On technical matters or where the status is still at the staff proposal level, senior staff may be the appropriate spokesperson. Where necessary and practical the Mayor, Committee Chair and senior staff will confer to determine the most appropriate course of action for advising the public.

Report



DATE: 17 March 2020

TO: Audit and Risk Committee

FROM: Group Manager: Corporate Services

QUARTER 2 FINANCIAL REPORT AS AT DECEMBER 2019

1 SUMMARY

- 1.1 The purpose of this report is for the Audit and Risk Committee to review the performance of Council as at December 2019
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by Council as part of the Long Term Plan 2018-28. These are stated on Page 2 of this agenda.
- 1.3 This report concludes by recommending the Committee receive the Quarter 2 Financial Report as at December 2019.

2 BACKGROUND

- 2.1 A quarterly report is produced 3 times per year and does not include quarter 4 because the Annual Report is produced in its place.
- 2.2 The Council also receive a summarised monthly financial report to date.

3 CURRENT SITUATION

- 3.1 The quarterly report has been provided to full Council, however with the forming of an Audit and Risk Committee, it is more appropriate to bring this detailed report to the Committee.
- 3.2 The report includes both financial and non-financial information and also provides treasury information.

- 3.3 It is expected that the Audit and Risk Committee will review this report and the Finance team welcome recommendations for improvements
- 3.4 It should be noted that Council is in the process of implementing a new reporting system and at present a Statement of Financial Position has not been produced.
- 3.5 Finance staff together with activity managers have included a full year forecast to the quarter 2 report which will change as further information is known.

4 OPTIONS

- 4.1 **Option 1:** Audit and Risk Committee can choose to receive or not the Quarter 2 financial report as at December 2019

5 SIGNIFICANCE AND ENGAGEMENT

- 5.1 The report is for information purposes only and engagement with the community is not necessary.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

- 6.1 **Option 1:** The report is for information on the current financial and non-financial performance of Council and there is no reason not to receive the report.

7 RECOMMENDATIONS

- A) **THAT** the Audit and Risk Committee receives the Quarter 2 Financial Report as at December 2019.

Lesley Crichton
Group Manager: Corporate Services

Appendix 1: Quarter 2 Financial Report as at December 2019.



Quarterly Report

Q2 - September 2019 – December 2019

Emma Rae

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Whole of Council Financial Summary

Sustainability report

Total revenue	Total expenditure	Total surplus/(deficit)
\$13.08M	\$11.81M	\$1.27M
Is 5.36% more than the total budget of \$12.41M	Is 4.62% more than the total budget of \$11.29M	Is 13.69% more than the total budget of \$1.12M

SUSTAINABILITY

Rates to operating revenue 61.77%

Rates Revenue	\$8.08M
Operating Revenue	\$13.08M

61.77% of operating revenue is derived from rates revenue. Rates revenue includes penalties, water supply by meter and is gross of remissions. Operating revenue excludes vested assets, and asset revaluation gains.

Balanced budget ratio 110.73%

Operating revenue	\$13.08M
Operating expenditure	\$11.81M

Operating revenue should be equal or more than operating expenditure. Operating revenue excludes vested assets and asset revaluation gains. Operating expenditure includes depreciation and excludes landfill liability and loss on asset revaluations. Year to date revenue is 110.73% of operating expenditure.

Interest to rates revenue (LGFA Cov.) 4.02%

Net interest and finance costs	\$0.32M
Rates Revenue	\$8.08M

4.02% of rates revenue is paid in interest. Our set limit is 25% of rates revenue. Net interest is interest paid less interest received. Rates revenue includes penalties, water supply by meter and gross of remissions.

Interest to operating revenue 2.48%

Net Interest and finance costs	\$0.32M
Operating revenue	\$13.08M

2.48% of operating revenue is paid in interest. Our set limit is 10% of operating revenue. Net interest is interest paid less interest received.

Available financial accommodation to external indebtedness (LGFA Cov.) **138.69%**

Gross Debt	\$18.62M
Undrawn committed facilities	\$3.98M
Cash and Cash Equivalents	\$3.22M

The liquidity risk policy requires us to maintain a minimum ratio of 110% which is also an LGFA covenant. Our current liability risk is 138.69%

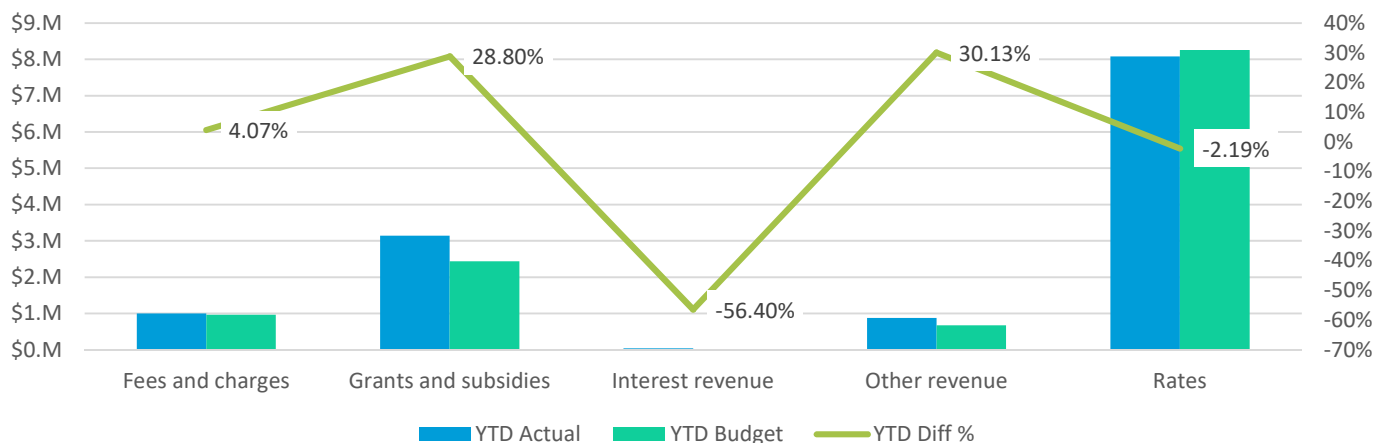
Essential services ratio **123.92%**

Capital expenditure	\$4.25M
Depreciation	\$3.43M

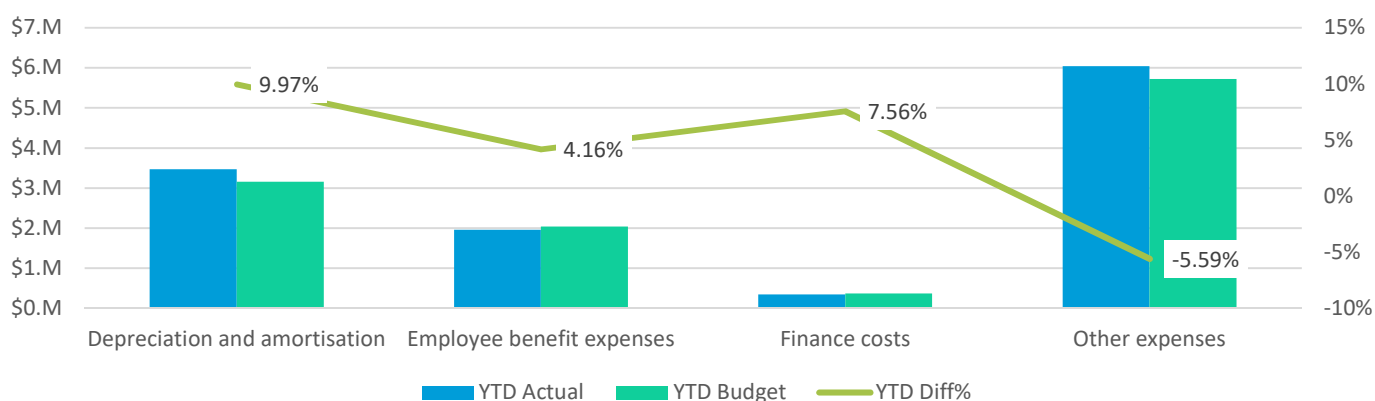
Capital expenditure should be equal or more than depreciation for essential services, for year to date capex is 123.92% of depreciation. Essential Services are Water Supply, Wastewater, Stormwater and Rooding.

Revenue and Expenditure

Revenue



Expenditure



Statement of Comprehensive Revenue and Expenditure

Statement of Comprehensive Revenue and Expense							
	Forecast	Annual Plan (\$000)	Annual Plan YTD (\$000)	Actual YTD (\$000)	Variance YTD (\$000)	Var/Bud %	Note
Revenue							
Rates	16,260	16,437	8,256	8,079	(177)	-2.1%	
Grants and subsidies	4,873	4,162	2,431	3,142	712	29.3%	1
Interest revenue	58	82	40	17	(22)	-56.4%	
Fees and charges	1,968	2,009	1,004	964	(41)	-4.1%	2
Other revenue	1,463	1,360	673	876	203	30.1%	4
Total operating revenue	24,622	24,049	12,404	13,079	674	5.4%	
Expenditure							
Employee benefit expenses	4,005	4,090	2,043	1,958	(85)	-4.2%	3
Finance costs	712	740	370	342	(28)	-7.6%	
Depreciation and amortisation	6,868	6,316	3,158	3,473	315	10.0%	
Other expenses	12,132	11,746	5,719	6,038	320	5.6%	5
Total operating expenditure	23,717	22,892	11,290	11,811	521	4.6%	
Operating Surplus/(Deficit)	905	1,157	1,115	1,267	153	13.7%	

Notes to the Statement of Comprehensive Revenue and Expense

Comments were provided on permanent variances over \$25,000 only.

Note 1: Grants and Subsidies Revenue

	Annual Plan (\$000's)	Annual Plan YTD (\$000's)	Actual YTD (\$000's)	Variance YTD (\$000's)	Var/Bud %	Notes
Grants & Contributions	1,943	967	1,701	734	76%	Mainly due to unbudgeted grants received for Carnegie Building project (\$500k) and Responsible Camping project (\$234k).
Capital Subsidies	2,219	1,463	1,441	-22	-2%	
Total - Other Expenses	4,162	2,431	3,142	712	29%	

Note 2: Fees & Charges

	Annual Plan (\$000's)	Annual Plan YTD (\$000's)	Actual YTD (\$000's)	Variance YTD (\$000's)	Var/Bud %	Notes
Waste Levy	38	19	16	-3	-16%	
Amusement Device Licences	-	-	-	-	0%	
Building Consents	79	39	47	8	19%	
Camping Ground Licence Fees	5	3	1	-2	-77%	
Compliance Certificates	50	25	28	3	11%	
Compliance Schedule Fees	36	18	27	9	48%	
Inspection Fees	195	98	95	-3	-3%	
Liquor Licenses	96	48	50	2	3%	
Building Project Information	-	-	-	-	105%*	
Processing Fees	159	80	94	15	19%	
Building Checks	8	4	5	1	23%	
Monitoring Revenue	8	4		-4	-100%	
Building Accreditation	28	14	10	-4	-28%	
Refuse Site Fees	813	406	340	-66	-16%	This is mainly due to lower than budgeted refuse fees collected from Hokitika centre. YTD Actual is consistent with the last year as expected by the managers. It looks like the budget is overstated.
Burial Fees	32	16	12	-4	-24%	
Cass Square Hire Char	7	3		-3	-95%	
Land Information Memo	41	20	26	6	28%	
Photocopying Revenue	5	3	3		-2%	
Plant Hire	119	60	62	3	4%	
Rental	58	29	29		0%	
Resource Consents	82	41	46	5	12%	
Friends of the Library	2	1	2	1	62%	
Trade Waste Fees	107	53	53		-1%	
DVD Rental	7	3	4		4%	
Bach Licences	34	17	15	-2	-11%	
Total - Fees and Charges	2,009	1,004	964	-42	-4%	

*Dollars are rounded to the nearest \$1000. Figures below \$500 are not shown.

Note 3: Personnel Costs

	Annual Plan (\$000's)	Annual Plan YTD (\$000's)	Actual YTD (\$000's)	Variance YTD (\$000's)	Var/Bud %	Notes
Salaries & Wages	3,959	1,979	1,895	-84	-4%	Mainly due to vacant roles in District Assets, Resource Management & Finance.
Superannuation	119	59	58	-1	-2%	
ACC Levy	13	4	5	-	10%	
Total - Other Expenses	4,090	2,043	1,958	-85	-4%	

Note 4: Other Revenue

	Annual Plan (\$000's)	Annual Plan YTD (\$000's)	Actual YTD (\$000's)	Variance YTD (\$000's)	Var/Bud %	Notes
Petrol Tax Income	133	66	64	-2	-3%	
Gain on Swap	-	-	266	266	0%	Swap values will change due to market conditions which is difficult to estimate when setting the budget and hence the variance from the budget.
Dividends	520	200	200		0%	
Food Premises Licences	48	24	17	-7	-28%	
Funeral Parlour Licences	-	-	-	-	-100%	
Hairdressers Licences	2	1	-	-1	-60%	
Hawkers Licences	2	1	-	-1	-77%	
Impounding Fees	1		4	3	1343%	
Mobile Shop Licences	2	1	2	1	113%	
Offensive Trade Licences	1	-	-	-	-100%	
Dogs Registration	107	107	108	1	1%	
Telephone	-	-	-	-	17%	
Nomination Fees	5	3	8	5	198%	
PLBUILD - Commission	1	1	1		83%	
LIBRAR - Donations	2	1	1		-28%	
Fines	22	11	11	1	6%	
Legal Fees Recovered	18	9		-9	-100%	
Retail Sales	1		4	4	1123%	
Sundry Income	27	13	15	1	9%	
Fees-TNZ					0%	
Fees-Other Activities					0%	
Recoveries	415	208	81	-126	-61%	This is lower than planned as we have in house Professionals now to provide specialized services which was previously outsourced and recovered from the customers.
Interloans	1				92%	
Imbalances					0%	
Reserve Fund Revenue	40	20	80	60	301%	Mainly due to unbudgeted funds received for Mayoral flood fund from NEMA.
Capital Contributions	13	7	11	4	65%	
Total - Other Expenses	1,360	673	876	203	30%	

Note 5: Other Expenses

	Annual Plan (\$000's)	Annual Plan YTD (\$000's)	Actual YTD (\$000's)	Variance YTD (\$000's)	Var/Bud %	Notes
Administrative Expenses	630	316	332	16	4.96%	
Contractors	446	223	280	57	25.66%	This is mainly due to unbudgeted contractor cost incurred on following projects; - Asset management plan. - Civil Defence work due to December flood event.
Electricity	338	169	166	-3	-1.49%	
Honarium	280	140	152	12	8.93%	
Insurance	266	89	102	13	14.45%	
Loss on Swaps	183	92	180	88	96.20%	Swap values will change due to market conditions which is difficult to estimate when setting the budget and hence the variance from the budget. This loss is offset by the gain reported under Other Revenue (Note 4).
Maintenance	4,196	2,098	2,152	54	2.56%	
Management Contracts	1,837	919	937	19	2.04%	
Professional Services	296	152	128	-24	-15.69%	
Rates	219	64	64		-0.28%	
Refuse Collections	762	381	382	1	0.23%	
Other Expenses	2,292	1,077	1,164	86	8.03%	Mainly due to unbudgeted Three mile grant payment to Hokitika Lions for Lazar Park and unbudgeted Emergency Storm repair work.
Total - Other Expenses	11,746	5,719	6,038	320	5.59%	

Capital Expenditure 2019/2020

WESTLAND DISTRICT COUNCIL CAPITAL EXPENDITURE 2019-2020					
	Full Year Annual Plan (AP) (\$000)	YTD Expenditure (\$000)	YTD Spent as a % of AP	Forecast	Budget Managers Notes
Community Services	10,250	-	0%	10,250	This project is on hold at the moment however it is expected to be completed before the end of the financial year.
Leadership	344,475	35,184	10%	344,475	Mainly due to delays in Information management (DMS project) and Chambers refurbishment project. IT renewals are also lower than planned however forecasting to catch up over the next few months through to the end of the financial year.
Leisure Services & Facilities	649,118	169,437	26%	653,488	This is mainly due to delays in Civil defence - EOC project.
Solid Waste	254,200	26,950	11%	254,200	This is mainly due to the delay in Butlers intermediate capping project.
Stormwater	1,840,125	43,049	2%	328,215	Except for the Hokitika - Mains upgrade programme, none of the projects have been started yet. That is the reason for the lower capital spending compared to the annual plan. Some of the pump upgrade projects are unlikely to go ahead as planned in this year as indicated by the forecast.
Transportation	2,765,448	571,696	21%	2,765,448	Although the YTD spending is low compared to the annual plan, managers have indicated that most of the capital projects will be completed before the year end.
Wastewater	3,510,827	1,349,810	38%	3,812,293	Mainly due to delays in Hokitika - Outfall structure project and WWTP upgrade projects for Hokitika & Fox Glacier.
Water Supply	1,782,466	70,016	4%	1,673,266	YTD actual spending is lower than planned due to various operational reasons. However managers are expecting that most of the projects will be completed over the next few months through to the end of the financial year.
Total Capital Expenditure	11,156,909	2,266,142	20%	9,841,635	

Treasury Report

Summary

The purpose of this section of the Quarterly Report is to provide an update on Council's Treasury Position as at **31 December 2019**.

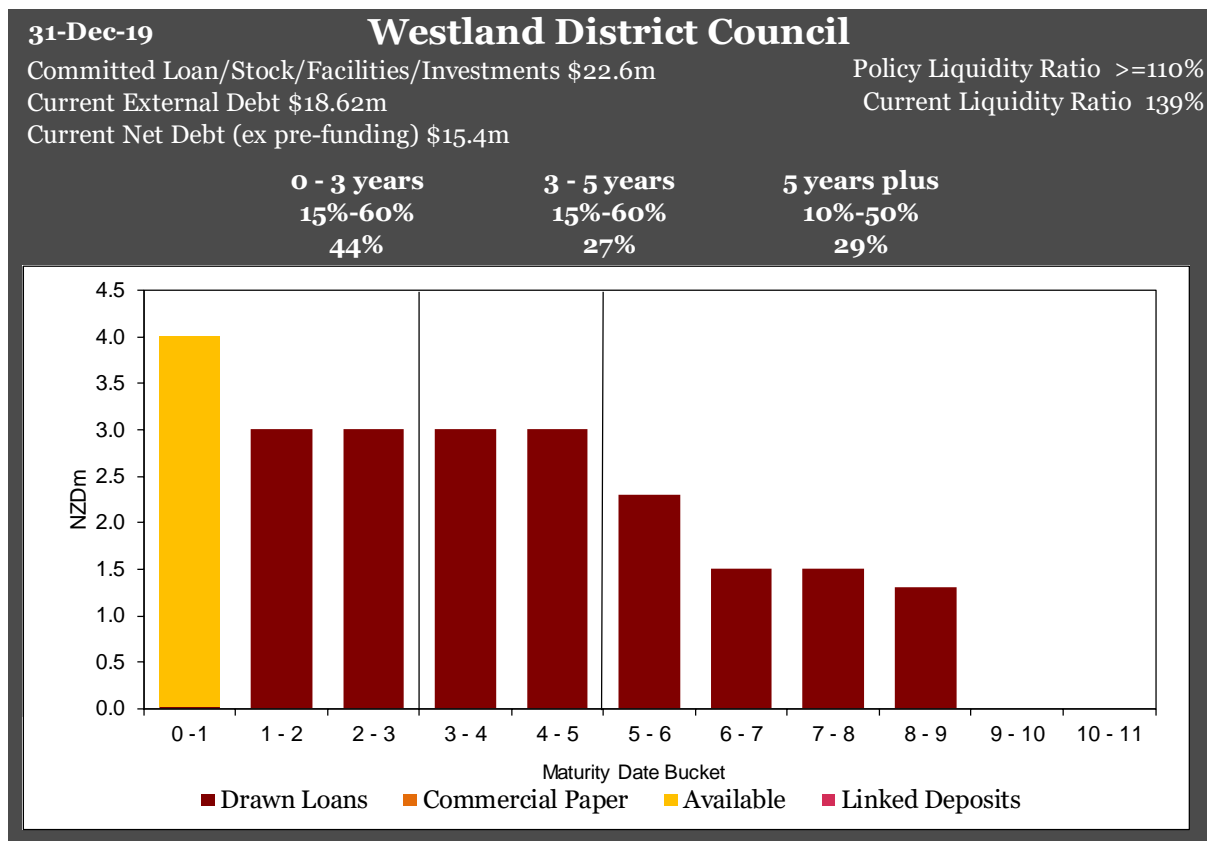
This section shows the Council's position for the following items:

- Loans
- Other Borrowings (if any)
- Swap
- Internal borrowing
- Cash Investments
- Deposits
- Debtors

Council has contracted PWC as an independent treasury adviser.

Loans

This chart illustrates the Council's position in relation to the debt facility:



Council's policies require that we have liquidity cover of 110% of forecast debt. There are two facilities in place, one with Westpac with a borrowing limit of \$4m, a second with the Local Government Funding Agency has a borrowing limit of \$20m, providing a total facility of \$24m. The forecast debt for the current financial year is \$24.34m, with a 12-month peak forecast of \$24.34m with liquidity coverage at 139%.

Council policy requires interest rate risk management within the ranges specified in the chart.

As at 31 December 2019, the Money Market Lending Statement shows:

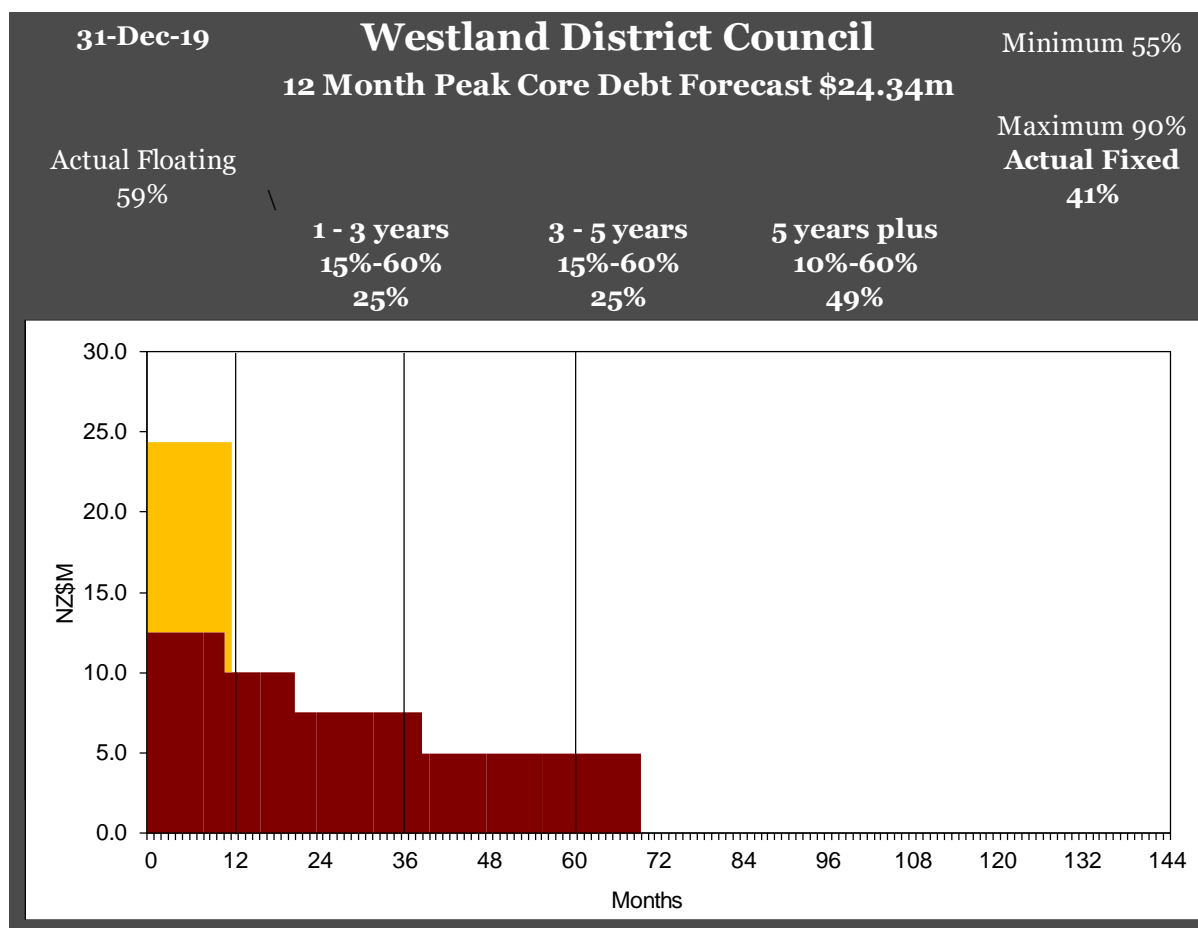
Amount	Rate	Maturity
18,352	1.800%	1/07/2020
3,000,000	1.240%	17/05/2021
3,000,000	1.240%	16/05/2022
3,000,000	1.040%	17/04/2023
3,000,000	1.040%	15/04/2024
2,300,000	1.040%	15/04/2025
1,500,000	1.040%	15/04/2026
1,500,000	3.877%	15/04/2027
1,300,000	1.040%	18/04/2028
\$18,618,352	Total	

This does not include the 0.6% to 1.0% margins charged by the bank

Swaps in place to protect against fluctuating interest rates are as follows:

Amount	Fixed interest rate	Maturity date
\$5,000,000	3.67%	2/10/2025
\$5,000,000	3.34%	2/10/2023
\$2,500,000	2.98%	17/03/2023
\$5,000,000	4.10%	1/10/2021
\$2,500,000	3.55%	17/11/2020
\$20,000,000	Total	

The following shows our current debt position and the amount of debt protected by interest rate swaps:



Council policy requires interest rate risk management within the ranges specified in the chart

Interest Rate Risk Position

The interest rate risk position visually represents the Council's interest rate position within approved interest rate control limits as set out in the treasury policy document. The fixed to floating interest policy stands at 41% as at 31 December, lower than the policy limit of 55%. The Council has approved to be out of policy until, at the latest, the end of the financial year.

The yellow part of the graph shows the amount of debt which is fixed - (this includes fixed rate bonds together with payer swaps) meaning debt which gets repriced in one year's time or later. The top of the red area represents the forecast debt in a year's time. The red area therefore illustrates the amount of debt deemed floating rate and will include any forecast debt that has not been pre-hedged. Any existing loans or financial instruments which will be repriced within the next 12 months are included in the red area.

The key areas of focus are;

Fixed Rate Percentage Limit: (wholesale interest rate certainty)

The fixed rate percentage calculation is the total amount of fixed rate debt/interest rate hedges over the 12 month forecast net debt amount. Fixed rate is defined as having an interest rate resetting maturity/expiry date of greater than 12 months.

Fixed Rate Maturity Limits: (spreading of wholesale interest rate maturity risks)

Fixed rate repricing maturity dates are spread based on defined maturity band limits, 1 - 3 years, 3 - 5 years and 5 - 10 years. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduces the risk of maturity concentrations.

Internal Borrowing

Kanierie Sewerage \$108,490.63.

Cash Investments

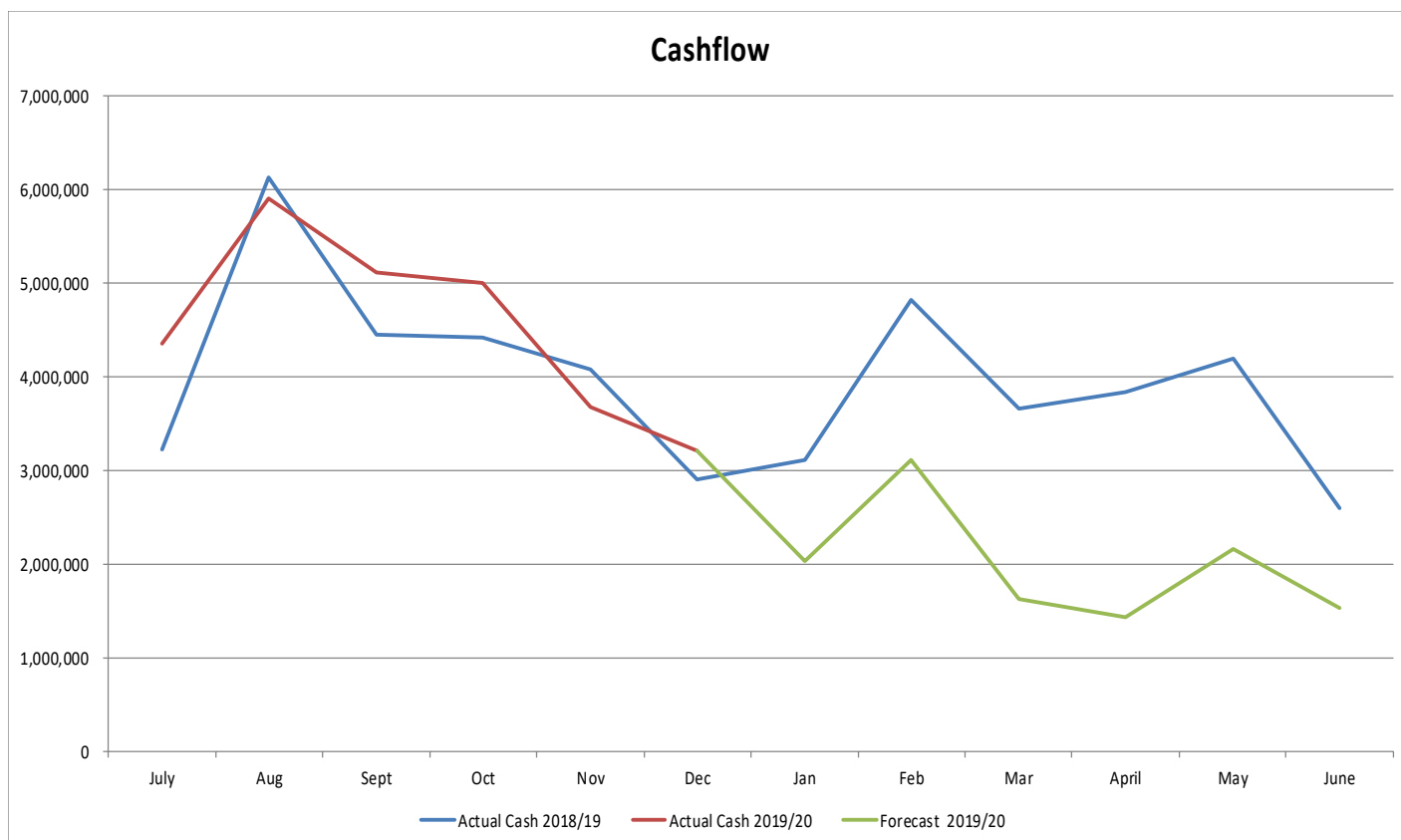
Cash Deposits as at 31 December 2019

Cash flow is managed on a weekly basis. The highest spend is expected to continue in the next quarter with loan drawdowns occurring later in the financial year as more capital projects take place.

The following analysis excludes bond monies.

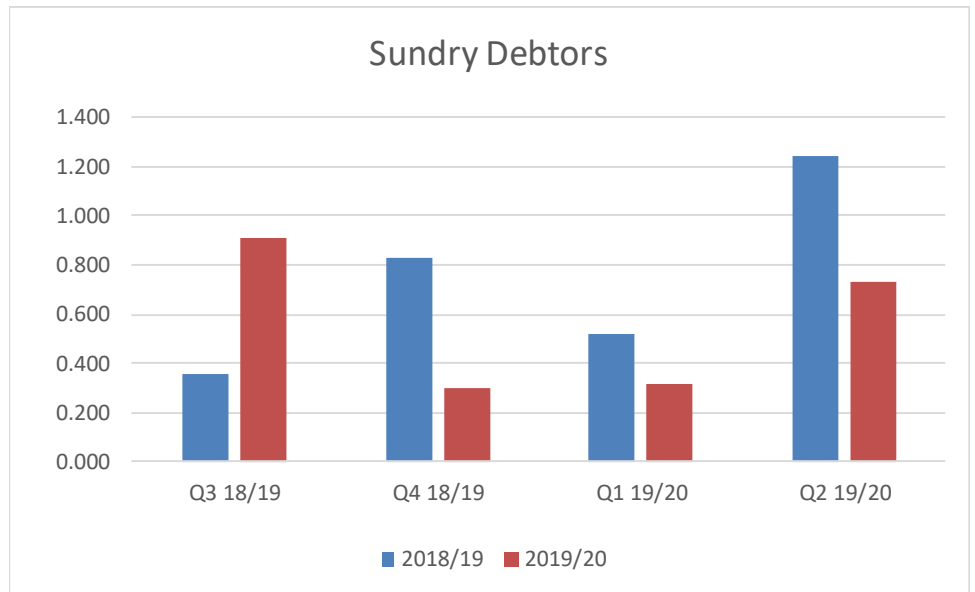
Closing balance of WDC Operational Account: \$1,852,961.84.

Term Deposit Account balances of: \$1,350,000.00.



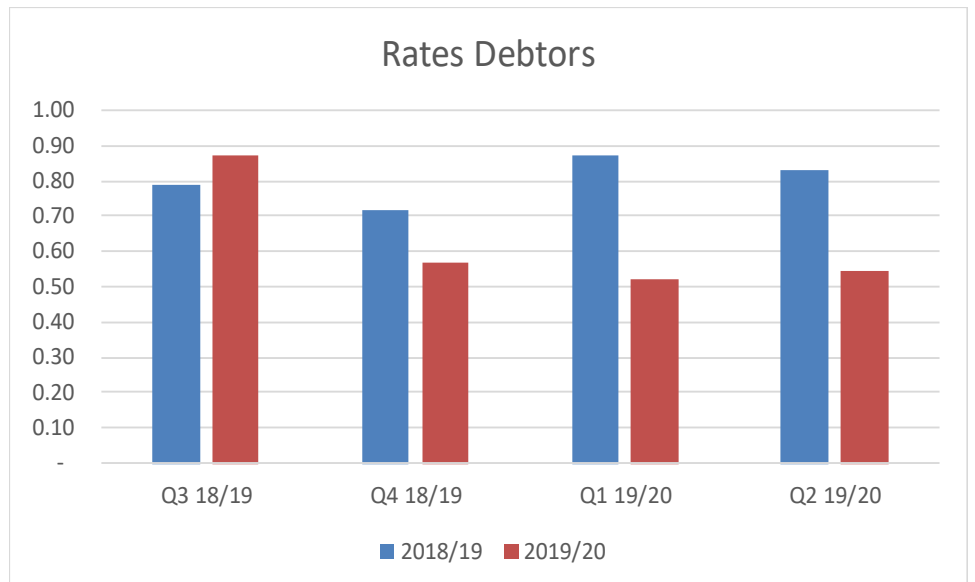
Sundry Debtors

Outstanding Sundry debtors as at 31 December 2019 total \$728,560 which is \$411,109 higher than Q1 2019/20 financial year. This is due to a current invoice for \$589,418.



Rates Debtors

At 31 December, rates debtors figure total \$543,985 which is \$25,505 more than Q1 2019/20 financial year. For the third quarter in a row rates have been below the \$600,000 mark.



Debt Collection

Credit Recoveries performance as at 31 December for active debt:

The relationship between Council and the debt recovery agency is being actively managed with regular meetings and guidance from Finance. This proactive approach has assisted with the success of the debt management process and reduction of overdue debtors.

Date Debt Sent	Debt	Collected	Recovery Rate
Pre-2016	100,872	79,039	78%
2016-2017	25,479	11,800	46%
2017-2018	19,200	11,834	62%
2018-2019	17,316	8,658	50%
Current	2,194	30	1%
Total	165,061	111,361	67%

Further debts will be referred to debt recovery only where internal processes have proven unsuccessful.

Reserve Funds Report

Summary

Reserves are divided into two categories:

Restricted Reserves: These reserves can only be used for the purpose as set out in either legislation or by the funder.

Council Created Reserves: These reserves exist solely at the discretion of Council, as a matter of good business practice.

Financial Management Principles for Reserve Funds

- There are no reserves that are required to be represented by specific cash funds. Council therefore takes a portfolio approach to treasury management.
- Reserves are funded by interest income from investments and available borrowing capacity.
- Reserve balances will grow by interest calculated at the weighted average 90 day bill rate, transferred quarterly into the reserve.
- During 2018/19 new depreciation reserves will grow quarterly. Interest will be earned on those reserves calculated based on the average 90 day bill rate. This will be funded from external interest revenue (or deficit reserves – internal borrowing) for 2018/19
- Interest will be charged on any reserve in deficit at Council's weighted average cost of asset term debt.
- No funds shall be withdrawn from the Westpac Bonds or any reserve unless provided for in the Annual Plan or by Council resolution.

COUNCIL CREATED RESERVE FUNDS

Reserve	Purpose of each reserve fund	Balance	Transfers	Transfers	Balance
		1 July 2019	into fund	out of fund	31 Dec 2019
		\$000	\$000	\$000	\$000
Kumara Township fund	Township funding for the purpose of community related projects	-	7	- 14	- 7
HariHari township	Township funding for the purpose of community related projects	2	7	- 14	- 5
Whataroa township	Township funding for the purpose of community related projects	2	7	- 14	- 5
Ross township	Township funding for the purpose of community related projects	1	7	- 14	- 6
Haast township	Township funding for the purpose of community related projects	- 3	7	- 14	- 10
Franz township	Township funding for the purpose of community related projects	2	18		19
Fox township	Township funding for the purpose of community related projects	1	17	- 35	- 17
Kokatahi community fund	Township funding for the purpose of community related projects	8	4	-	13
Foreshore	Foreshore Protection for groin replacement on the foreshore.	20		-	20
Glacier country promotions	Targeted rates collected from Glacier Country to provide funding for marketing projects.	-	20	-	20
Prestons bush	Mr Preston donated the reserve to Council. This fund was for the community to beautify the bush with tracks and interpretation boards.	8	3	- 4	8
HariHari community complex	The Harihari Pony Club land was sold and the funding was to go towards a new community complex. (Another \$100,000 is allocated from the Reserve Development Fund.)	73	-	-	73
Guy Menzies trust	Surplus from Guy Menzies Day Event.	1	-	-	1
Cycle partnership contributions	Contributions from commercial partners towards upkeep of the Wilderness Trail				
Emergency contingency fund	Fund to support Westland in a Civil Defence emergency.	63	-	-	63
Marks Road reserve fund	Net Sale proceeds of section of Marks Road Reserve for to be split between Haast Civil Defense and the Haast Community	189	1	-	190
Transport renewals	For funding the renewal of roads and bridges.	490	611	- 240	861
Water renewal	For funding the renewal of water supplies networks	2,681	485	- 1,196	1,969
Waste water renewal	For funding the renewal of sewerage and sewage networks	2,429	286	- 1,398	1,317
Stormwater renewal	For funding the renewal of stormwater systems	- 661	105	- 76	- 632
Solid Waste renewal	For funding the renewal of Refuse transfer Stations and landfills.	-	-	-	-
Parks and Reserves renewals	For funding Parks, Reserves, Public Toilets, Ross Pool and Cemeteries Asset Renewal	214	157	- 278	94
Building renewals	For renewal of all Council operational buildings.	623	134	- 82	675
Administration renewals	For renewal of office equipment, furniture, technical equipment, vehicles and technology	279	93	- 120	251
Library renewals	To replace library books	184	43	- 28	199
Total Council Created Reserves		6,604	2,013	- 3,526	5,091

Restricted Reserve Funds					
Reserve	Purpose of each reserve fund	Balance 1 July 2019	Transfers into fund	Transfers out of fund	Balance 31 December 2019
		\$000	\$000	\$000	\$000
Offstreet Parking	Collected from developments in town to pay for off-street parking. Imposed by RMA/District Plan	33	-	-	33
Reserve Development	Monies collected from developments. Imposed by RMA/District Plan	434	- 19	- 264	151
Museum Assistance Fund	Originally the Museum Bequest Fund	21	-	-	21
Kumara Endowment Fund	Proceeds from sale of Endowment land. Our brief research has not identified the specific terms of the endowment.	353	2	-	356
Euphemia Brown Bequest	Interest earned on funds administered by Public Trust Offices for the estates of Euphemia & William E Brown.	24	-	-	24
Mayoral Relief Funds	Contributions from James & Margaret Isdell Trust; Coulston Herbert Trust;	95	44	- 55	84
Three Mile Domain	To fund three mile domain costs.	208	16	- 150	74
Ross Endowment Land	Various endowment land parcels in Ross sold over time.	67	-	-	67
Big Brothers Big Sisters	Grant funding Received	- 1	-	-	- 1
Community Patrol	Grant funding Received		-	-	
Graffiti	Grant funding Received	4	-	-	4
Taxi Chits	Grant funding Received	- 3	4	- 3	- 2
RMA	Contributions from RSA parking lease	-	-	-	-
Total Restricted Reserves		1,235	48	- 473	811
Total Reserves		7,839	2,061	- 3,999	5,902
Total Council Created Reserves		6,604	2,013	- 3,526	5,091

Statements of Service Provision

This section contains:

- Commentary about Council's activity within each Group
- Council's non-financial performance for each activity, measured against a set of 'key performance measures' that are in the Long Term Plan 2018 -2028.

Note:

Where a LOS performance measure is "% of residents satisfied", Council holds results from the last survey of residents which was carried out in January 2018. This survey is carried out biannually.

A full explanation of the 2018 Resident Survey results is contained in Council's Annual Report 2017/18 and the survey itself can be obtained from the Council's website:

<https://www.westlanddc.govt.nz/2018-residents-survey-results>.

Leadership Group

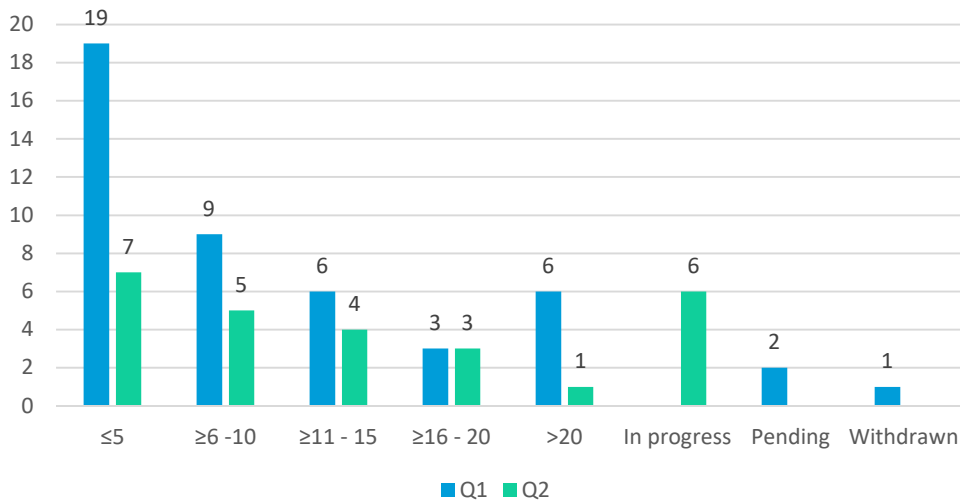
Democracy

Local Government Official Information and Meetings Act (LGOIMAs)

Council received 26 LGOIMA requests in this quarter. 27% of these were completed in less than five days and was overdue by 9 days. At the end of the quarter one request required an extension and took 25 days to complete.

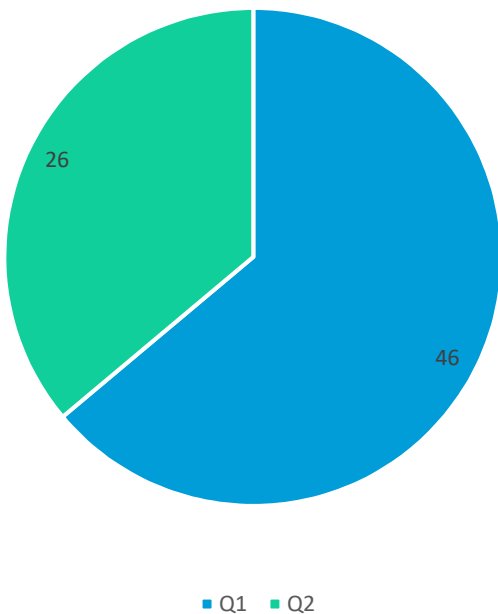
Requests came from the press, lobby groups and private citizens.

Request days for completion

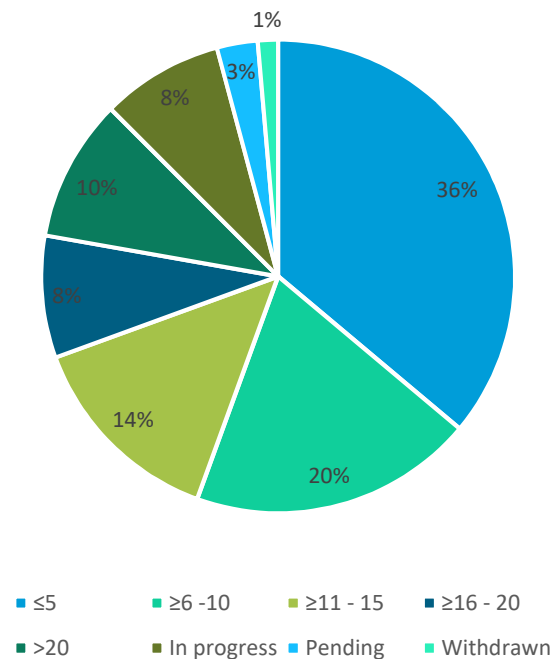


Pending requests are when a request for clarification or information regarding a charge has been sent but no further response has been received from the requestor.

Requests per quarter



Days for Completion 2019/20



Council and Committees

In October a new Council was elected with five of the members of the previous Council returning to the Council table. The new Council adopted a Committee structure, which will have inaugural meetings in the third quarter. Due to the increased workload for the Democracy group, a new Administrative Assistant will be recruited.

Corporate Services

Finance

The finance team have been busy implementing a Financial Reporting System which supports the ERP system. This system allows us to produce reports with little manual intervention which can create errors. The system is still being implemented, however the Annual Report financial statements and notes were produced from the system and the whole process was easier with less errors. The finance team look forward to using this system fully in the near future.

The Annual Report was audited and adopted within the statutory time frame, Audit NZ stated that from their side the audit went a lot more smoothly and the Audit Management Report that has been received by Council is now on the Council Website.

Staff will now be moving forward with the Annual Plan process, and will be assisting the budget managers to produce their budgets.

There were some resignations within the finance team over the last quarter, these are key vacancies and the recruitment process for these vacancies has been progressed quickly, it is hoped that in the New Year, the finance team will be fully staffed again.

Strategy and Communications

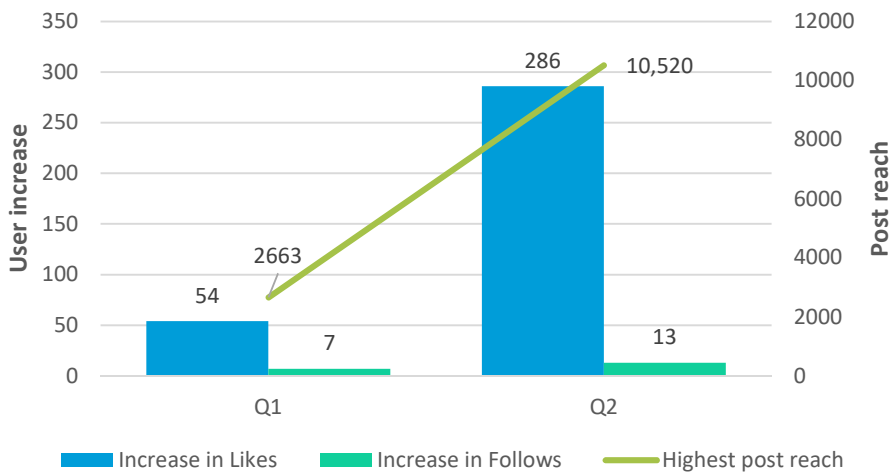
Planning for the next 18 months with the Long Term Plan, Annual Plan and Annual Report were the focus of this quarter for Strategy. Ensuring that staff have information available to help them plan their time and contribute to our statutory obligations for planning and reporting.

Looking forwards to the Long Term Plan, the Strategy and Communications Advisor (SCA) has been laying the groundwork by putting together an environmental scan and working on community outcomes to engage with the community. Work on these continues into the next quarter.

At the beginning of the quarter Communications set up a Facebook page for Dog Control to assist the team to reunite lost and found dogs with their owners. This has been a successful initiative, saving Dog Control time and resources. The page is administered by Communications and overseen and edited by Dog Control. The page has 153 likes and 165 follows. While this number is small, it continues to grow.

Efforts have been made to increase the number of people using our Council Facebook page by ensuring that more interesting content is posted and more information is made available through the page. This includes 'live posting' during Council meetings and posting relevant information during awareness weeks, as well as trying to provide more information about current projects. Following these efforts there was a significant increase to the number of people who 'like' or 'follow' the page and provided comments on posts. As of 31 December there are 2,196 page followers, compared to 1,897 at the beginning of the quarter.

Facebook user insights



The SCA has also been considering improvements to the website to make sure that it is up-to-date and user friendly. This will be an ongoing, long-term task.

Business Analysis

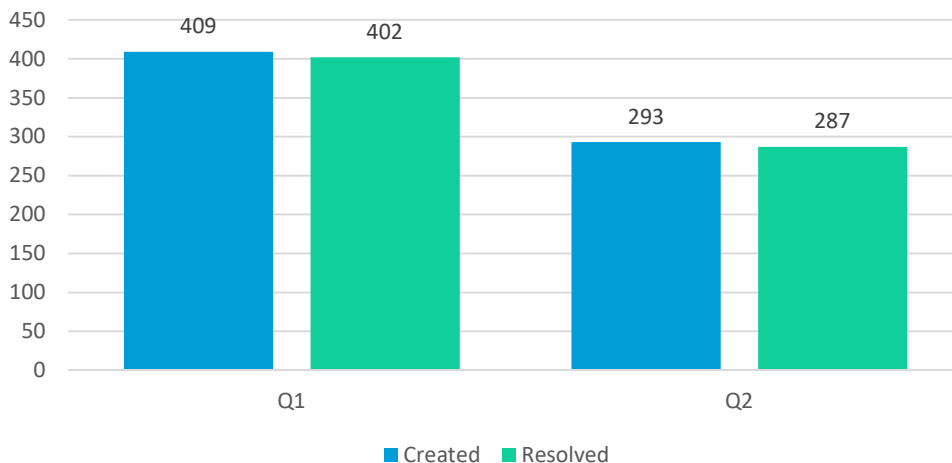
The Business Analyst is progressing the eDRM system and a test environment is now up and running, there is a lot of work to carry out on this system. Council has been assisted with this work by Hurunui District Council who have given their time and expertise to progress the implementation. It is expected that the system will be in place by 30 June 2020.

To assist with document management, Council is currently recruiting a Records Officer.

Information Services

The IS team was kept busy during the quarter with the incoming support requests from around the business.

Information Services Support Requests



In October the incoming Council were all issued with new HP laptops to replace the existing Surface Pros and other devices that were in use. We now have all Councillors including the Mayor on identical devices with Office 365 and using Teams as a secure means to disseminate all information to the Councillors.

Library

The library services are now part of the Corporate Services group. They will continue to report under the leisure services and facilities.

Democracy

Level of Service	Measure / Targets	Progress
Responsible leadership	65% of residents satisfied with Council's leadership.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.
The community understands what Council does	50% of residents understand how Council makes decisions.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.

Corporate Services

Level of Service	Measure / Targets	Progress
Provide accountability about Council activities	Legally compliant financial plans and reports adopted on time.	31/12/19: The Annual Report was adopted on 31 October 2019, which met the legislative deadline. 30/09/19: There were no plans or reports in this quarter.
A comprehensive Customer Service Centre	75% of residents satisfied with the service they receive.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.
Effective engagement of the community during public decision-making opportunities	55% of residents that believe they have been consulted appropriately.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.

Council Controlled Organisations

Level of Service	Measures / Target	Progress
CCOs comply with their Statements of Intent	100% performance measures in the CCO Statement of Intent are met, as reported in half yearly and annual reports.	31/12/19: 62.5%, 25/40 – Full Statements of Service are contained in the CCOs 2018/19 Annual Reports. 30/09/19: This is not reported in this quarter.

Planning and Regulatory Group

Resource Management

Not reported in this quarter.

Inspections and Compliance

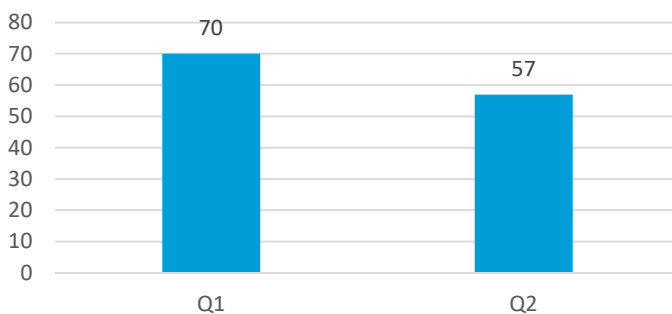
Building

Building consent applications have remained steady for the quarter to date, with an increase in the first two quarters compared to last year's figures.

IANZ confirmed that the reassessment for accreditation is now completed and BCA has retained accreditation until July 2021.

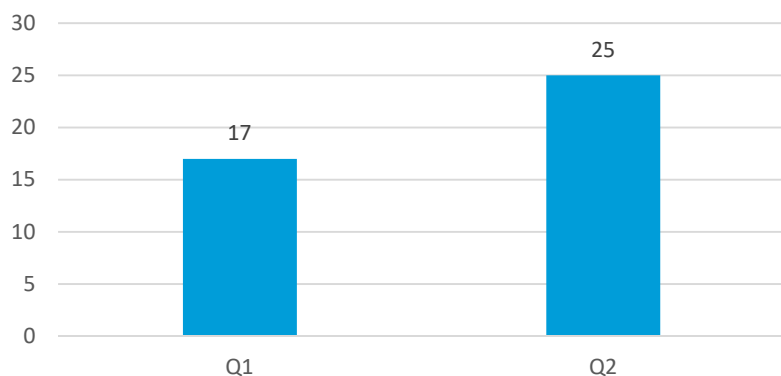
One hundred percent of building consents issued in the second quarter were issued within 20 working days and on hundred percent of Code Compliance Certificates were also issued within 20 working days.

Consents issued



Food Premises

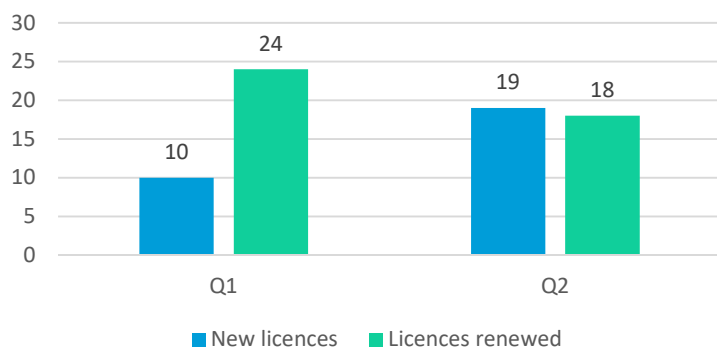
Inspections



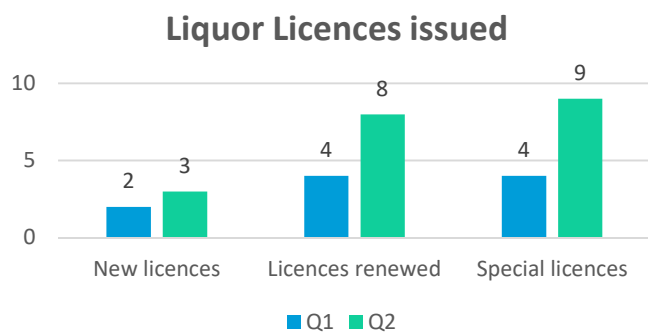
Alcohol

With the upcoming tourist season, premises are employing more staff and many of them require new manager's licences.

Manager's Licences issued



A greater number of special licences are issued in this quarter due to seasonal events such as Christmas functions.

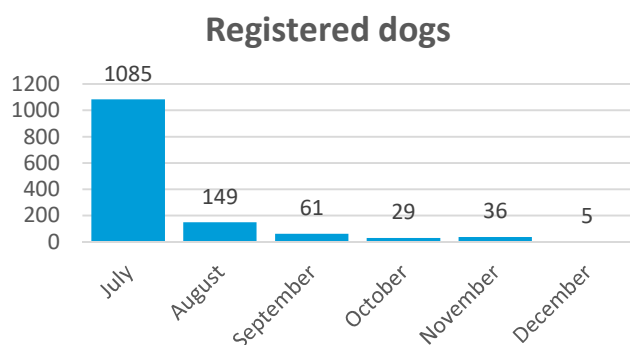


Animal Control

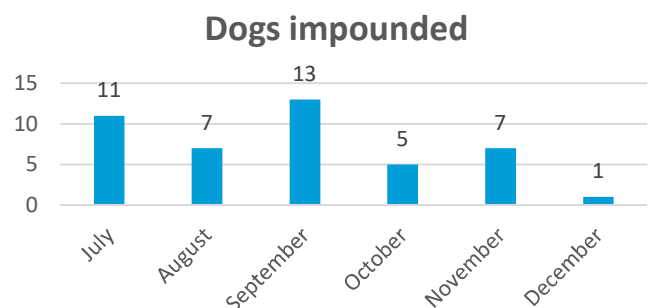
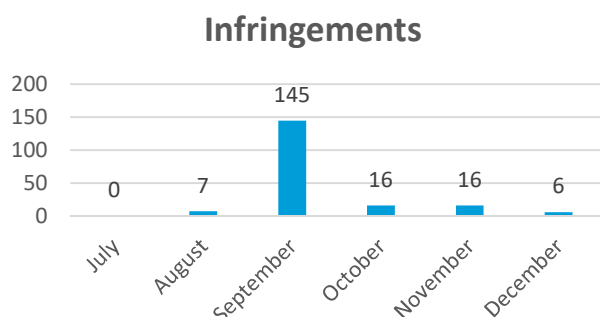
Dog control have found the new Facebook page a useful tool to assist with their work. As a result of page users sharing the information dogs have been returned to their owners more quickly and dogs that have not been claimed have found new owners through the adoption process. In the future this page can be used to provide other information to dog owners, such as registration reminders.

The data for dog control is to 4 December 2019 due to the Christmas period.

The total number of registered dogs in the Westland District between 1 July to 4 December 2019 is: 1365. There are 23 previously known and 25 previously unknown dogs that remain unregistered.



There were 190 infringements issued between 1 July and 4 December 2019.



Between 1 July and 4 December 44 dogs were impounded at the WDC Dog Pound:

Emergency Management / Civil Defence (CD)

Not reported in this quarter.

Resource Management

Level of Service	Measure / Target	Progress
Resource consents processed in accordance with the Resource Management Act	100% of resource consents processed within statutory timeframes:	31/12/19: Not reported. 30/09/19: Not reported.
Provide appropriate advice to customers	85% of users satisfied with the quality of the advice provided on resource management matters.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.

Inspections and Compliance

Level of Service	Measure / Target	Progress
Timely processing of Building Consents	100% of building consents processed within 20 working days as per the requirements of the Building Act.	31/12/19: 30/09/19: Not reported.
Provide appropriate advice to customers	85% of users satisfied with the quality of the advice provided on building consent, environmental health and Liquor Licensing matters.	<p>Building Consents</p> <p>31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.</p> <p>Environmental Health</p> <p>31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.</p> <p>Liquor Licensing</p> <p>31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.</p>
Encourage compliance with health standards by undertaking inspections so that all food, liquor and other licensed premises comply with the relevant legislation	100% licensed and registered premises are inspected at least annually:	<p>Food Premises</p> <p>31/12/19: 24% in the quarter, 40% year-to-date. 31/09/19: Not reported.</p> <p>Liquor Premises</p> <p>31/12/19: Not reported. 31/09/19: Not reported.</p>

Animal Control

Level of Service	Measures / Target	Progress
Keep the public safe from dogs and wandering stock	90% of residents satisfied with the protection provided.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.
	98% of known dogs registered by 30 June each year.	31/12/19: 98.34% of known dogs registered. 30/09/19: 98% of known dogs registered.
	Response times to Priority 1 callouts is 30 minutes or less (excluding travel time)	31/12/19: 100% responded to in 30 minutes or less. 30/09/19: Not reported.

Emergency Management

Level of Service	Measures / Targets	Progress
Effective natural hazard readiness	<p>100% of suitable emergency response training has occurred</p> <ul style="list-style-type: none"> - Emergency Management personnel meet CIMs 4 and EOC standards - Volunteers are offered at least 2 training opportunities per annum - Number of trained volunteers increases by 10% 	<p>31/12/19: Not reported.</p> <p>30/09/19: 100%. Not reported.</p>
Suitable response plans are in place	<p>90 – 100% of community emergency response plans are in place for all Westland townships.</p>	<p>31/12/19: Not reported.</p> <p>30/09/19: Not reported</p>

Community Services Group

Community Development and Assistance:

Westland Communities Contact & Liaison

During the quarter the Community Development Advisor (CDA) attended community meetings, township community groups, meet with individuals and representatives from Haast through to Kumara representing Council and maintaining lines of communication. All Accountability reports 2018-2019 have been returned for Township Development funding and Funding Agreements 2019-2020 have been signed.

The Reserve Bank NZ conducted public consultation with Westland during November regarding 'The Future of Cash', assisted by the CDA. This was a unique opportunity for Westland residents to have input and voice their concerns on the future of cash in our Westland communities.

The CDA attended community Civil Defence training at the Mines Rescue Centre, Runanga. The CDA worked in the Civil Defence EOC in the Logistics function during the December Rain Event.

CDA presented at the Heartland Partners Meeting, on the Community Development Advisors position and the Westland Safe Community Coalition.

A successful new initiative, Drive West, was launched in association with West REAP to assist new drivers through the graduated licencing system. There were 14 enrolled participants, between 16 and 60 years, 13 of whom attended 90% of the course. Eight have sat and passed their learner licence, with others yet to book. Feedback was positive and further initiatives will be investigated in the next quarter.

A working group began preparations for Clued Up Kids in Westland. The programme gives years 5 and 6 students tools to cope in situations where they need to focus on their safety such as cycling at roundabouts. Delivery of the programme is anticipated during Q2 2020.

Funding

During the quarter the CDA promoted available funding through the weekly Community Notices email, and met with groups, organisations and individuals, assisting with the completion of applications where needed.

Creative Communities Funding round closed in September and the Committee considered eleven applications and distributed \$10,167.00 in funding in October. This is a considerable increase in funding for the Westland area and a result of the Review of the Creative Communities Scheme.

The CDA worked with New Coasters in a successful funding submission to Ethnic Communities Development Fund with Council receiving \$5,700.00 toward the Westland Culture Feast 2020 "Westland Migrant Stories".

A funding submission with Runanga representatives to Manatū Taonga – Ministry for Culture and Heritage Commemorating Waitangi Day Fund 2020 was successful with Council receiving \$3000.00 towards Waitangi Day 2020 at Arahura Marae. Fletcher Tabuteau, Under Secretary for Regional Economic Development has been secured as a guest speaker.

Safe Community Coalition

The Westland Safe Community Coalition (WSCC) adopted a Terms of Reference at the Governance meeting and a updated strategic plan. The WSCC Annual review was submitted to the Safe Community Foundation NZ.

The CDA attended the Safe Communities Conference with two other representatives from Westland Safe Community Coalition. Westland presented on CACTUS (Combined Adolescent Challenge Training Unit and Support).

The half-price taxi scheme continues to be popular, with 28 people registered. A number of organisations have assisted with funding: Anglican Community Care, Soroptimist International of Westland and TrustPower West Coast Lend a Hand Foundation. There is currently a shortfall of \$1200 in funding.

Westland was very active in participating in the West Coast Roding Survey, being almost half of the submitters to the survey. This should provide Council with some clear indication of residents' satisfaction and concerns.

Hokitika Reserves and Environs Community Group

The following projects were completed during the quarter:

- Relocating Whitebaiters Walk to the Pierson Esplanade, Gibson Quay
- A memorial cemetery seat was installed in the Hokitika Cemetery.

Hokitika was selected as one of the new trache of Tohu Whenua, landmarks that tellour stories. The Hokitika Port and Commercial area at the Tancred Street Viewing platform will host the Pou (pole) and be opened with a ceremony on 14 February 2020.

Community Halls

Level of Service	Measure / Target	Progress
Provide safe and useful community halls	80% of residents satisfied with the standard of their local hall.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.

Leisure Services & Facilities Group

Land and Buildings

Upgrades to Council headquarters continue to progress with completion of renovations on the first floor.

Tender for the earthquake strengthening of the Carnegie Building was awarded to CYB.

Parks and Reserves

Not reported in this quarter.

Cemeteries

Not reported in this quarter.

Public toilets

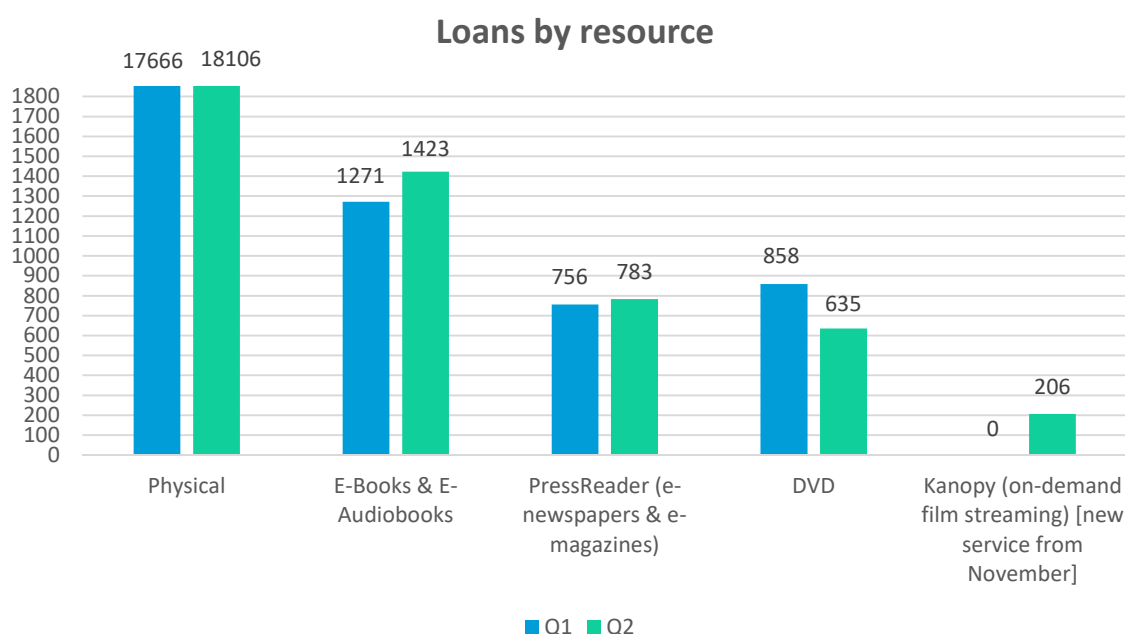
New toilets were installed in Haast during the quarter using cost shared funding from Ministry of Business, Innovation and Employment. Temporary facilities were made available during the construction period.

Partial temporary closures were required through the quarter in the Fox facilities as the door locks were replaced and blockages cleared.

New facilities were constructed in the Ross township during the quarter. This project will be completed and operational early in 2020.

Westland District Library

Membership remains steady with new members joining at a similar rate to membership expirations. Total issues have seen a slight increase in Q2 compared to Q1, following an annual trend which sees an increase in issues for the Summer Reading Challenge and holiday period. The popularity of the digital collections (e-Books, E-Audiobooks, E-Newspapers & E-Magazines) has continued to grow with more borrowers downloading the apps to access these collections.

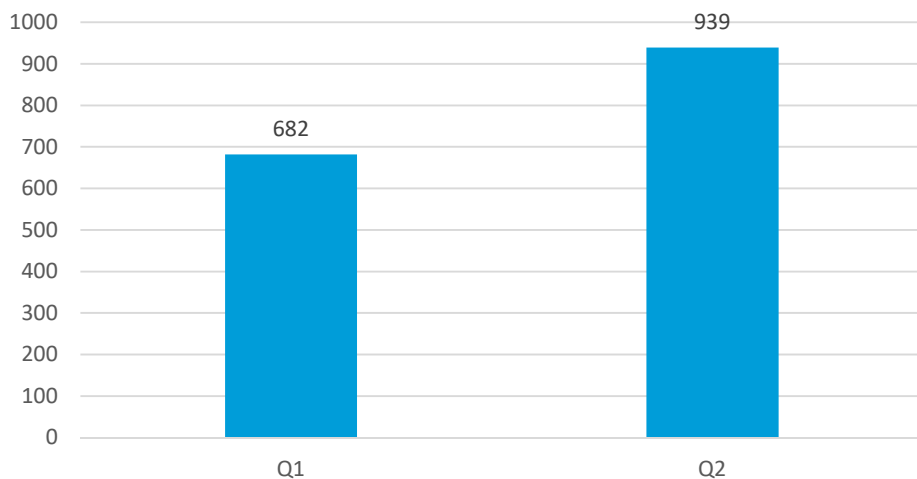


To improve digital offerings, a new digital film streaming service, 'Kanopy, was launched'. The films offered include documentaries, educational courses, world-cinema, classic films and children's programmes. This significantly improves the breadth of the audio-visual collection. Initial uptake of the service has been very positive, with 206 films watched in the first 2 months.

This quarter the library ran a pilot Book-A-Librarian Service to assist patrons' digital skills on a 1-1 basis. The library has provided 12 hours of digital skills tuition and assistance to patrons with very positive feedback.

Over 900 people attended events and programmes led by library staff in Q2. Collaborating with local organisations and members of the community, the library has been able to host a wide variety of evening talks and community events. For example, making Beeswax Wraps with Kids-first Kindergarten, Mahjong and NZ Sign Language tasters for Adult Learners Week, Harakeke (Flax Weaving) for Maori Language Week, Mindfulness session for Mental Health Awareness Week, Author Talk with Catherine Bishop, a Seed & Seedling Swap with New Coasters, an information and consultation with the NZ Reserve Bank and our Christmas Community Morning Tea.

Event Attendance



Children's programming has been very successful with many holiday events and regular programmes fully booked. For the NZ Book Award celebrations, the library collaborated with the West Coast Penguin Trust to host events at the library for all local primary schools and the youth librarian visited the schools to promote a new a re-designed Summer Reading Challenge.

West Coast Wilderness Trail

The West Coast Wilderness Trail continues to attract large numbers users. Sites close to Greymouth and Hokitika record the highest usage numbers. Detailed numbers are reported in the KPI table.

A very wet spring and a number of severe weather events during the quarter have increased the maintenance requirements on the trail.

Funding is being sought from central government to assist with the clean-up from the storm damage.

Parks and Reserves

Level of Service	Measure / Target	Progress
Reserves are pleasant, enjoyable and safe places	90% of residents satisfied with parks and reserves.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.

Cemeteries

Level of Service	Measure / Target	Progress
Cemeteries have sufficient capacity	Each cemetery has at least 12 months capacity ahead: Target Hokitika 100% Kumara 100% Ross 80%	31/12/19: No change. 30/09/19: Hokitika 100%, Kumara 100%, Ross 80%.
Burials adhere to the relevant legislation	Standards for burial adhere to Cemeteries and Cremations Act 1964: Target 100%	31/12/19: Not reported. 30/09/19: Not reported

Public Toilets

Level of Service	Measure / Target	Progress
Provide public toilets throughout the district	100% of residents satisfied with the service.	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.
	100% of facilities are available for use during the day.	31/12/19: Facilities are available were available for use during the day 90% of the time. Closures were required to complete maintenance. 30/09/19: Not reported

Westland District Library

Level of Service	Measure / Target	Progress
Provide quality library services in the District	90% of residents satisfied with library services	31/12/19: No change 31/09/19: Formal Residents Satisfaction survey was not carried out in this quarter.
	44% of residents who are library members	31/12/19: 30/09/19: Not reported

West Coast Wilderness Trail

Level of Service	Measure / Target	Progress
The cycle trail is well used	Numbers using the trail as measured by trail counters: 10,000 per annum	31/12/19: Daily average recorded over all measured sites was 301. Daily average use range for the counted sites ranges between 20 and 115. The total trail riders counted during the period was 27,670. 30/09/19: Not reported

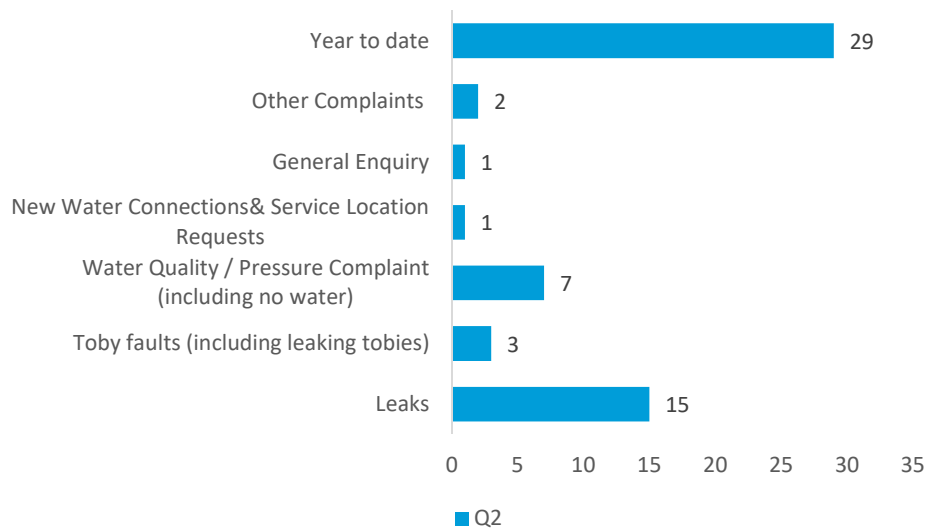
Transportation Group

Not reported in this quarter.

Level of Service	Measure / Targets	Progress
The transportation network is safe for all users in Westland District	<p>Road safety:</p> <p>The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number is less than the previous year</p>	<p>31/12/19: Not reported.</p> <p>30/09/19: Not reported</p>
The surface condition of roads in Westland is of good quality	<p>Road condition:</p> <p>The average quality of ride on a sealed local road network, measured by smooth travel exposure is > 90%</p>	<p>31/12/19: Not reported.</p> <p>30/09/19: Not reported</p>
	<p>50% of residents are satisfied with the standard and safety of Council's unsealed roads</p>	<p>2018/19: Formal Residents Satisfaction survey is only carried out on a two-year cycle therefore no results for comparison with previous year.</p> <p><i>(2017/18: 74%, 2018 Residents' Survey)</i></p>
The surface condition of roads in Westland is maintained to a high standard	<p>Road maintenance:</p> <p>The percentage of the sealed local road network that is resurfaced >7%</p>	<p>31/12/19: Not reported.</p> <p>30/09/19: Not reported</p>
Footpaths are maintained in good condition and are fit for purpose	<p>Footpaths:</p> <p>90% of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (such as its annual plan, activity management plan, asset management plan, annual works program or long term plan).</p>	<p>31/12/19: No change.</p> <p>30/09/19: This data metric is still being developed to be able to measure performance.</p>
Response to service requests are dealt with promptly	<p>Customer service requests:</p> <p>100% of customer service requests relating to roads and footpaths responded to within the time frame specified in the Long Term Plan.</p>	<p>31/12/19: Not reported.</p> <p>30/09/19: Not reported</p> <p>More revision is needed on this metric to ensure achievability.</p>

Water Supply

There were 29 water related service requests recorded between 1 October 2019 and 31 December 2019.



Kumara and Whataroa water treatment plants are now operational. The contractor has some minor defects and site reinstatements to complete.

The proposed Fox water treatment plant remains on hold while monitoring instruments that have recently been installed provide essential data to enable the most appropriate design solution for a new plant. It is anticipated that sufficient data will be collected to enable the contract to be awarded by July 2020.

The new Arahura water supply is progressing and a tender is expected to be awarded in April 2020. The scope of works includes a new water treatment plant which will meet the Drinking Water Standards, new pipeline from the plant to reservoirs and a supply to the Marae.

All water treatment plants now have new Water Safety Plans (WSP's). Currently five of the nine plans have been approved by our Drinking Water Assessor.

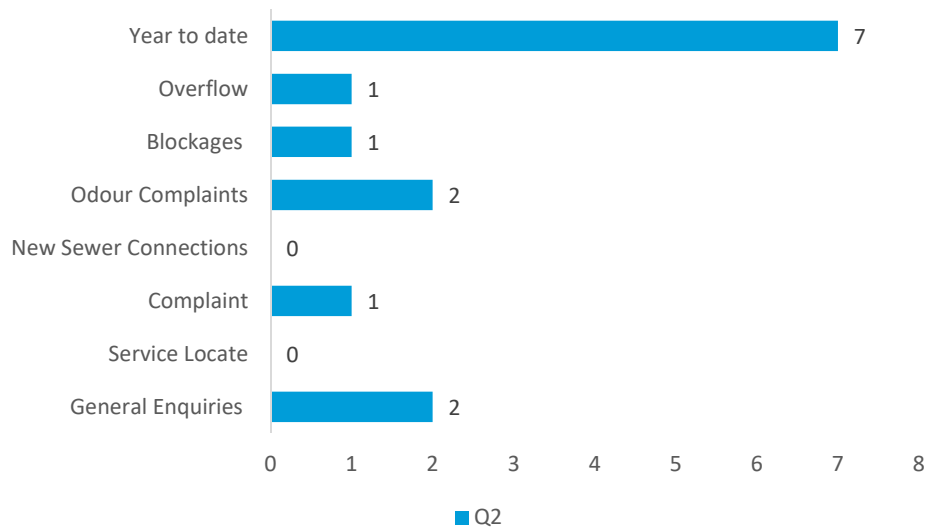
The following service performance table includes a measure about response times for addressing the service requests logged during this period:

Level of Service	Measure / Target	Progress
Council supplied potable water is safe to drink	<p>Safety of drinking water:</p> <p>The extent to which the local authority's drinking water supply complies with both:</p> <p>(a) part 4 of the drinking-water standards (bacteria compliance criteria), and</p> <p>(b) part 5 of the drinking-water standards (protozoal compliance criteria),</p> <p>These drinking water schemes will comply with parts (a) and (b) of the key performance measure:</p> <p>Years 1-3</p> <p>Hokitika, Ross, Harihari, Franz Josef, Haast</p> <p>Year 2</p> <p>Fox, the Arahura scheme if it is continued as a Council service</p> <p>Years 2-3</p> <p>Kumara, Whataroa</p>	<p>31/12/19:</p> <p>(a) To date 9 out of the 9 supplies are fully compliant with bacterial compliance criteria at both the water treatment plant and in the distribution zone.</p> <p>(b) 2 out of the 9 supplies (Hokitika and Ross*) compliant with protozoal compliance criteria. *Both require Drinking Water Assessor approval. Currently Ross WTP is the only plant compliant with protozoal requirements. Out of the remaining 8, Arahura & Fox Glacier treatment plants await their upgrades to comply. Kumara, Whataroa, Harihari, Franz Josef & Haast require UV Pro-forma's to be lodged with the Drinking Water Assessor before compliance can be obtained. <i>Note:</i> Kumara & Whataroa still require the correct plant data to recorded & logged for compliance.</p> <p>30/09/19: Not reported.</p>
Requests for service are dealt with promptly	<p>Fault response times:</p> <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <p>(a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (2 hours), 100%, and</p> <p>(b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption. (12 hours) 100%, and</p> <p>(c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (24 hours) 100%, and</p> <p>(d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (72 hours)100%.</p>	<p>31/12/19:</p> <p>(a) No data</p> <p>(b) 67%</p> <p>(c) No data</p> <p>(d) 49%</p> <p>30/09/19: Not reported.</p>
Council supplied water is reliable	<p>Maintenance of the reticulation network:</p> <p>The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).</p> <p>Not currently measured, monitored in a number of ways including: Telemetry, water meters, repair program, mains replacements and pressure management. This is in context with the Benchloss NZ Manual.</p> <p>Demand management:</p> <p>The average consumption of drinking water per day per resident within the territorial authority district is < 500l/day</p>	<p>31/12/19: Not measured.</p> <p>30/09/19: Not reported.</p> <p>31/12/19: Not measured. Analysed on a three yearly basis.</p> <p>30/09/19: Not reported.</p>

Level of Service	Measure / Target	Progress
Customers are generally satisfied with the Council supplied water	<p>Customer satisfaction:</p> <p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply, and (f) the local authority's response to any of these issues <p>Expressed per 1000 connections to the local authority's networked reticulation system 25 per 1000 connections (2640 connections)</p>	<p>31/12/19:</p> <ul style="list-style-type: none"> (a) 4 (b) 0 (c) 0 (d) 10 (e) 19 (f) 2 <p>Total number of complaints = 35 Complaints per 1000 connections = 13</p> <p>30/09/19: Not reported.</p>

Wastewater Group

There were 7 wastewater related service requests recorded between 1 October 2019 and 31 December 2019.



Council is still under an enforcement order for the Franz Josef WWTP dating back to 2017/18. This remains standing until such time as the new WWTP is up and running.

The Franz Josef wastewater treatment ponds upgrade is continuing. The new ponds and associated equipment will be operational in March 2020 as per the Environment Court Order. Westroads are currently installing two pump stations, the aerator, inlet screen and flowmeter. A standby generator will also be installed. Site fencing has been completed.

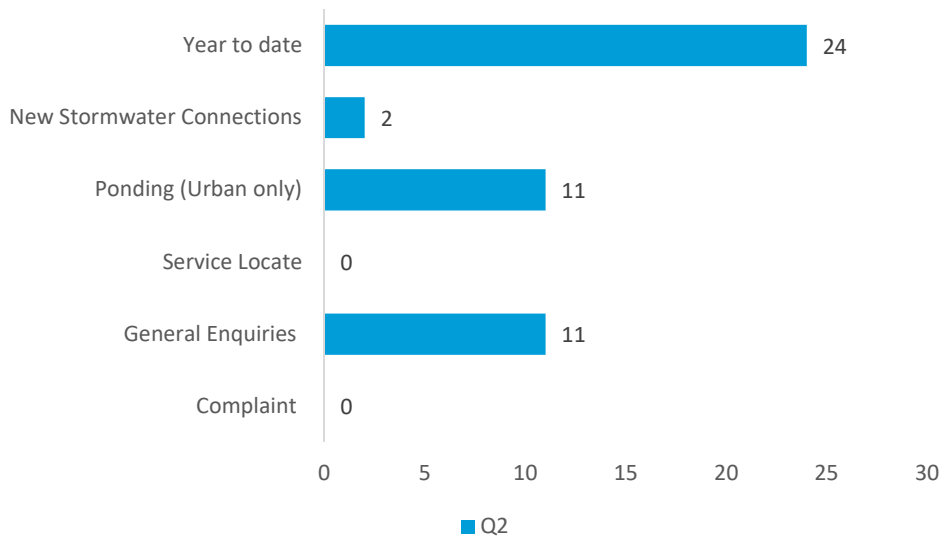
Tonkin and Taylor have submitted a technical report and options assessment for the Hokitika ponds upgrade. The ponds will be operated in series instead of the current configuration and have an inlet screen installed to remove inorganics before the inflow enters the ponds. Aerators will be permanently installed. Site fencing has been completed.

The following service performance table includes a measure about response times for addressing the service requests logged during this period:

Level of Service	Measure / Target	Progress
Council wastewater systems are managed without risk to public health	<p>System and adequacy:</p> <p>The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system. 10 per 1000 connections (2065 connections)</p>	<p>31/12/19:</p> <p>2 sewerage overflows reported.</p> <p>Complaints per 1000 connections = 3.9</p> <p>30/09/19: Not reported</p>
Council wastewater systems are safe and compliant	<p>Discharge compliance:</p> <p>100% Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <p>(a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions.</p>	<p>31/12/19:</p> <p>(a) 0 (b) 0 (c) 1 (d) 0</p> <p>30/09/19: Not reported</p>
Customers are generally satisfied with the Council wastewater systems	<p>Fault response times:</p> <p>Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured:</p> <p>(a) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site (2 hours), 100% and (b) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault (4 hours) 100%.</p>	<p>31/12/19:</p> <p>(a) No data (b) 0%</p> <p>Out of the 2 overflows reported, none were resolved within the allowable time frame.</p> <p>Council staff are working alongside contractors to review the Service Request process and system to ensure it is fit for purpose.</p> <p>30/09/19: Not reported</p>
	<p>Customer satisfaction:</p> <p>The total number of complaints received by the territorial authority about any of the following:</p> <p>(a) sewage odour (b) sewerage system faults (c) sewerage system blockages, and (d) the territorial authority's response to issues with its sewerage system,</p> <p>Expressed per 1000 connections to the territorial authority's sewerage system. 25 per 1000 connections (2065 connections)</p>	<p>31/12/19:</p> <p>(a) 2 (b) 2 (c) 3 (d) 1</p> <p>Total complaints = 8</p> <p>Complaints per 1000 connections = 3.9</p> <p>30/09/19: Not reported</p>

Stormwater Group

There were 24 stormwater related service requests recorded between 1 October and 31 December 2019.



CCTV work has been carried out on the stormwater network in Hokitika, which has identified several areas requiring pipework upgrades.

A variety of stormwater improvements for the Tancred street catchment and pump station including two replacement pumps capable of delivering 500 litres/sec each, compared with the existing pumps which only deliver 300. A large sump will also be installed on the corner of Hamilton Street and Tancred Street. This will allow a much greater quantity of stormwater to be removed during heavy rainfall events which currently can cause inundation of low lying shops.

The following service performance table includes a measure about response times for addressing the service requests logged during this period:

Level of Service	Measure / Target	Progress
Council Stormwater systems have the capacity to resist major storms and flooding events.	<p>System adequacy:</p> <p>(a) The number of flooding events that occur in a territorial authority district 2 events</p> <p>(b) For each flooding event, the number of habitable floors affected. Expressed per 1000 properties connected to the territorial authority's stormwater system. 10 per 1000 connections (434 connections)</p>	<p>31/12/19:</p> <p>(a) 0</p> <p>(b) Total habitable floors = 0 Per 1000 connections = 0</p> <p>30/09/19: Not reported</p>
Requests for service are dealt with promptly	<p>Response times:</p> <p>The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site. (1 hour) 100%</p>	<p>31/12/19: Not applicable.</p> <p>30/09/19: Not reported</p>
	<p>Customer satisfaction:</p> <p>The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system. 10 per 1000 connections (434 connections)</p>	<p>31/12/19:</p> <p>Total number of complaints = 16 Complaints per 1000 = 36</p> <p>30/09/19: Not reported</p>
Council storm water systems protect the natural environment	<p>Discharge compliance:</p> <p>100% Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of:</p> <p>(a) abatement notices</p> <p>(b) infringement notices</p> <p>(c) enforcement orders, and</p> <p>(d) convictions</p>	<p>31/12/19:</p> <p>(a) 0</p> <p>(b) 0</p> <p>(c) 0</p> <p>(d) 0</p> <p>30/09/19: Not reported</p>

Solid Waste Management Group

Butler’s landfill

Westroads successfully tendered for the management, cartage and landfill physical activities in July 2019. Site conditions and operational performance have continued to improve over the last 12 months. Capital expenditure has been applied to replace pumping & irrigation components, signage & site structures plus construction of capping layers. Maintenance requirements have reviewed and a modest increase in operational expenditure is expected. Testing and compliance with the site resource consent remains in scope.

Planning and design for an additional containment area to meet the needs of the Westland District for the next two decades is underway. Staff, adjoining neighbours and affected parties undertook a liaison group meeting which was informative and provided positive feedback. A visit to the transfer station and landfill operations was undertaken by a class from Kaniere primary school.

Surrender of consents

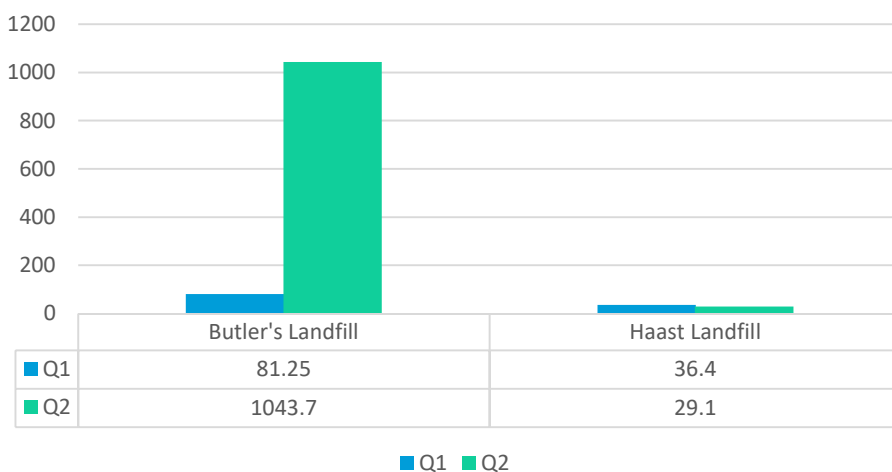
Only one consent was surrendered – Capping on the Hokitika Landfill. No longer applicable

Refuse and recycling collection service

EnviroWaste are undertaking the recycling services and the operation of the transfer station and community collection to a high standard. In conjunction with the council waste management staff, a programme was instigated to collate waste and recycling bins for each property. It was recognised that many properties had excess bins and the recovery from rates was not matching the expense on general rates charge. This caused some conflict with residents that were using additional bins, but this has now settled down.

The data in the table is to 11 December 2019 due to the Christmas break.

Volume of Waste Received



Enviro Schools programme

This programme has been increased to cover five schools in the Westland District.

Fox Glacier landfill

During the last two quarters considerable effort has gone into the protection of Fox landfill from further damage.

Currently Ministry for the Environment are investigating Landfill mining at Fox landfill to reduce the amount of material to be shipped off site. This is a trial for remediation of other abandoned landfills throughout New Zealand.

Work completed 28th November 2019



Storm surge 3rd December 2019



Level of Service	Measure / Target	Progress
Solid waste is managed appropriately	All necessary consents for solid waste activities and capital projects are applied for, held and monitored accordingly 100%	31/12/19: Compliant / on target (100% to date) 30/09/19: Compliant (100%)
Education about waste minimisation is provided to the community	Number of visits to schools and community groups: 3 schools, 3 groups per annum. 3 x community groups per annum	31/12/19: Exceeded - 5 schools now included 30/09/19: Schools now included 4. Paper 4 Trees (sponsorship) now covering 4 schools & increasing. School visit to Landfill & Transfer Station.

Report



DATE: 17 March 2020

TO: Audit and Risk Committee

FROM: Group Manager, Corporate Services

LIABILITY MANAGEMENT POLICY AND INVESTMENT POLICY

1.0 SUMMARY

- 1.1 The purpose of this report is to receive the draft updated Liability Management policy and Investment policy.
- 1.2 This issue arises due to the changes allow for Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO) to obtain funding from the Local Government Funding Agency (LGFA).
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which is set out in the Long Term Plan 2018-28.
- 1.4 This report concludes by recommending that the Committee recommends Council adopts the updated Draft Liability Management Policy attached as Appendix 2 and the Draft Investment Policy attached as Appendix 3.

2.0 BACKGROUND

- 2.1 Local Government Act (LGA) s102(1) Council must adopt funding and financial policies including the Liability Management Policy and the Investment Policy.
- 2.2 Liability Management Policy adopted under LGA s104 must state the local authority's policies in respect of the management of both borrowing and other liabilities, including-
 - (a) Interest rate exposure

- (b) Liquidity; and
- (c) Credit exposure; and
- (d) Debt repayment.

- 2.3 Investment Policy adopted under LGA s106 must state the local authority's policies in respect of investments, including-
- (a) The mix of investments; and
 - (b) The acquisition of new investments; and
 - (c) An outline of the procedures by which investments are assessed and managed.
- 2.4 Under LGA s102(5) no consultation is necessary for changes to the Liability Management Policy or Investment Policy.

3.0 CURRENT SITUATION

- 3.1 Council are considering allowing CCO's and CCTO's to participate in the Local Government Funding Agency. In order to participate, changes are required to both the Liability Management Policy and Investment policy. Other changes have been advised by the treasury advisors PwC. A summary of the changes are below.
- 3.2 Liability Management Policy Changes
- 3.2.1 Including a policy framework around the borrowing activity of CCOs and CCTOs.
 - 3.2.2 Changes to the funding risk control limits.
 - 3.2.3 Interest rate risk framework and approach.
- 3.3 Investment Policy changes
- 3.3.1 Borrowing mechanisms for CCOs and CCTOs.
- 3.4 A memo from PwC is attached as **Appendix 1** which gives more detail behind the changes and the requirements for the changes.

4.0 OPTIONS

- 4.1 Option One: The Committee can recommend Council adopt the amended versions of the Liability Management Policy and Investment Policy that are attached to this report as **Appendix 2 and 3**.
- 4.2 Option Two: The Committee can make additional amendments to the Liability Management Policy and Investment Policy that are attached to this report and recommend Council adopt them.

4.3 Option Three: The Committee can direct that the policies be rejected.

5.0 SIGNIFICANCE AND CONSULTATION

5.1 The review of the policies is administrative and in itself of low significance. The LGA allows a Council to adopt a Liability Management Policy and Investment Policy without consultation.

6.0 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

6.1 If the Committee recommends Council adopts the updated policies attached to this report as Appendix 2 and 3, then Council CCOs and CCTOs have an opportunity to participate in funding from the LGFA which will allow for cont. effective pricing

6.2 It is a mandatory requirement for the Council to have a Liability Management policy and Investment Policy. The updates to the policies have been reviewed by our Treasury advisors and meet the requirements of the LGA and LGFA.

6.3 The internal policy is a review every three years to ensure that the policies remain relevant.

6.4 If Council make any changes to the policies, they may not meet the requirements of the LGA or LGFA.

7.0 PREFERRED OPTION AND REASONS

7.1 The preferred option is that the Committee recommends that Council adopts the amended Liability Management Policy and Investment Policy that are attached to this report as Appendix 2 and 3.

8.0 RECOMMENDATIONS

A) **THAT** Committee recommends Council adopts the Liability Management Policy and Investment Policy attached as Appendix 2 and 3.

Lesley Crichton
Group Manager: Corporate Services

- Appendix 1:** PwC memo
- Appendix 2:** Draft Liability Management Policy.
- Appendix 3:** Draft Investment Policy.



Westland District Council

To: Lesley Crichton

From: Brett Johanson and Sarah Houston-Eastergaard

Date: 11 March 2020

Subject: Liability Management Policy and Liquidity Policy Review

Background

We have reviewed Westland District Council's (Council) Liability Management and Investment Policies. The review of the policies has been performed to satisfy internal requirements for a review every three years and in light of changes currently impacting the local government sector.

The changes to the policy have been recommended to better align the Policy with the proposed changes by the Local Government Funding Agency (LGFA) as well as the changes to the local government credit rating methodology by Standard & Poor's (S&P). Despite Council not having a formal credit rating, these impacts are flowing through the sector particularly in the area of liquidity management. Furthermore, we recommend a revised interest rate risk management framework which provides greater flexibility in the medium term management of interest rates whilst continuing to meet prudent risk management requirements.

Significant changes

The following are the key changes recommended to the Policies:

Liability Management Policy

- We recommend including a policy framework around the borrowing activity of Council Controlled Organisations (CCOs) (including Council Controlled Trading Organisations (CCTOs)). This is to allow for any potential Council on-lending activity that may be required along with allowing for the possibility of direct lending from the LGFA to any such entities.
- Changes to the funding risk control limits are recommended to provide more flexibility in Council's funding arrangements.
- The interest rate risk framework and approach has been reviewed to provide greater flexibility around the management of longer term interest rate exposures.

Liability Management Policy - Section by section Policy update

Borrowing mechanisms of Council Controlled Organisations and Council Controlled Trading Organisations (applies to both Liability Management Policy and Investment Policy)

We recommend a new policy section reflecting changes to Council on-lending and LGFA direct lending to CCO/CCTOs.

There have been changes to the LGFA founding documents that impact the way Council and CCO/CCTOs can potentially borrow. CCO/CCTOs would become members of the LGFA. Indications are that lending will be provided on a case by case basis, approved by the LGFA Board and will depend on the individual circumstances of the Council and the related entity.

We recommend a new section be included in the Policy that provides a framework to apply when considering financial support in the form of debt funding directly or indirectly to CCO/CCTOs. The framework considers various factors briefly outlined below:

- Credit risk profile of the borrowing entity and the ability to timely meet repayments.
- Impact on Council's credit profile, borrowing cap amount (if any), borrowing covenants with the LGFA and bank lenders as well as Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate and terms.
- Lending arrangements must be documented in an approved term sheet.

Funding risk control limits

We recommend an adjustment to the maturity bands within the framework to allow for a 3 - 7 year and 7 year + time frame. With the development of the longer term debt funding market (through the LGFA), we have observed constraints around the current policy bands. Having a wider time-band creates flexibility but continues to enforce a spreading and smoothing approach to debt management.

We recommend the Council extends the period within which it can pre-fund both new and refinanced debt from 12 months to 18 months. This change supports the increased focus on contracted liquidity management and enables existing debt amounts to be refinanced before becoming classified as current (remaining term being less than 12-months).

'Corridor Policy' approach to replace the current interest rate risk management section of the policy

We recommend the Council consider the corridor approach to interest rate management.

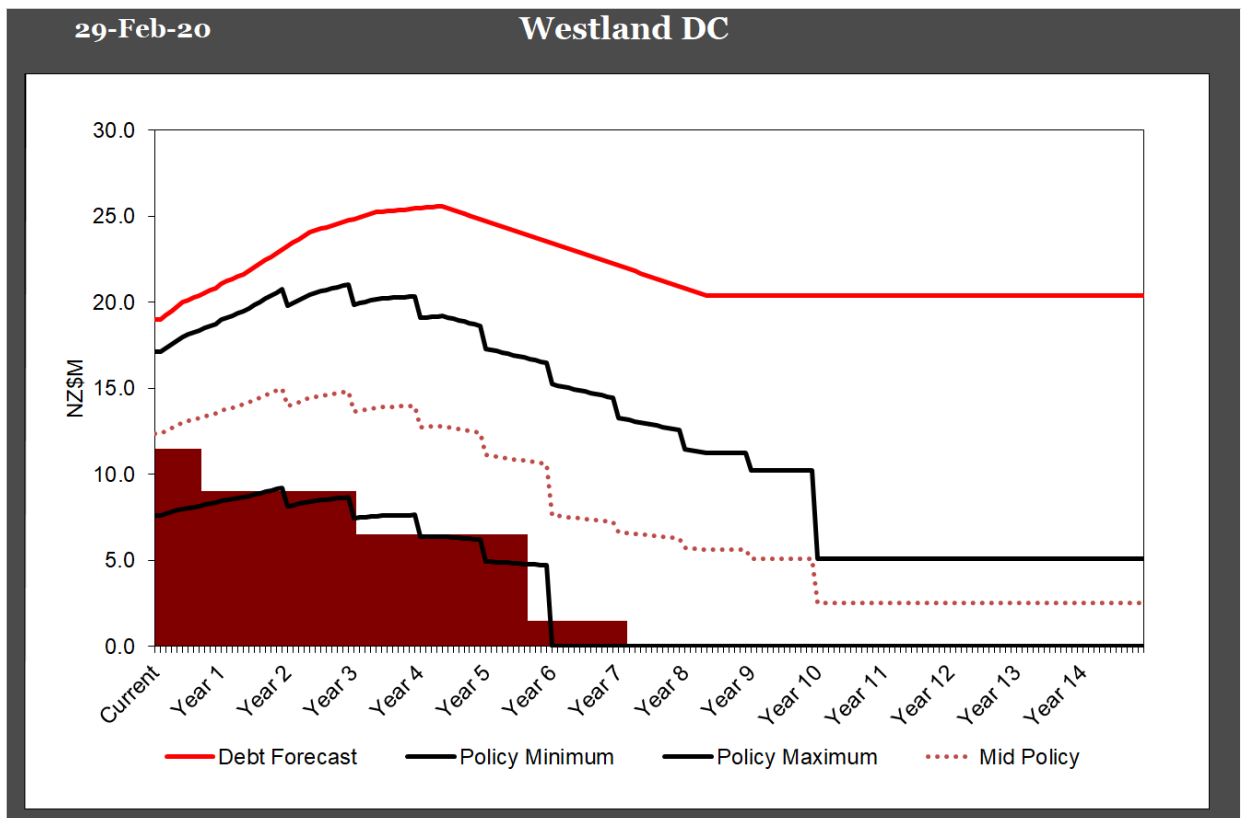
The corridor style of policy proposes a minimum and maximum hedge percentage for each 12-month period based on the long term debt forecast. This differs to the maturity sub-limit approach (current policy), which bases the hedging decision on the 12 month debt forecast

amount. Adopting this new Policy aligns the interest rate risk management framework with the LTP and projected longer term debt path.

The ‘Corridor Policy’ continues to achieve interest cost certainty and a spreading of interest rate repricing maturities whilst allowing for flexibility to manage the uncertainty that comes with long-term debt forecasting. The ‘Corridor Policy’ broadly aligns with the previous structure of minimum and maximum fixed rate hedging limits and weighted average maturity term.

Utilising a ‘Corridor Policy’ approach requires a greater focus on the longer term interest rate risk position beyond the 12-month forecast debt amount. A consistent theme across the local government sector is that forecast debt levels have generally overstated actual debt levels as capital projects are delayed in their delivery. This leads to councils having a greater amount of interest rate fixing and/or raising debt funding which is not immediately required. The ‘Corridor Policy’ approach adapts to these uncertainties by having a declining stepped hedge profile beyond 12 months.

An example of Council’s interest rate profile under the new risk framework is shown below:



We have aligned the approved maximum swap tenor with the new policy framework and LGFA debt terms. This provides consistency with the management of long-dated LGFA bond maturities.



Approved financial instruments

The LGFA now offer stand-by facilities and forward starting committed debt placements. The policy description of allowable instruments is widened to encompass these new instruments but we raise these here to highlight these developments and Council's ability to access them.

Counterparty credit limits

In the Liability Management Policy we recommend adjusting the minimum counterparty rating for New Zealand registered banks to A rather than A+. The minimum long-term counterparty rating is now consistent with the Investment Policy. The credit rating remains 'strong' but widens the universe of banks to include Kiwibank. We note that any bank counterparty must be specifically approved by Council. The limit per bank remains at \$2 million but should be reviewed if the policy is unreasonably constraining and lacks flexibility given normal treasury investment holding amounts.



Disclaimer

This memo is subject to the engagement letter dated 8 March 2013 and the following restrictions. It is a memo addressed to you, Westland District Council.

This memo should not be reproduced or supplied to any other party without first obtaining our (PwC New Zealand) written consent. We accept no responsibility for any reliance that may be placed on our memo should it be used for any purpose other than that set out above and in any event we will accept no liability to any party other than you in respect of its contents. In the course of our work, we have not verified any of the information provided to us by you, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the reliability, accuracy or completeness of the information provided to us and upon which we have relied. The statements and opinions contained in this memo are based on data obtained from the financial markets and are so contained in good faith and in the belief that such statements, opinions and data are not false or misleading. In preparing this memo, we have relied upon information which we believe to be reliable and accurate. We reserve the right (but will be under no obligation) to review our assessment and if we consider it necessary, to revise our opinion in the light of any information existing at the date of this memo which becomes known to us after that date. This memo must be read in its entirety. Individual sections of this memo could be misleading if considered in isolation from each other.



LIABILITY MANAGEMENT POLICY

INTRODUCTION

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

- Raise specific debt associated with projects and capital expenditures.
- Raise finance leases for fixed asset purchases.
- Fund assets whose useful lives extend over several generations of ratepayers.
- Council will not raise external debt to fund operating expenses, except where this relates to projects that will deliver economic benefits in excess of the total finance costs.

BORROWING LIMITS

Debt will be managed within the following limits:

Measure	Limit
Net Debt / Total Revenue	108%
Net Interest / Total Revenue	10%
Net Interest / Annual Rates Income	15%
Liquidity: (Liquid Investments + External Debt + Available Facilities) / External Debt	>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 available liquid financial assets and investments.
- Liquidity is defined as external debt plus available committed loan facilities plus liquid investments and cash divided by external debt. Liquid investments are defined as being:
 - Overnight bank cash deposits
 - Wholesale/retail bank term deposits no greater than 30 days
- 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 LGs for services provided and for which the other LGs rate.
- Financial covenants are measured on Council only not the consolidated group.

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

ASSET MANAGEMENT PLANS

In approving new debt 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.

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, LGFA, accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:-

- Available terms from banks, 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 margins 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 considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms 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 rights and obligations, 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.

SECURITY

Council's external 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. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government (Rating) Act 2002. The security offered by Council ranks equally or pari passu with other lenders.

From time to time, and with 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 security arrangement.

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 debt limits, a loan may be rolled over or re-negotiated as and when appropriate. The maximum period for any single tranche of external debt will be twenty years.

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 arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loans 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:

- Rural housing loans
- Tenant contribution flats
- Rural water supply or waste water loans
- Advances to community organisations

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. At any time aggregate guarantees will not exceed the Council's available liquidity capacity.

BORROWING MECHANISMS FOR COUNCIL CONTROLLED ORGANISATIONS AND COUNCIL CONTROLLED TRADING ORGANISATIONS

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the Group Manager: Corporate Services considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing, debt cap amount (where applicable), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

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INTERNAL BORROWING OF SPECIAL AND GENERAL RESERVE FUNDS

Council maintains certain reserve funds for future asset replacements and other projects. Where funds are required for capital expenditure internal borrowing from these funds will be used for in preference to external borrowing. Accordingly Council maintains its funds in short term maturities emphasising counterparty credit worthiness and liquidity. The interest rate yield achieved on the funds therefore is a secondary objective. Notwithstanding, short term investments may be held in excess of those required by covenants should the interest yield exceed Council's cost of finance, and where maturity dates are synchronised.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are held within a trust requiring such. Instead, Council will manage these funds using internal borrowing facilities against general reserves.

Any internal borrowing of reserve funds used must be reimbursed for interest revenue lost. Interest on internally-funded loans is determined and charged annually, based 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 funding margin. The funding margin is based on the margin charged by the LGFA for a 3-year term.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY (LGFA) LIMITED INVESTMENT

Notwithstanding other provisions of 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.

INTEREST RATE EXPOSURE

Interest rate risk is the risk that funding costs (due to adverse movements in wholesale market interest rates) will materially exceed or fall short of projections included in the LTP and Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions, returns or feasibilities.

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

The following are approved instruments for managing this exposure:

- Forward rate agreements ("FRAs") on bank bills
- Interest rate swaps including:
 - Forward start swaps/collars. Start date <36 months, unless linked to existing maturing fixed rate instruments
 - Swap extensions and shortenings
- Interest rate options on:
 - Bank bills (purchased caps and one for one collars)
 - Interest rate swaptions (purchased swaptions and one for one collars only)
 - Fixed rate loans and term debt

Interest Rate Risk Control Limits

Exposure to interest rate risk is managed and mitigated through the risk control limits defined in the table below.

Council's forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the Group Manager: Corporate Services or equivalent), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the Policy minimum and maximum limits.

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

- A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval 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.
- "Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.
- "Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.
- Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).
- Interest rate swap maturities beyond the maximum LGFA bond maturity must be approved by Council through a specific approval.
- 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 allowed, whereby the sold option is matched precisely by amount and

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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 36 months, unless the forward start swap/collar starts on the expiry date of an existing fixed interest rate instrument and has a notional amount which is no more than that of the existing fixed rate instrument.

LIQUIDITY AND FUNDING RISK

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term 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 its own 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.

Liquidity and Funding Risk Control Limits

- External term loans and committed debt facilities together with available cash/cash equivalent investments must be maintained at an amount of 110% over existing external debt.
- Council has the ability to pre-fund up to 18 months forecast debt requirements including refinancing. Debt re-financings that have been pre-funded will remain included within the funding maturity profile until their maturity date and will not be included in the liquidity ratio calculation described above.

The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.

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To minimise concentration risk the LGFA require that not more than the greater of NZD 100 million or 33% of a Councils borrowings from the LGFA will mature in any 12 month period.

COUNTERPARTY RISK

In any financial transaction there is a risk that the counterparty may be unable or unwilling to settle the transaction as agreed. Council minimises these risks by limiting dealings to counterparties that have a minimum long term Standard & Poor's (or equivalent Moody's/Fitch ratings) of A. All banks are registered with the Reserve Bank of New Zealand.



INVESTMENT POLICY

INTRODUCTION

Council generally holds investments for strategic reasons where there is some community, social or economic benefit accruing from the investment activity, or because it is required to do so by covenant. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Specific purposes for maintaining investments include:

- strategic purposes consistent with Council's Long Term Plan
- provide alternative funds to rates for future commitments
- retention of vested land
- holding short term investments for working capital requirements
- support inter-generational allocations
- provide liquid funds in the event of an emergency
- funding for Restricted Reserves and Council Created Reserves
- investing proceeds from the sale of assets

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

OBJECTIVES

In its financial investment activity, Council's primary objective when investing 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 credit-worthy counterparties are acceptable. The Council will act effectively and appropriately to:

- protect its investments
- ensure the investments benefit the community
- maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements

POLICY

The Council's general policy on investments is that:

- Council may hold financial, property, forestry, and equity investments if there are strategic or economic reasons
- Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
- Council will review its policies on holding investments at least once every three years.

ACQUISITION OF NEW INVESTMENTS

With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by the appropriate Council committee, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The authority to acquire financial investments is contained within the delegation manual.

Performance of Council's investment portfolio is reported quarterly.

INVESTMENT MIX

Council may maintain the following mix of investments:

Equity investments

Council maintains equity investments in Council Controlled Organisations [CCOs] and other minor shareholdings. Council's equity investments fulfil various strategic, economic and financial objectives as outlined in the LTP.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature and purpose of the investment. Dividends received from CCOs and unlisted companies not controlled by Council are recognised when they are received in the consolidated revenue and expense account.

Any purchase or disposition of equity investments requires Council approval and any gain or loss arising from the sale of these investments is to be recognised in the Statement of Financial Performance.

Council may also acquire shares that are gifted or are a result of restructuring.

Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then included in the relevant consolidated capital account.

Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, or nominated Committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

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Borrowing mechanisms for council controlled organisations and council controlled trading organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the Group Manager: Corporate Services considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing, debt cap amount (where applicable), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

New Zealand Local Government Funding Agency Limited

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 potential source of debt funding for the Council.

Due to 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. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and act as guarantor.

As a borrower, Council's investment is recognised through shares and borrower notes. As an investor in LGFA shares and as a Guarantor, Council subscribes for uncalled capital in the LGFA.

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.

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All rented or leased properties will be at market rentals, except where Council has identified a level of subsidy that is appropriate.

Properties for sale are to be marketed in accordance with statutory requirements and in a manner that does not disrupt the market place, and in consultation with Community Boards and Committees where appropriate.

Any purchased properties must be supported by a current registered valuation, substantiated by management including a fully worked capital expenditure analysis.

Forestry investments

Forestry assets are held as long term investments on the basis of net positive discounted cash flows, 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.

Financial investments

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Credit ratings are monitored and reported quarterly to Council.

Council may invest in approved financial instruments as set out below:

Short Term (up to 90 days)

- Call and short term bank deposits
- Bank registered certificates of deposit (RCDs)

Core investments

- LGFA borrower notes / CP / bills / bonds
- NZ Government, Local Authority stock or State Owned Enterprise (SOE) bonds
- Bank and corporate bonds (senior)
- Corporate promissory notes/Commercial paper (senior)

All investments must be senior in ranking. The following types of investments are expressly excluded;

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

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 expenditure 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 and reserve funds

Liquid assets are not required to be held against special funds and reserve funds. Instead Council will internally borrow or utilise these funds wherever 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 Trust's investment policy is not specified then this policy should apply.

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Loan Advances

Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic purposes only. New loan advances are by Council resolution only. Council does not lend money, or provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable to the CCO or CCTO than those that would apply if Council were borrowing the money or obtaining the financial accommodation

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

RISK MANAGEMENT

Investment Maturity/Interest Rate Risk Control Limits

Council's primary objective when investing is the protection of its investment. Accordingly, only high quality creditworthy counterparties are acceptable. Creditworthy counterparties (other than Government) are selected on the basis of their current Standard and Poor's (S&P) or equivalent rating (i.e. Fitch, Moody's).

Within the above credit constraints Council also seeks to:

- Ensure investments are negotiable and liquid
- Optimise investment return within policy maturity limits; and
- Manage potential capital losses if investments need to be liquidated before maturity.

The following operating principles capture Council's investment objectives as stated above and form the basis for its investment activity:

- Credit risk is minimised by placing maximum issuer and portfolio limits for each broad class of non-Government issuer and by limiting investments to strongly rated registered banks, local authorities, SOE's and corporates, and issuers secured by rates within prescribed amounts.
- Liquidity risk is minimised by ensuring that all negotiable investments must be capable of being liquidated in a readily available secondary market. Furthermore, Council must maintain at least 50% of its investments with a maturity of less than one year. The maximum investment term is no greater than 2 years.

An important objective of the financial investment portfolio is to match the portfolio's maturity term to planned expenditure thereby ensuring that investments are available when required. Financial investments should be restricted to a term that meets future cash flow projections and be mindful of forecast debt associated with future capital expenditure programs as outlined within the LTP.

Foreign Exchange Risk

Council has foreign exchange exposure through the occasional purchase of foreign exchange dominated plant, equipment and services. The library may also purchase items in foreign currency amounts.

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Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is committed and approved. Routine small payments are converted at the spot exchange rate on the date of payment. 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.

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 Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/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 S&P long term/short term credit rating	Investments maximum per counterparty (\$m)	Risk management instruments maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	None	Unlimited
Local Government Funding Agency (LGFA)	AA-/A-1	30.0	None	30.0
NZ Registered Bank	A/A-1	2.0	8.0	10.0
Local Government/SOE/Stock/Bonds/FRN/CP*	A+/A-1	1.0	None	1.0
Corporate Bonds/CP**	A+/A-1	1.0	None	1.0

* Subject to a maximum exposure no greater than 10% of the portfolio being invested in Local Government/SOE debt at any one point in time. The maximum portfolio exposure limit does not apply to the LGFA.

**Subject to a maximum exposure no greater than 20% of the portfolio being invested in corporate debt securities at any one point in time.

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

- Investments (e.g. Bank Deposits) – Transaction Principal x Weighting 100% (unless a legal right of setoff exists).
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional x Maturity (years) x 3%.
- Foreign Exchange – Transaction face value amount x square root of the Maturity (years) x 15%.

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. Maturities should be well spread. The approval process must take into account the liquidity of the market and prevailing market conditions the instrument is traded in and re-priced from.

DEPARTURES FROM NORMAL POLICY

The Council may, in its discretion, depart from the Investment Policies where it considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an investment under this provision shall note that it departs from the Council's ordinary policy and the reasons justifying that departure.

INVESTMENT MANAGEMENT AND REPORTING PROCEDURES

Council's investments are reviewed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained. The daily cash position is monitored and managed. Long-term cash flow is managed through a rolling forecast. To maintain liquidity, Council's short and long-term investment maturities are matched with Council's known cash flow requirements.

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed. Internal investment reports are a vital management tool and are produced and reported to Council on a quarterly and annual basis.