



PALMERSTON NORTH CITY COUNCIL

AGENDA

FINANCE AND PERFORMANCE

COMMITTEE

9AM, MONDAY 18 DECEMBER 2017
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH



MEMBERSHIP

Susan Baty (Chairperson)

Jim Jefferies (Deputy Chairperson)

Grant Smith (The Mayor)

Brent Barrett

Rachel Bowen

Adrian Broad

Gabrielle Bundy-Cooke

Vaughan Dennison

Lew Findlay QSM

Leonie Hapeta

Lorna Johnson

Duncan McCann

Karen Naylor

Bruno Petrenas

Aleisha Rutherford

Tangi Utikere

Agenda items, if not attached, can be viewed at:

pncc.govt.nz | Civic Administration Building, 32 The Square

City Library | Ashhurst Community Library | Linton Library

Heather Shotter

Chief Executive, Palmerston North City Council

Palmerston North City Council

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Private Bag 11034, 32 The Square, Palmerston North



FINANCE AND PERFORMANCE COMMITTEE MEETING

18 December 2017

ORDER OF BUSINESS

1. Apologies

2. Notification of Additional Items

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

3. Public Comment

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 2 above.)

- 4. Confirmation of Minutes** Page 7

“That the minutes of the Finance and Performance Committee meeting of 20 November 2017 Part I Public be confirmed as a true and correct record.”
- 5. Planning Fees & Charges - Confirmation Following Public Consultation** Page 13

Memorandum, dated 4 December 2017 from the Strategy Manager Finance, Steve Paterson.
- 6. Update of Treasury Policy (incorporating Liability Management & Investment Policy)** Page 15

Memorandum, dated 4 December 2017 from the Strategy Manager Finance, Steve Paterson.
- 7. Central Energy Trust Wildbase Recovery Naming Rights Memorandum of Understanding and Update** Page 61

Report, dated 27 November 2017 from the Senior Property & Parks Planner, Aaron Phillips.
- 8. Conference Opportunity - Digital Nations 2030** Page 81

Memorandum, dated 4 December 2017 from the Governance & Support Team Leader, Kyle Whitfield.
- 9. Committee Work Schedule** Page 89
- 10. Exclusion of Public**

To be moved:

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as

follows:

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution
11.	Minutes of the Finance and Performance Committee meeting - Part II Confidential - 20 November 2017	For the reasons setout in the Finance and Performance Committee minutes of 20 November 2017, held in public present.	
12.	Library Redevelopment Project - Update	Commercial Activities	s7(2)(h)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

Chief Executive (Heather Shotter), Chief Financial Officer (Grant Elliott), General Manager, City Enterprises (Ray McIndoe), General Manager, City Future (Sheryl Bryant), General Manager, City Networks (Ray Swadel), General Manager, Customer Services (Peter Eathorne), General Manager, Libraries and Community Services (Debbie Duncan), Human Resources Manager (Wayne Wilson) and Communications and Marketing Manager (or their representative (name)) because of their knowledge and ability to provide the meeting with advice on matters both from an organisation-wide context (being members of the Council's Management Team) and also from their specific role within the Council.

Legal Counsel (John Annabell), because of his knowledge and ability to provide the meeting with legal and procedural advice.

Governance and Support Team Leader (Kyle Whitfield) and Committee Administrators (Penny Odell, Carly Chang and Rachel Corser), because of their knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

Manager, Service Delivery (Linda Moore), because of their knowledge and ability to assist the meeting in speaking to their report and answering questions, noting that such officer will be present at the meeting only for the item that relate to their respective report.

WT Partnership (Warren Wilkes) and Athfield Architects (Michelle Cooper), because of their knowledge and ability to assist the meeting in speaking to

their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].

PALMERSTON NORTH CITY COUNCIL

Minutes of the Finance and Performance Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 20 November 2017, commencing at 9:02am

Members Present: Councillor Susan Baty (in the Chair), and Councillors Brent Barrett, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

Apologies: The Mayor (Grant Smith) and Councillors Rachel Bowen and Aleisha Rutherford.

89-17 **Apologies**

Moved Susan Baty, seconded Vaughan Dennison.

The **COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 89-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

90-17 **Notification of Late Item**

Moved Susan Baty, seconded Tangi Utikere.

The **COMMITTEE RESOLVED**

1. That the Committee receive the late item. That subject to Section 46A(7) of the Local Government Official Information and Meetings Act 1987 and in accordance with the advice by the Chairperson the following item be considered as an urgent item:

- (i) Memorandum, titled "Ashhurst Domain – Manawatu River Bank Protection Works Upgrade".

As the item was not available at the time the Agenda was circulated; and consideration of the item was a matter of urgency, requiring a decision without delay to enable the Council to manage relationships, meet deadlines, finalise decisions and receive information within agreed

timeframes.

Clause 90-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

91-17 Confirmation of Minutes

Moved Vaughan Dennison, seconded Gabrielle Bundy-Cooke.

The **COMMITTEE RESOLVED**

1. That the minutes of the Finance and Performance Committee meeting of 16 October 2017 Part I Public be confirmed as a true and correct record.

Clause 91-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

92-17 Conference Opportunity - Towards Healthier Homes: the rental WoF

Memorandum, dated 7 November 2017 from the Governance & Support Team Leader, Kyle Whitfield.

Moved Susan Baty, seconded Lorna Johnson.

The **COMMITTEE RESOLVED**

1. That the Committee approve the attendance of up to 2 elected members to attend, with expenses paid, the University of Otago Summer School – Towards Healthier Homes: the rental WoF being held on Monday 26 February 2018.
2. That, registrations of interest be invited from elected members wishing to attend, with expenses paid, and advise the Governance and Support Team Leader, by 12 noon Friday 24 November 2017.

Clause 92-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

93-17

Conference Opportunity - Art and Public Health: Tackling Climate Change

Memorandum, dated 7 November 2017 from the Governance & Support Team Leader, Kyle Whitfield.

Moved Gabrielle Bundy-Cooke, seconded Lorna Johnson.

The **COMMITTEE RESOLVED**

1. That the Committee approve the attendance of up to 2 elected members to attend, with expenses paid, the University of Otago Summer School – Art and Public Health: Tackling Climate Change being held on Friday 23 February 2018.
2. That, registrations of interest be invited from elected members wishing to attend, with expenses paid, and advise the Governance and Support Team Leader, by 12 noon Friday 24 November 2017.

Clause 93-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

94-17

Conference Opportunity - National Freshwater Conference 2018

Memorandum, dated 7 November 2017 from the Governance & Support Team Leader, Kyle Whitfield.

Moved Duncan McCann, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee approve the attendance of up to 2 elected members to attend, with expenses paid, the National Freshwater Conference 2018 being held on 14 and 15 February 2018.
2. That, registrations of interest be invited from elected members wishing to attend, with expenses paid, and advise the Governance and Support Team Leader, Kyle Whitfield, by 12 noon Friday 24 November 2017.

Clause 94-17 above was carried 11 votes to 2, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

Against:

Councillors Lew Findlay QSM and Leonie Hapeta.

95-17 Ashhurst Domain - Manawatu River Bank Protection Works Update

Memorandum, dated 16 November 2017 from the General Manager - City Networks, Ray Swadel.

Moved Gabrielle Bundy-Cooke, seconded Karen Naylor.

The **COMMITTEE RECOMMENDS**

1. That the update information regarding funding the Manawatu River bank protection works adjacent to the Ashhurst Domain immediately upstream of the State Highway Ashhurst Bridge be received.

Clause 95-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

96-17 Committee Work Schedule

Moved usan Baty, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the Finance and Performance Committee receive its Work Schedule dated November 2017.

Clause 96-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

EXCLUSION OF PUBLIC

97-17 Recommendation to Exclude Public

Moved Tangi Utikere, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution
10.	Minutes of the Finance and Performance Committee meeting - Part II Confidential - 16 October 2017	For the reasons setout in the Finance and Performance Committee minutes of 16 October 2017, held in public present.	
11.	Award of Contract 3473 - Arena 2 New Retractable Seating	Negotiations	s7(2)(i)
12.	Award of Contract 3476 - Cuba Street Renewal (Pitt Street to George Street)	Third Party Commercial and Negotiations	s7(2)(b)(ii) and s7(2)(i)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

Chief Executive (Heather Shotter), Chief Financial Officer (Grant Elliott), General Manager, City Enterprises (Ray McIndoe), General Manager, City Future (Sheryl Bryant), General Manager, City Networks (Ray Swadel), General Manager, Customer Services (Peter Eathorne), General Manager, Libraries and Community Services (Debbie Duncan), Human Resources Manager (Wayne Wilson) and Communications and Marketing Manager (or their representative (name)) because of their knowledge and ability to provide the meeting with advice on matters both from an organisation-wide context (being members of the Council's Management Team) and also from their specific role within the Council.

Legal Counsel (John Annabell), because of his knowledge and ability to provide the meeting with legal and procedural advice.

Governance and Support Team Leader (Kyle Whitfield) and Committee Administrators (Penny Odell, Carly Chang and Rachel Corser), because of their knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

Building Asset Officer (Ian Stuart) and Infrastructure and Projects Engineer (Mark Read) because of their knowledge and ability to assist the meeting in speaking to their report and answering questions, noting that such officer will be present at the meeting only for the item that relate to their respective report.

PALMERSTON NORTH CITY COUNCIL

Clause 97-17 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

The public part of the meeting finished at 9.14am

Confirmed 18 December 2017

Chairperson

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 18 December 2017

TITLE: Planning Fees & Charges - Confirmation Following Public Consultation

DATE: 4 December 2017

AUTHOR/S: Steve Paterson, Strategy Manager Finance, City Corporate

RECOMMENDATION(S) TO COUNCIL

1. That the following charges for Planning Services be approved effective from 1 January 2018:
 - Boundary activities (under section 87BA of the Resource Management Act 1991) – a fixed fee and deposit of \$270.
 - Marginal/temporary breaches (under section 87BB of the Resource Management Act 1991) – a fixed fee and deposit of \$270.
 - Hearing commissioners appointed at the request of applicants (under section 357AB of the Resource Management Act 1991) – charge at cost plus disbursements of the independent commissioner.

1. ISSUE

At its meeting on 24 October 2017 the Council approved additional fees and charges for planning services, necessary because of changes to the Resource Management Act 1991, subject to public consultation. This memo now recommends confirmation of the fees and charges.

2. BACKGROUND

2.1 Previous Council Decision

On 24 October 2017 Council approved fees and charges for boundary activities and marginal/temporary breaches, two new activities required to be undertaken by the Council as a consequence of amendments to the Resource Management Act 1991

which became effective from 18 October 2017. In addition the changes to the Act enabled resource consent applicants or consent holders to request their application against a decision be heard by an independent commissioner in certain circumstances. Council approved charging for the commissioner's time at cost plus disbursements. These approvals were subject to public consultation.

2.2 Public Consultation

Public consultation was carried out over the period from 30 October to 1 December 2017. It involved public notices in local media and on Council's website.

No submissions were received.

No changes are recommended to the fees provisionally adopted at the October meeting as a consequence of the public consultation process.

3. NEXT STEPS

Once approved the fees and charges will be published as an addendum on Council's website and in all relevant fees and charges brochures and implemented from 1 January 2018.

ATTACHMENTS

NIL

Steve Paterson
Strategy Manager Finance

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 18 December 2017

TITLE: Update of Treasury Policy (incorporating Liability Management & Investment Policy)

DATE: 4 December 2017

AUTHOR/S: Steve Paterson, Strategy Manager Finance, City Corporate

RECOMMENDATION(S) TO COUNCIL

1. That the updated Treasury Policy (incorporating the Liability Management and Investment Policy pursuant to section 102 of the Local Government Act 2002) as attached to this report be adopted.
2. That it be noted the Council will be reviewing the specific borrowing limits contained in clause 3.6.1 of the Policy as part of the process of developing its Financial Strategy for the 2018-28 10 Year Plan and that if the outcome of this is there are changes to these limits the Policy will be updated to include them.

1. ISSUE

Council adopted its current Treasury Policy on 28 October 2014. One of the terms of the Policy is that it will be reviewed every three years. This report recommends the adoption of an updated policy containing a number of minor changes to reflect changed circumstances, all of which have no significant impact on the way the treasury operations are managed.

2. BACKGROUND

The Council is required under section 102 of the Local Government Act 2002 to adopt a Liability Management Policy and an Investment Policy. As they are operational in nature these policies can be adopted by ordinary resolution of the Council.

Our Council chooses to combine the two policies into one document called a Treasury Policy and latest version of this Policy was adopted by the Council on 28 October 2014.

The Policy itself states it will be reviewed three yearly.

The following issues have arisen through the operation of the current policy:

- Management of the swap portfolio is reliant on the rolling 12 month forecast levels of debt – as capital expenditure and consequentially the level of debt has been lower than budgeted it has proved difficult to forecast realistically and therefore make appropriate decisions. Initially the debt forecasts (for the purposes of the policy) were based on the approved budget but more recently these figures have been discounted. The initial approach led for a period to being over-hedged.
- Occasionally the fixed rate maturity profile and the funding maturity profile has not been within the prescribed policy bands. This has meant it has been necessary for the Council to specifically acknowledge this by resolution. Sometimes with the passage of time the position self corrects – a proposed amendment indicates that such corrections (if they occur within 90 days) mean it will not be considered a policy breach.
- ISDA credit lines (for financial instrument/swap transactions) are maintained with three major banks (Westpac, ANZ and BNZ) – competitive quotes are obtained for each transaction. In addition funding lines are maintained with Westpac and ANZ. These arrangements provide market tension.
- Most of the Council's debt is raised through the Local Government Funding Agency (LGFA) as they are able to provide funds more cost effectively than the banks. Each time funding is required the LGFA's rates are compared with what else is available in the market. Occasionally the Council has been able to issue its own bonds at competitive rates. LGFA's lawyers review all documentation associated with each debt issue.
- Computershare is engaged as Council's registrar for stock on issue. They have comprehensive checks and balances to ensure interest and principal sums are paid as due. The stock register is independently audited each year.
- Details of all debt and financial instruments are recorded in an external on-line treasury management system. This provides certainty for regular position, valuation and interest accrual reports.
- Similar details are also held in a spreadsheet which is shared with Council's treasury advisors (PricewaterhouseCoopers) and is used as the basis for monthly meetings concerning strategy. It is also audited by them from time to time.

- The Council's overall debt position is reviewed annually by S&P Global Ratings who have continued to award Council a AA long term credit rating.
- Council's external auditors review in some detail processes and outcomes associated with the management of debt and associated financial instruments. To date this has not resulted in any matters of concern being brought to Council's attention. The auditors are also separately engaged to provide an assurance report to Council's Trustee (Covenant Trustee Services Ltd).

Key changes proposed in the draft attached include:

- An explicit objective to maintain a long term credit rating of at least AA (1.2.1).
- Clarifying that a fixed rate maturity profile and a funding maturity profile which is outside the prescribed limits but which self corrects within 90 days is not a policy breach (3.2.9 & 3.3.5).
- Enabling longer term fixed rate swaps to match longer dated bonds issued by the LGFA (3.2.12 & 3.3.5).
- Removing references to the long term investment fund as this will be fully realised before 31 December 2017.
- Inserting a clause indicating Council's intention to invest in an ethical manner (4.1.4).
- Indicating that in addition to the other reasons shown, treasury investments are held to match retentions held 'on trust' for the benefit of contractors under the Construction Contracts Act 2002 as well as to pre-fund refinancing of maturing debt (4.2.1).
- Update to show the Council holds an equity investment in CEDA and to reflect the change of the name of the NZ Local Government Insurance Corporation Ltd to Civic Financial Services Ltd.
- Update to reflect the current arrangements for ownership and management of the Council's forests.

- Update glossary of terms.

No change has been made to the specific borrowing limits (3.6.1) but a footnote indicates they are being reviewed as part of the development of the financial strategy for the 2018-28 10 Year Plan and that if changes are approved through that process the Policy will be consequentially updated.

3. NEXT STEPS

Once the updated Policy is approved it will be made available to financial institutions, advisors and published on Council's website.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	Yes

ATTACHMENTS

1. Treasury Policy - Updated draft 2017 [↓](#) 

Steve Paterson
Strategy Manager Finance

TREASURY POLICY

Incorporating:

Liability
Management and
Investment Policy

as required by s.102
Local Government Act 2002

Palmerston North City Council
Draft for Review as at 4 December 2017



ID: 8799934

TREASURY POLICY

[Incorporating Liability Management and Investment Policy¹]

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¹ As required by sections 102, 104 & 105 Local Government Act 2002

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DRAFT

1. Preface and Objectives

1.1 Preface

- 1.1.1 The Local Government Act 2002 (LGA) requires councils to have a Financial Strategy (s.101A) and a Revenue and Financing Policy (s.103), both of which form part of its Long Term Plan (LTP). These policies are publicly consulted on as part of LTP consultation process.
- 1.1.2 The LGA also requires councils to adopt a Liability Management Policy (s.104) and an Investment Policy (s.105). The LGA provides lists of matters which must be included in those policies. As these policies are more operational in nature they can be adopted by ordinary council resolution rather than by using the public consultative process. The Council has decided to incorporate these policies together in a Treasury Policy document which also contains more comprehensive detail than required by the legislation.
- 1.1.3 Treasury policy is concerned with the management of the organisation's financial assets and liabilities to optimise liquidity and to minimise the cost of borrowed funds and to do so within defined risk parameters.
- 1.1.4 The Council has risks arising from debt raising, investments and associated interest rate management activity. Other liabilities may arise as a result of Council's normal activities. To mitigate the risks associated with the incorrect use or misuse of financial instruments this policy sets restrictions and parameters around their use.
- 1.1.5 The LGA (s.113) prohibits local authorities from borrowing or entering incidental arrangements in foreign currencies. This policy confirms that requirement in paragraph 5.1. but note the exception in paragraphs 5.2 – 5.5. The Council does not trade in commodities.
- 1.1.6 Interest rate risk is one of the key financial risks which Council seeks to manage. Because the Council is a net borrower at the time of adopting this policy, any increase in interest rates causes the cost of projects to rise.
- 1.1.7 It is generally considered that having certainty about the cost structure is preferable to having uncertainty. This includes the possibility of paying slightly more interest expense at some times than otherwise would be required when interest rates are low in order to not have to pay considerably more when interest rates are high. Accordingly, like many other large organisations, Council makes arrangements through its banks to use hedging instruments to manage risk levels to achieve an acceptable interest expense.
- 1.1.8 Interest rate changes also affect the value of some assets, for example bonds (which Council holds in the Investment Fund) and forests. The market value of



these assets is affected by interest rate changes for potential buyers of the bonds or cut timber.

1.1.9 There are three basic hedging instruments for managing interest rate risk. These are forwards, swaps and options. A forward contract would normally be used to hedge the risk associated with a one-off transaction such as when Council purchases a recycling sorting machine from an Australian supplier. Swaps and options, and other hedging instruments (which combine some characteristics from more than one of these, eg swaptions) are more sensibly used for ongoing activities, and repetitive transactions.

1.1.10 Forwards and swaps are agreements to do something in the future. Options are agreements which give the right to one party to choose to do something in the future, while the other party to the contract has an obligation to perform.

1.2 Objectives

1.2.1 The Council's broad objectives in relation to this activity are as follows:

- manage all of its investments within its strategic objectives and invest surplus cash in liquid and creditworthy investments
- arrange and structure long term funding for Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits
- borrow funds and transact interest rate hedging financial instruments within an environment of control and compliance
- develop and maintain relationships with the Trustee, financial institutions, LGFA, credit rating agencies, and investors
- maintain liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements
- monitor, evaluate and report on treasury performance
- to ensure adequate internal controls exist to protect the Council's financial assets and to prevent unauthorised transactions
- ensure the council, management and relevant staff are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations
- comply with the Local Government Act 2002 and other relevant local authority legislation
- to be consistent with Council's Long Term Plan, Financial Strategy and Revenue and Financing Policy.
- maintain a long-term credit rating of at least AA.

1.2.2 In meeting these objectives Council is a risk averse entity and subject to particular policies, and generally does not wish to seek risk from its borrowing and investment activities. Interest rate risk, liquidity risk, funding risk and credit risk are risks Council seeks to manage, not capitalise on. Speculative activity is forbidden.

1.2.3 The key elements in the management of risk are:

Risk Type	Aim	Risk Managed By
Liquidity and funding risks	Funds available when required at cost effective rate.	Maintain accurate cash forecasting systems. Limit and spread concentration of debt maturities within policy risk control limits.
	Successfully refinance and raise new debt at a future time at the same or more favourable pricing and maturity terms	Maintain relationships with the Trustee, financial institutions, LGFA, credit rating agencies, investors .
		Maintain committed available bank/loan facilities and/or an appropriate liquid component (short dated liquid instruments) of the Long Term Investment Fund.
		Adhere to self-imposed prudent debt limits.
		Demonstrate prudent financial management practice.
Interest Rate	Minimise exposure to adverse interest rate movements.	Maintain the interest rate risk profile within prescribed policy risk control limits. Use hedging instruments in a controlled manner.
Credit	Eliminate risk through failure of counterparty.	Invest cash only in entities with strong credit ratings (by Standard and Poor's or equivalent).
		Maintain liquid and negotiable investments.
		Spread investments and risk management instruments across issuers and counterparties.

2. Delegated Authorities

- 2.1 Treasury transactions entered into by Council without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).
- 2.2 To prevent these types of situations, clear schedules of delegated authorities and signatories will be maintained and regularly reviewed.
- 2.3 The following procedures must be complied with:
- All delegated authorities and signatories must be reviewed at least every six months to ensure that they are still appropriate and current
 - A comprehensive letter must be sent to all bank counterparties at least every year which details all relevant current delegated authorities of Council and contracted personnel empowered to bind Council
- 2.4 Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing immediately to ensure that no unauthorised instructions are to be accepted from such persons
- 2.5 Council has the following responsibilities, either directly itself, or via the following stated delegated authorities:

Activity	Delegated Authority	Limit
Approving and changing policy	Council	Unlimited
Borrowing new debt	Council	Unlimited (subject to legislative and other regulatory limitations)
Re-financing existing debt	Chief Executive Officer	Unlimited
Approving transactions outside policy	Council	Unlimited
Approving credit counterparty limits	Council	Unlimited
Adjust interest rate risk profile	Chief Executive Officer	Fixed/floating ratio between 55% and 90% Fixed rate maturity profile limit as per risk control limits



Managing funding maturities in accordance with Council approved facilities	Chief Executive Officer	Per risk control limits
Maximum daily transaction amount (borrowing, investing, interest rate risk management)	Council Chief Executive Officer Chief Financial Officer Strategy Manager - Finance	Unlimited \$50 million \$30 million \$15 million
Authorising lists of signatories	Chief Financial Officer	Unlimited
Opening/closing bank accounts	Chief Financial Officer	Unlimited
Annual review of policy	Chief Financial Officer	N/A
Ensuring compliance with policy	Chief Financial Officer	N/A

3. Liability Management Policy

3.1 Borrowing Activity

3.1.1 The Council may borrow to:

- fund its balance sheet activities, including borrowing to fund its investments in Council Controlled Trading Organisations and other trading enterprises
- fund “special one-off” projects and capital expenditure
- fund assets with intergenerational qualities.

3.1.2 The level of borrowing will be determined by the Long Term Plan as confirmed or modified each year by the Annual Plan. All external debt of the Council must be authorised by resolution of the Council.

3.1.3 A resolution of the Council is not required for hire purchase, credit or deferred purchase of goods if:

- the period of indebtedness is less than 91 days (including rollovers); or
- the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council.

3.1.4 The debt portfolio will be managed, within the framework of this policy, by the Chief Executive and Council staff under delegated authority.

3.1.5 Council is able to borrow through a variety of market mechanisms including:

- wholesale and retail registered commercial paper, stock and bond issues
- Local Government Funding Agency
- debentures
- Housing New Zealand Corporation loans
- direct bank borrowing
- hire purchase and leasing arrangements

3.1.6 All borrowing in currencies other than NZ dollars is forbidden.

3.2 Interest Rate Risk

3.2.1 Due to the long term nature of Council's assets, projects and intergenerational factors, and Council's preference to avoid an adverse impact on rates, there is a preference for a minimum percentage of long term fixed rate or hedged debt. In addition interest rate repricing risk is spread over a range of maturities.

3.2.2 Council's debt/borrowings are maintained within the following fixed/floating interest rate risk control limit:

Master Fixed/Floating Risk Control Limit	
Minimum Fixed Rate	Maximum Fixed Rate
55%	90%

3.2.3 The percentages are calculated on the rolling 12 month projected debt level calculated by officers (signed off by the Chief Financial Officer). Debt (in this context) is the amount of total external gross debt maturing beyond 12 months. This allows for pre-hedging in advance of projected physical drawdowns of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to comply with the policy minimums and maximums.

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

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

3.2.5 Pre-hedging in advance of projected physical drawdowns of new debt is allowed.

3.2.6 Management implements the interest rate risk management strategy through the use of the following approved instruments in the manner outlined below:

- Forward rate agreements ("FRAs") on bank bills or government bonds
- Interest rate swaps
- Interest rate options on bank bills and swaps

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

Fixed Rate Maturity Risk Control Limit		
Period	Minimum Cover	Maximum Cover
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	15%	60%

3.2.8 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.

3.2.9 The Chief Financial Officer approves the interest rate risk management strategy, as recommended by the Strategy Manager-Finance who develops the strategy after monitoring the interest rate market, evaluating the outlook for rates/credit spreads, the current and forecast yield curve, policy parameters and existing and planned borrowing amounts. External treasury strategy advice may also be sought.

3.2.10 Officers implement the interest rate risk management strategy through the use of the following approved instruments (refer Appendix for glossary of terms):

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Uncommitted money market facilities Retail and Wholesale Bond and Floating Rate Note (FRN) issuance Commercial paper (CP)
Investments (term <365 days)	Short term bank deposits Bank certificates of deposit (RCDs)
Investments	LGFA borrower notes / CP / bills / bonds
Interest rate risk management	Forward rate agreements ("FRAs") on: <ul style="list-style-type: none"> Bank bills Government bonds Interest rate swaps including: <ul style="list-style-type: none"> Forward start swaps/collars. Start date <24 months, unless linked to existing maturing swaps/collars Amortising swaps (whereby notional principal amount reduces) Swap extensions and shortenings Interest rate options on: <ul style="list-style-type: none"> Bank bills (purchased caps and one for one collars) Government bonds Interest rate swaptions (purchased swaptions and one for one collars only)

- 3.2.11 Any fixed rate hedge with a maturity beyond 15 years must be approved by Council. The exception to this will be if Council raises LGFA funding as fixed interest rate or swapped floating interest rate and this maturity is beyond 15 years.
- 3.2.12 Interest rate options must not be sold outright because of its speculative nature. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, the sold option can be purchased back. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- 3.2.13 The forward start period on swap/collar strategies is to be no more than 24 months, unless the forward start swap/collar starts on the expiry date of an existing swap/collar and has a notional amount which is no more than that of the existing swap/collar.
- 3.2.14 Purchased borrower swaptions will mature within 12 months.
- 3.2.15 Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- 3.2.16 Buying and selling of financial futures is not permitted, primarily due to the administrative burden.
- 3.2.17 Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits as set out in section 3.4.

3.3 Liquidity/Funding Risk

3.3.1 Council is exposed to liquidity risk in that due to unforeseen circumstances or events, it may not be able to meet its commitments, including debt maturities. Liquidity risk management focuses on the ability to borrow at that future time to fund the liquidity 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 funding margins) and maturity terms of existing facilities.

3.3.2 Council's objective is to always be in a position to meet its day-to-day commitments, to maintain its reputation and prevent any financial loss occurring, whilst ensuring the level of cash balances and/or committed unutilised bank facilities are kept to a minimum in accordance with good cashflow management practices.

3.3.3 Managing Council's funding risks is important since several risk factors can arise to cause an adverse movement in funding 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 their 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.

3.3.4 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.

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

3.3.5 As a prime borrower Council should always be in a position to raise additional funds when required. However to minimise liquidity and funding risk, Council will ensure:

- Comprehensive daily and weekly cash management reporting, together with rolling 12 month forecasting

- External term debt plus committed bank/loan facilities plus cash/cash equivalents must be maintained at an amount of 110% of existing external debt
- Council has the ability to pre-fund up to 12 months of forecast debt requirements including re-financings. Debt re-financing that have been pre-funded, will remain included within the funding maturity profile until their maturity date.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12 month period.
- The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system:

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

- Membership of the Local Authority Protection Programme (LAPP) is retained or appropriate levels of infrastructure insurance is obtained.
- A funding maturity profile that is outside that 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.

3.4 Counterparty Credit Risk

3.4.1 Council ensures that all investment, interest rate and foreign currency risk management activity is undertaken with institutions that have a strong credit rating. This is to ensure that the amounts owing to Council are paid fully and on due date. More specifically, Council minimises its credit exposure by:

- Transacting with entities that have a strong or better Standard & Poor's or equivalent short and long term credit rating of at least "A-1" and "A" respectively
- Limiting total exposure to prescribed amounts
- Diversifying transactions across a number of counterparties to avoid concentration of credit risk
- Monitoring of compliance against set limits

3.4.2 The following table summarises credit requirements and limits:



Institution	Minimum S&P Short/Long Term Credit Rating	Investments maximum per Counter party	Financial risk management instrument maximum per Counter party	Total Exposure Limit for each Counter party
NZ Government	N/A	N/A	None	Unlimited
NZ Local Government Funding Agency (LGFA)	N/A	N/A	None	Unlimited
Registered Bank	A-1 / A+	\$10 million	\$20 million	\$30 million

3.4.3 Approval is required from the Council for any alterations to these limits. If any counterparty's credit rating falls below the minimum specified in the above table, all practical steps are taken to reduce the credit exposure to that counterparty to zero as soon as possible. Counterparties exceeding limits are reported to Council. Counterparties other than 'registered banks' require the specific approval of Council.

3.4.4 Maximum financial exposure to the counterparties is computed as follows:

- Financial investments; the total principal amount invested with that counterparty
- Credit exposure on interest rate contracts is computed by multiplying the face value of outstanding transactions by an interest rate movement factor of 3% per annum i.e. notional amount * maturity (years) * 3%
- Credit exposure on foreign exchange is computed by multiplying the face value amount by the (square root of the maturity (years) × 15%)

3.5 Debt Repayment

3.5.1 The Council will generally use a "consolidated debt" approach to manage its financial position. Debt repayment and new debt creation are managed by application of the specific borrowing limits. Within this framework the Council may, from time to time, allocate debt and interest cost to a specific activity. The Council's aim is to fund debt repayment over the average life of the class of assets for which the debt has been raised though from time to time the Council may decide to fund accelerated debt repayment as part of its financial strategy to ensure future generations are left with adequate headroom to enable them to borrow to fund high priority capital investments.

3.5.2 Funds from the sale of investment assets out of the Long Term Investment Fund will be applied to the reduction of debt and/or a reduction in new borrowing requirements.

3.5.3 Operating surpluses will be applied to the reduction of debt.



3.6 Specific Borrowing Limits

3.6.1 In managing borrowing, the Council considers the following to be prudent limits (based on Council's core financial statements):

Borrowing Limits ²	
Net external debt as a percentage of total assets	<20%
Net external debt as a percentage of total revenue	<175%
Net Interest as a percentage of total revenue	<15%
Net Interest as a percentage of annual rates income	<20%
Liquidity	>110%

Total Revenue is defined as income from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes mark to market gains/losses on financial instruments, revaluations of assets and grants or development contributions for capital programmes.

Net external debt is defined as total external debt less liquid financial assets and liquid investments.

Liquid financial assets are defined as overnight bank cash deposits, wholesale/retail bank term deposits no greater than 30 days and bank issued RCD's less than 181 days.

Net Interest is defined as all interest and financing costs (on external debt) less interest income for the relevant period.

Annual Rates Income is defined as the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including metered water charges).

Liquidity is defined as external debt plus committed unutilised bank facilities plus liquid investments divided by external debt.

² Note – these limits are being reviewed during the development of the 2018-28 10 Year Plan and it is anticipated that the Financial Strategy will include an increased limit for at least one of these measures. If revised limits are adopted in June 2018 they will be translated into this Policy.

3.6.2 The context for and framework for establishing these limits is contained in the Council's Financial Strategy, adopted as a component of the 10 Year Plan.

3.6.3 If circumstances arose which would result in these limits being exceeded the issue would be considered by the Council and a determination made as to the most appropriate course of action, having particular regard for the principles of financial management contained in the Local Government Act 2002.

3.7 Security

3.7.1 The security for Council debt will be the ability to levy rates. This policy authorises the use of Deed of Charge or Debenture Trust Deed security documents as well as the appointment of a professional Trustee if this approach is assessed as being the most cost effective means of borrowing.

3.7.2 In unusual circumstances, with prior Council approval, a specific charge may be given over one or more of the Council's assets.

3.7.3 Physical assets will be pledged only where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance.
- Council considers a pledge of physical assets to be appropriate.

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

3.8 Contingent Liabilities

3.8.1 From time to time the Council provides financial guarantees to recreation and community organisations to enable them to undertake capital projects on Council land. Applications for guarantee support will be considered only if the community group is based in the City and satisfactory projections of the financial strength and long term viability of the group or club are received by the Council. The guaranteed party's performance is monitored through communications with the lending institution and by assessing their financial statements.

3.9 Internal Borrowing

- 3.9.1 The use of Council investment funds, structured as an internal loan is allowed as a valid means of funding projects, minimising the cost of borrowing and still providing a market return on investment funds.
- 3.9.2 The treasury function is responsible for administering the Council's internal debt portfolio. Transparent operating procedures will apply to the setting up and repayment of the notional loan and the charging and payment of interest.

3.10 Performance Measurement

- 3.10.1 Performance of Council's borrowing management activities shall be judged against a number of subjective and objective measures including:
- adherence to all policy limits
 - number and cost of processing errors
 - breaches of borrowing limits
 - comparison of actual interest costs to budget
 - all treasury deadlines are to be met, including reporting deadlines.

3.11 Management of Debt and Interest Rate Risk

- 3.11.1 Since senior management is granted discretion by Council to manage debt and interest rate risk within specified limits, the actual funding rate achieved must be compared against an appropriate external benchmark interest rate that assumes a risk neutral position within the existing policy. Note: in this respect, a risk neutral position is one that is always precisely at the mid-point of the minimum and maximum percentage limits specified within the policy.
- 3.11.2 Given fixed/floating risk control limits and fixed rate maturity profile limits as defined in section 3.2 of this policy, the market benchmark (composite) indicator rate will be calculated as follows:

Composite Benchmark Indicator Rate	
Weighting	Rate
25%	Average 90 day bank bill bid-rate for the reporting month
15%	5 year interest rate swap bid-rate, 1 year ago
15%	5 year interest rate swap bid-rate, 2 years ago
15%	5 year interest rate swap bid-rate, 3 years ago
15%	5 year interest rate swap bid-rate, 4 years ago
15%	5 year interest rate swap bid-rate, 5 years ago



100%	
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3.11.3 The micro-benchmark rate used to measure performance is the aggregate of the composite benchmark indicator rate calculated above and the margin that applies to existing loans and funding facilities.

3.11.4 Accordingly, the actual weighted average interest rate for the financial year to date (which incorporates all issuance margins and derivative settlements) must be compared against the micro-benchmark rate on a monthly basis, with historical comparison reported graphically over the previous 12 months.

3.12 Adequacy of Treasury Policy

3.12.1 As part of the annual review of the Treasury Policy, it is necessary to compare the actual interest rates achieved for the financial year against an appropriate benchmark interest rate, based on the assumption that Council had no treasury function, no treasury policy and did not seek to manage the risks at all.

3.12.2 For the purposes of this performance measure, a “no policy, no management” approach is one where:

- 50% of total is fixed for 12 months on the first day of the financial year
- 50% of total debt is floating rate

3.12.3 Accordingly, the underlying benchmark rate to apply is calculated as follows:

Underlying Benchmark Rate	
Weighting	Rate
50%	1-year swap bid-rate on the first day of the financial year (quarterly resets)
50%	Average 90 day bank bill rate for the financial year

3.12.4 The macro-benchmark rate used to measure the adequacy of treasury policy is the aggregate of the above benchmark rate and the margin which applies to existing loans and funding facilities. In this respect, the actual weighted-average interest rate for the entire financial year is to be compared against the macro-benchmark rate as part of the annual review and reported to the Council.

3.13 Management of Other Liabilities

- 3.13.1 From time to time the Council will also enter into transactions and agreements that can expose the Council to financial liability. Such transactions may include employee contracts, contract for service (eg issue of consents, provision of infrastructure services) and loan guarantees for assets constructed on Council-owned land.
- 3.13.2 Any potential risk from such activities will be managed by implementing appropriate systems and procedures and ensuring Council staff are appropriately trained to recognise and mitigate such risks.

3.14 New Zealand Local Government Funding Agency Limited

- 3.14.1 Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:
- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example Borrower Notes;
 - Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
 - Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
 - Subscribe for fully paid shares and uncalled capital in the LGFA; and
 - Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

4. Investment Policy

4.1 General Policy

4.1.1 In its treasury investment activity, Council's primary objective when investing is the protection of its investment so only creditworthy counterparties are acceptable. The Council invests in non-speculative strongly credit rated, liquid negotiable investments which are readily convertible into cash.

4.1.2 As the former Long Term Investment Fund has now been fully realised the Council, as a net borrower, will have only operational cash surpluses.

4.1.3 The Council will, from time to time, make investments in activities which support a specific strategic policy or aim. Its philosophy in the management of investments is to optimise returns in the long term while balancing risk and return considerations. The Council recognises that as a responsible local authority any investments that it does hold should be low risk and that lower risk usually means lower returns.

4.1.4 The Council seeks to invest in an ethical manner which it defines as meaning that it will invest in entities that engage in activities that demonstrate a positive approach to the environment, society and governance. The Council wishes to avoid investing in activities that it believes would be regarded as unethical by a substantial majority of the New Zealand public, as reflected by the laws of New Zealand. It will not invest in entities that engage in activities that would be illegal or unethical if they occurred in New Zealand.

4.1.5 For the purposes of this policy the Council defines investment as relating to financial assets and other assets not directly related to service delivery as outlined below:

- treasury investments
- equity investments (including CCO/CCTOs)
- other investments (including forestry, real estate investments not relating to service delivery and sundry advances).

4.2 Investment Policy – Treasury Investments

4.2.1 General Management Policy

The Council will hold treasury investments to:

- meet statutory obligations by funding certain reserves;
- match retentions held 'on trust' for the benefit of contractors under the Construction Contracts Act 2002;
- manage short or medium term cash surpluses;
- maintain operating cash levels;
- pre-fund refinancing of maturing debt.



4.2.2 Mix of Investments

Investments will be held in a form consistent with the anticipated funding requirement. For short term investments that are generally held for liquidity management purposes, investments are held for periods up to three months and in the form of call deposits or negotiable instruments (ie cash or cash equivalents) with registered banks. For investments held for periods beyond three months, government securities, LGFA, or other strongly credit rated securities will be held.

The Council will maintain a schedule of approved counterparties and issuers.

4.2.3 Acquisition of New Investments

The Council will source its approved investment instruments from major financial institutions at the "best price".

4.2.4 Treatment of Income

Interest (or other) revenue from invested funds will be credited to Council's general income. The interest income from statutory reserves will be credited to those funds.

4.2.5 Proceeds of Sale

Funds from the sale of financial investments will be applied to the repayment of debt, reduce new borrowing requirements or expenditure generally.

4.2.6 Management and Reporting

The assets will be managed under delegated authority by the Chief Executive and Council staff. The funds will be subject to quarterly reporting.

4.2.7 Risks

4.2.7.1 Counterparty Creditworthiness:

Funds will be placed with strongly credit rated counterparties with a minimum short term and long term credit rating of "A-1" and "A" respectively under the Standard and Poor's or equivalent credit rating system and be spread across issuers within the parameters outlined in 3.4.

4.2.7.2 Liquidity Risk

Funds held for liquidity management purposes will be invested in instruments which have a readily accessible secondary market and a maturity period of less than 3 months. Short-term operational liquidity is monitored and controlled through daily cash management activities. Long-term financial liquidity is monitored and controlled through long-term financial planning. Although overdraft facilities are utilised as little as practical the Council will maintain a committed bank overdraft facility to meet interim cash and liquidity requirements.



4.3 Investment Policy - Equity Investments

4.3.1 The Council currently maintains equity investments in the following entities:

- Palmerston North Airport Ltd – the owner and operator of Palmerston North Airport
- Central Economic Development Agency Ltd – a provider of economic development and tourism services for the Council and the Manawatu District Council
- Civic Financial Services Ltd – a provider of a range of risk management products for NZ local government

4.3.2 Further capital investments in these entities will only be contemplated to achieve stated strategic objectives and will be by specific resolution of the Council. Sale of the investments would also require a specific resolution of the Council and be subject to the requirements of the Local Government Act 2002.

4.3.3 It is envisaged that any other equity investments which the Council may hold in the future would only be as a result of a gift, through a restructuring of the Council or to enable the Council to participate in a central Government or regional initiative associated with the provision of a key infrastructural activity. Council may also hold equity investments in CCO/CCTOs (such as LGFA). From time to time the Council will establish “shelf” companies so can it is able to respond appropriately to any opportunities which arise.

4.3.4 Each equity investment is evaluated and managed within the following framework:

4.3.4.1 Objectives

The rationale for the investment is determined and reviewed from time to time.

The present investments are held primarily to meet strategic economic and transportation objectives.

4.3.4.2 Monitoring Mechanism

The Council will manage its shareholding in a manner which is dependent on the size and nature of the shareholding and in instances where it is not the 100% shareholder will seek to do so in conjunction with other major shareholders. It will do so by:

- participating in the appointment of directors;
- monitoring the developments in the particular industry;
- monitoring company performance;
- acting to preserve the value of the Council’s investment;
- monitoring the impact of the company’s operations on the people of Palmerston North.



4.3.4.3 Income from the Investment

In the normal course income from each investment will be applied against current expenditure.

4.3.4.4 Proceeds of Any Future Sale

If the Council were to sell its shareholding, the sale proceeds would be applied to:

- reduction of debt;
- developing new assets
- investment in an appropriately managed diversified fund.

4.3.4.5 Management of the Investment

The shareholding will be managed through the shareholder representatives who are appointed by the Council. In instances where the company concerned is required to prepare a statement of intent the Council will review these and actively make its views known to the company.

4.3.4.6 Risks

The Council will assess the risks associated with each investment. In the normal course, if the principal reason for the investment is for financial return then the Council will expect the commercial risks associated with the investment to be low.

If the reason for the investment is to achieve some other stated strategic purpose the Council may be prepared to accept higher commercial risks.

4.3.4.7 Public Consultation

In the event that the Council contemplates divesting its shareholding, public consultation would be undertaken to an extent that was consistent with the size and public sensitivity of the investment.

At the present time the Council contemplates maintaining each of its present equity investments at least for the medium term.

In the event of a sudden occurrence where either the company or industry is severely impacted, the Council could possibly see a large drop in the value of its shares. Under these circumstances, the public would not be consulted and the Council could resolve to sell the shares. All actions will be in a manner which is consistent with the Council's policy on determining significance and the requirements of the Local Government Act 2002.

4.4 New Zealand Local Government Funding Agency Limited



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

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

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

4.4.3 Because of the dual objective, 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 alternate investments.

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

4.5 Investment Policy – Other Investments

4.5.1 Forestry

4.5.1.1 The Council is the sole owner of a second rotation forestry crop (known as the Gordon Kear Forest) at the head of the Kahuterawa Valley. The principal reason for the investment is as an alternate funding source for future city development. The second rotation trees were planted from 2010 to 2016 following harvest of the first tree crop and will be ready for harvest again at around age 28-30 years. As log prices are subject to significant price changes there is a high commercial risk. The net proceeds of harvest will be used to repay general debt.

4.5.1.2 Replanting the forest was seen as important for maintaining the value of the land. One of the other key drivers for the replanting regime was the Emissions Trading Scheme (ETS). The ETS enables the trees to be harvested without penalty provided the forest is replanted or allowed to regenerate and the requirements of the ETS are met, particularly in relation to the number of stems per hectare, tree crown cover and height.

4.5.1.3 The Council also owns a neighbouring forest (known as Arapuke Forest Park) for the principal purpose of recreation. The forestry crop is incidental to the principal use and is classified as Plant, Property and Equipment rather than an investment. The first rotation pine tree crop has been harvested and the forest has been replanted in a range of longer lived exotic species. Native regeneration is being encouraged on the steeper slopes and around waterways. Several kilometres of mountain bike and walking tracks have been established by local volunteers in conjunction with the Council throughout the block.

4.5.1.4 The Council also has a forestry plantation within the Turitea water supply catchment area. The forestry activity is not expected to generate significant revenue and is ancillary to the water supply activity.

- 4.5.1.5 There are no plans to expand the Council's investment in forestry. The Council's on-going ownership of the Gordon Kear Forest is due to be reviewed now that the second rotation planting is complete.

4.5.2 Real Estate Held For Investment Purposes

- 4.5.2.1 The Council holds real estate when it considers ownership to be essential to the delivery of relevant services. These assets are not accounted for as investments but form part of the plant, property and equipment of the appropriate activity or function. From time to time the Council reviews its ownership by assessing the benefit of continued ownership in comparison to other arrangements. This assessment is based on the most financially viable method of achieving the delivery of Council services. The Council generally follows the same assessment criterion in relation to new real estate acquisitions. From time to time these assets become surplus to operational requirements and then are considered investments, which are assessed for sale.

- 4.5.2.2 The major real estate holdings which do not form part of the operational activities are:

- library building shops
- Regent Theatre shops

- 4.5.2.3 From time to time, usually in the process of selling one of these investments, the Council may consider it necessary to invest in commercial mortgages and deferred payment licences.

4.5.3 Sundry Advances

- 4.5.3.1 From time to time the Council makes loan advances to charitable trusts and incorporated societies for the furtherance of their activities which are consistent with the Council's objectives. The Council will only consider such advances on rare occasions where it is not practical to offer financial guarantees. Any such advances would be the subject of specific resolution by the Council following an assessment of the financial strength and long term viability of the entity concerned.

- 4.5.3.2 Interest and principal repayments are monitored to ensure they comply with the loan agreement. In the case of default on such advances the assets of the organisation will be required to revert to the Council.

- 4.5.3.3 Under exceptional circumstances the Council may make advances to residential and commercial property owners to encourage them to connect to basic reticulation systems such as water and wastewater. Any such advances will be subject to a charge being placed over the land.



4.6 Internal Investment/Borrowing

- 4.6.1 The use of Council investment funds, structured as an internal loan is allowed as a valid means of funding projects, minimising the cost of borrowing and still providing a market return on investment funds.
- 4.6.2 The treasury function is responsible for administering the Council's internal debt portfolio. Transparent operating procedures will apply to the setting up and repayment of the notional loan and the charging and payment of interest.
- 4.6.3 Where possible the Council's internal reserves are utilised to minimise the need for external debt, effectively reducing the Council's net interest cost.

5. Foreign Exchange Policy

- 5.1 Borrowing and investing in foreign currencies is prohibited apart from the one exception mentioned below.
- 5.2 The Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated plant, equipment and services. Most of these transactions are small and are considered to carry no significant foreign exchange risk.
- 5.3 For foreign exchange requirements over NZ\$100,000 consideration will be given to managing Council's exposure to exchange rates movements using forward exchange rate contracts and/or purchased foreign exchange options. Forward exchange rate contracts can only be entered into once the exact timing and amount of the approved exposure is known. Purchased foreign exchange options can be used when an approved purchase order is raised but not confirmed.
- 5.4 Credit exposure on these instruments is restricted by specified counterparty credit limits as set out in section 3.4.

6. Accounting Treatment of Financial Instruments

- 6.1 As a general rule, financial risk management instruments on initial recognition are valued at cost and thereafter carried at fair value with any period unrealised fair value gains or losses booked through the Statement of Comprehensive Revenue & Expense, at any particular reporting date.
- 6.2 All financial risk management instruments are fair valued (marked-to-market) on a consistent basis, at least six monthly for internal treasury management and accounting purposes.
- 6.3 Underlying rates to be used to value treasury instruments are as follows:
- Official daily market rates for short-term treasury instruments (e.g. FRA settlement rates calculated by Reuters from price maker quotations as displayed on the BKBM page)
 - Relevant market mid-rates provided by Council's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments e.g. swaps
 - For markets that are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the Chief Executive.
- 6.4 As a general rule bank and loan stock funding is held to maturity and consequently accounted for on an amortised cost basis.

7. Reporting

7.1 When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and interest rate instruments must be taken into account.

7.2 The following reports are produced:

Report Name	Frequency	Prepared By	Recipient
Daily Cash Position Treasury Spreadsheet	Daily	Senior Financial Administration Officer	Strategy Manager Finance
Treasury Exceptions Report	Monthly	Strategy Manager - Finance	CFO
Treasury Report <ul style="list-style-type: none"> • Policy limit compliance • Borrowing limits • Funding and Interest Position • Funding facility • New treasury transactions • Cost of funds v. budget • Cash flow forecast report • Liquidity risk position • Counterparty credit • Treasury performance • Debt maturity profile • Revaluation of Financial Instruments • Statement of Public Debt 	Quarterly	Strategy Manager Finance	CFO/CEO/ Council

8. Policy Review

- 8.1 This Policy is to be formally reviewed on at least a triennial basis. The CFO has the responsibility to prepare a review report that is presented to the Council. The report will include:
- 8.1.1 Recommendation as to changes, deletions and additions to the Policy.
 - 8.1.2 Overview of the treasury function in achieving the stated treasury objectives, including performance trends in actual borrowing cost against budget (multi-year comparisons).
 - 8.1.3 Summary of breaches of Policy and one-off approvals outside Policy to highlight areas of Policy tension.
 - 8.1.4 Analysis of bank and lender service provision, share of financial instrument transactions etc.
 - 8.1.5 Comments and recommendations from Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- 8.2 An annual audit of the treasury system/spreadsheets and procedures should be undertaken.
- 8.3 Total net debt servicing costs and debt should not exceed limits specified in the covenants of lenders to Council.
- 8.4 The Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes.

Appendix:- Glossary of Terms

Amortising Swap; An interest rate swap contract that has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date.

Arbitrage; A method or action that allows the securing of profit (with no market risk) by taking advantage of a mispricing of one financial instrument between two markets/time zones.

Asset/Liability Management; The management process a bank uses to ensure its assets (loan made to customers) matches its liabilities (deposits from customers).

Average Rate Forward; A series of forward exchange contracts to different dates for the same amount, but at different rates. The series of contracts is re-stated as one contract at the one average rate. Also called a "par forward".

Balloon Payment; The repayment terms of a loan being the full principal amount due for repayment in one amount on the final maturity date. Also called a "bullet" payment.

Bank Bill; A "bill of exchange" security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liequify itself with cash. Normally for terms of 30, 60, 90 or 180 days.

Base rate; Normally a lending bank's cost of funds/interest rate for a particular funding period. The base or "prime" rate will be changed by the bank from time to time, but not every day like market rates.

Basis Point(s); In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.

Basis Risk; The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument's future price (say, a bank bill futures price) changes over the period to the date of the future price.

Basis Swap; A Variation of an interest rate swap whereby interest payments are exchanged on a floating to floating basis to change the timing of interest payments on a bank loan i.e. quarterly payments swapped to monthly basis.

Benchmark; An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

Bid–Offer Spread; The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate when quoted by a bank is known as the "bid-offer spread". Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.

Bid Rate; Exchange rates and interest rate securities/ instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.

BKBM; The FRA settlement rate as determined at 10:45am each business day on Reuters page BKBM.

Bond; The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's interest rate is always fixed.

Bond FRA; A tailored contract to buy or sell a bond (Government or Corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve.

Bond Option; The right, but not the obligation by the owner/holder of the option to buy or sell bonds (Government or Corporate) at a predetermined interest rate at a specified future date. The buyer pays a "premium" in cash up-front to reduce risk and have insurance-type protection, the seller or grantor of the bond option receiving the premium for assuming the risk.

Borrower Notes; On occasion when Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of "Borrower Notes". A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes and can take the form of a dividend if the Borrower Notes are converted to redeemable preference shares.

Call Option; The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option "contract".

Cap; A series or string of bought interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate." A cap is normally for more than one 90-day funding period.

Certificate of Deposit "CD"; A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.

Closing-Out; The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.

Collar Two; option contracts linked together into the one transaction or contract. A borrower's collar is normally a bought "cap" above current market rates and a sold "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".

Collateral; A legal term means "security".



Commercial Paper; The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called “one-name paper” and “promissory notes” issued by competitive public tender to investors or by private treaty to one investor.

Commoditised; When a financial market or instrument becomes so popular and “plain vanilla” that there is no longer any difference in the prices quoted by participants in the market.

Compound option; An option contract on the premium of an option i.e. the right but not the obligation, to enter an option contract at a pre-determined premium amount.

Convexity; A measure of the degree of curve or slope in an interest rate yield curve.

Convertible Bonds; A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company.

Coupon; The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.

Counter party; The contracting party to a financial transaction or financial instrument.

Covenants; Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.

Cover; A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.

Credit Risk or Exposure; The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.

Credit Spread; The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size, and liquidity between the two securities e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.

Cross Currency Interest Rate Swap; A borrower exchanges (swaps) one set of interest payments from a loan in one currency for another set of interest payments in a second currency. Interest payments are swapped from fixed to floating and vice versa.

Current Ratio; A liquidity measure to determine how quickly Council can generate cash. Current assets are divided by current liabilities.

Debenture; A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.



Delta; "Greek" letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/instrument.

Derivative(s); A "paper" contract whose value depends on the value of some "underlying" referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic." The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.

Digital Option; An option contract that provides a predetermined payout based on an agreed and contracted market price path.

Discount; A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower. Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments along the way and the full face value at the maturity date.

Duration; Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.

Embedded Option; An option arrangement that may be exercised by a borrower at a future date, but the determining conditions are buried or "embedded" in a separate debt or financial instrument.

Eurobond; A fixed rate bond issued by a non-resident borrower in a European country.

Eurodollar; The borrowing and depositing of a currency outside its domestic financial markets.

Event Risk; The risk of a major/unforeseen catastrophe e.g. earthquake, year 2000, political elections, adversely affecting a Council's financial position or performance.

Exchange Traded; A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.

Exercise Date/Price; The day and fixed price that an option contract is enforced/actioned or "exercised" because it is in the interests of one of the parties to the contract to do so.

Fair Value; The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.

Federal Reserve; The US Government's central bank and/or monetary authority.

Fixed Rate; The interest rate on a debt of financial instrument is fixed and does not change from the commencement date to the maturity date. Fixed is defined as an interest rate that does not change in the next 12 months.



Floating Rate; The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days). Floating is defined as an interest rate that changes in the next 12 months.

Floor; The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the "linked" bought cap.

Forward Exchange Contract; Council when entering into a Forward Exchange Contract agrees a rate today at which one currency is sold or bought against another for delivery on a specified future date.

Forward Forwards; A forward exchange contract on the forward points for foreign exchange forward contracts i.e. a hedge on the forward points which are determined by the two separate interest rates of the currencies involved.

Forward Points; The difference in interest rates between two currencies expressed as the exchange rate points.

Forward Rate Agreement; A contract ("FRA") whereby a borrower or investor in Bank Bills or Government Bonds agrees to borrow or invest for an agreed term (normally 90-days) at a fixed rate at some specified future date. A FRA is an "over-the-counter" contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.

Forward Start Swap; An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.

Funding Risk; The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the Council's own credit worthiness, industry trends or banking market conditions.

Futures; Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counter party credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets.

Gamma; "Greek" letter used in option pricing that measures how rapidly the delta of an option changes given a change in the price of the underlying asset/instrument.

Hedging; The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

High-Yield Bonds; Corporate bonds issued by borrowing companies that are non-prime i.e. have a low or no credit rating. The margin or credit spread above Government bond yields is high



(>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.

Implied Volatility; Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is “implied” in the option price.

Index Linked Bonds; Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of another separate index e.g. a share market index, or the gold price.

Indirect FX Risk; A company has indirect foreign exchange risk where their costs revenues or profits can be adversely affected by the exchange rate that they are not directly paying or receiving. The prices they pay or receive in the domestic currency are influenced by the exchange rate movements.

ISDA; International Security Dealers Association: a governing body that determines legal documentation/standards for over-the-counter swaps/options/FRA's and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counter parties that covers all transactions.

Incidental Arrangements; The term used in the Local Government Act for interest rate risk management instruments or derivatives.

Interest Rate Swaps; A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.

“In-the-Money” Option; An option contract that has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.

Interest Rate Collar Strategy; the combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

Interest Rate Swaption; the purchase of a swaption gives Council the right but not the obligation to enter into an interest rate swap, at a future date, at a specific interest rate.

Inverse Yield Curve; The slope of the interest rate yield curve (90-days to years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long-term interest rates is a normal curve or “upward sloping.” In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates; hence they are higher to build in this extra risk premium.

Junk Bonds; High yield bonds at the bottom end of the credit quality spectrum

Liability Management; The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.



LIBOR; London Inter-bank Offered Rate, the average of five to six banks quote for Eurodollar deposits in London at 11:00am each day. The accepted interest rate-fixing benchmark for most offshore loans.

Limit(s); The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called "risk control limits".

Liquidity Risk; The risk that Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.

"Long" Position; Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.

Look-back Option; An option structure where the strike price is selected and the premium paid at the end of the option period.

Marked-to-Market; Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.

Margin; The lending bank or institution's interest margin added to the market base rate, normally expressed as a number of basis points.

Medium Term Notes; A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.

Moody's; A rating agency similar to Standard & Poor's (S&P Global Ratings).

Multi-currency Facility; A committed banking facility that allows the borrowing of several alternative currencies to the NZ dollar.

Netting; Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.

Open Position; Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.

Option Premium; The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.

Order; The placement of an instruction to a bank to buy or sell a currency or financial instrument at a preset and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or "good till cancelled." The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.

"Out-of-the-Money"; An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.



Over-the-Counter; Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price and structure. Such financial products are non-standard and not traded on official exchanges.

Perpetual Issue; A loan or bond that has no final maturity date.

Pre-hedging; Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the Council.

Primary Market; The market for new issues of bonds or MTNs.

Proxy Hedge; Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation of price movements between the two underlying prices to justify using a proxy hedge.

Put Option; The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.

Revaluation; The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/ bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

Roll-over; The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period.

Secondary Market; The market for securities or financial instruments that develops after the period of the new issue.

"Short" Position; Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.

Spot Rate; The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.

Standard & Poor's (S&P Global Ratings) ; A credit rating agency that measures the ability of an organisation to repay its financial obligations.

Stop Loss; Bank traders use a "stop-loss order" placed in the market to automatically closeout an open position at a pre-determined maximum loss.

Strike Price; The rate or price that is selected and agreed as the rate at which an option is exercised.

Strip; A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.



Swap Spread; The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.

Swaption; An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

Time Value; Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.

Tranches; A loan may be borrowed in a series of partial drawdowns from the facility, each part borrowing is called a tranche.

Treasury; Generic term to describe the activities of the financial function within Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.

Treasury Bill; A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.

Vega; Another "Greek" letter that is the name given to the measure of the sensitivity of the change in option prices to small changes in the implied volatility of the underlying asset or instrument price.

Volatility; The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.

Yankee Bond; A non-resident US borrower issuing a corporate bond in the domestic US bond market.

Yield; Real-interest rate, always expressed as a percentage.

Yield Curve; The plotting of market interest rate levels from short term (90-days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.

Zero Coupon Bond; A bond that is issued with the coupon interest rate being zero i.e. no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost compared to a normal bond of paying interest quarterly, half-yearly or annually.

REPORT

TO: Finance and Performance Committee

MEETING DATE: 18 December 2017

TITLE: Central Energy Trust Wildbase Recovery Naming Rights Memorandum of Understanding and Update

DATE: 27 November 2017

AUTHOR/S: Aaron Phillips, Senior Property & Parks Planner, City Networks

RECOMMENDATION(S) TO COUNCIL

1. That the Central Energy Trust Wildbase Recovery Naming Rights Memorandum of Understanding as appended to the report dated 27 November 2017 be approved for signing.
2. That Council note progress on the construction of Central Energy Trust Wildbase Recovery facility in the Victoria Esplanade.

SUMMARY OF OPTIONS ANALYSIS FOR

ITEM 7

Problem or Opportunity	<p>Central Energy Trust has provided \$2 million towards the construction of Wildbase Recovery and \$25,000 a year for 10 years towards the operational costs.</p> <p>A memorandum of understanding (MoU) formalising the naming rights understanding is required. This report provides a draft MoU for approval.</p> <p>Central Energy Trust Wildbase Recovery construction is nearing 50% complete. This report provides an update on progress.</p>
OPTION 1:	Approve signing the draft Memorandum of Understanding with Central Energy Trust for Wildbase Recovery Naming Rights
Community Views	No objections have been received since the announcement of Central Energy Trust as the naming rights sponsor. There has been strong support for the Central Energy Trust's involvement in officer interactions with the community.
Benefits	Finalises the naming rights relationship. Provides for understanding across the stakeholders in the project.
Risks	Requires a commitment to the rights and responsibilities noted in the agreement.
Financial	Finalises the largest contribution to the heavily community funded project.
OPTION 2:	Revise the Memorandum of Understanding to address any specific concerns Councillors may have.
Community Views	No objections have been received since the announcement of Central Energy trust as the naming rights sponsor. There has been strong support for the Central Energy Trust's involvement in officer interactions with the community.
Benefits	Addresses any concerns Councillors may have about the MoU
Risks	CET are happy with the current MOU. Changes to it risk some frustration from CET.
Financial	Finalises the largest contribution to the heavily community funded project.
Contribution of Recommended Option to Council's Strategic Direction	<p>Active Recreation Strategy 2013 seeks "City reserves have unique features emphasising their individuality". Central Energy Wildbase Recovery is a new development of the aviaries at the Victoria Esplanade which are a feature of the reserve.</p> <p>The Biodiversity Strategy 2013 includes the action "Develop the Aviary in the Victoria Esplanade for injured birds and reptiles".</p>

RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 This report covers both consideration of a memorandum of understanding with Central Energy Trust (CET) and their naming rights for Wildbase Recovery and provides an update on progress on construction.

Central Energy Trust Memorandum of Understanding

- 1.2 In April 2016 the Central Energy Trust increased their contribution to the Wildbase Recovery project from \$480,000 to \$2 million conditional on;
- a. securing naming rights for the facility,
 - b. confirmation of fundraising being completed,
 - c. confirmation the Palmerston North City Council and Massey University had reached agreement on the operational costs, and
 - d. development of a Memorandum of Understanding (MoU) between CET and all the parties that are signatories to the 2014 project MoU, being the Department of Conservation (DOC), Palmerston North City Council, Massey University and the three Rangitāne o Manawatū groups – Ngāti Hineaute Hapu, Tanenuiarangi Manawatū Inc and Te Rangimarie.
- 1.3 Items a, b and c have been completed. A draft MoU to complete Item d. has been the subject of some rounds of discussion and is now in a final draft form ready for Council's approval to sign.

Central Energy Trust Wildbase Recovery Construction update

- 1.4 The Central Energy Trust Wildbase Recovery project is a major capital project in the 2017/18 year. It is also a significant development in the Victoria Esplanade. In their October 2017 meeting the Steering Group recommended an update on the project be made to Council prior to the end of the calendar year. This report includes an update on the construction.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

Memorandum of Understanding (MoU):

- 2.1 The Central Energy Trust (CET) has been working with Council officers on the draft MoU attached in Appendix One. The key points:

- 2.1.1 While an MoU is not legally binding there is a significant sum of funding involved at \$2 million. CET are comfortable that the nature of the agreement is sufficient and it has been reviewed by the legal advisors.
- 2.1.2 One of the major concerns of CET is the facility closing down within what they would consider a reasonable time given the size of their support. They have addressed this by requiring that in the event of any closure Council and CET will negotiate alternative naming rights over whatever facility may replace CET Wildbase Recovery (MoU Clause 2(c)).
- 2.1.3 CET are providing on-going funding via a \$25,000 a year operational sponsorship for 10 years (MoU Clause 3). In recognition of this on-going support CET would like a position on the Aviary Advisory Committee detailed in Schedule A of the 2014 Collaboration Agreement between Massey University and Palmerston North City Council.
- 2.1.4 The other stakeholders covered in the 2014 MoU that are included in the Aviary Advisory Committee – Massey University, Department of Conservation, and Rangitāne o Manawatu have all noted they are comfortable with CET representative being added to the Aviary Advisory Committee.

Construction update:

- 2.2 As at the end of November 2017 the build is approximately 45% complete. The following table summarises the high level work areas, progress and any key issues encountered.
- 2.3 The 27 November 2017 Project Managers Report is attached in Appendix Two. Officer commentary in addition to Project managers report:

WORK COMPONENT	PROGRESS DISCUSSION	RISKS/CONCERNS
Exterior Wall - predator proof, acoustic, security	<ul style="list-style-type: none"> The pattern, designed by artist James Molnar whose heritage includes Rangitāne o Manawatu, has been particularly pleasing. James's design work has been extended to the entrance gates because it has been so well received. 	<ul style="list-style-type: none"> There has been some discoloration on the top of each panel where the coloured concrete has dried at different rates while resting on pads. Options for resolution of this issue are under discussion and investigation. The set out of the walls was in the wrong location meaning 2 – 3 car parks will need to be removed and kerb extensions completed to accommodate walking access round

		the front of the facility.
Fitout and interpretation	<ul style="list-style-type: none"> • Good progress has been made on the detailed design and content development of the interpretive features and spaces. • Rangitāne artists are progressing the carving of a series of atua that will feature in the facility. • Openlab (division of Massey University's Wellington based design school) are nearing completion of detailed design and some fabrication has been started. • Nina Mercer, former Department of Conservation educator and School teacher, is working with Manu Kawana of Rangitāne on the content including bi-lingual signage and Rangitāne content as well as web-site content. 	<ul style="list-style-type: none"> • There were some cost overruns as detailed work was completed and fabrication quotes were sought. • The Steering Group authorised progressing the kiwi burrow \$15,000, cubby hole fillers \$5,000, outdoor TV monitor casings \$15,000 and donation box \$2,500 that were missed in design coordination and cost overruns totalling \$37,500 affect the balance contingencies and risk of cost overrun.
Solar Panels	<ul style="list-style-type: none"> • An independent specialist engaged to prepare a business case visited the site on 5 December 2017. Preparation of a report is underway. • The switch board has allowed for solar connections – costing \$4,000 	
DOC permit	<ul style="list-style-type: none"> • DOC permit information for the tuatara and permanently housed birds in the walkthrough aviary has been prepared and submitted. 	<ul style="list-style-type: none"> • The application requires amendment and engagement with Ngaati Koata from the rohe where the tuatara originate from. Nina Mercer has been engaged to help facilitate progress on the engagement and permit.

Financial progress:

- 2.4 The November 2017 project Financial Statement from the Quantity Surveyor cost monitoring consultants shows \$11,000 of the original contingency allowance of \$330,000 remaining. The significant variations have been:

ITEM 7

- Unexpected work due to soft ground total \$166,845.77 - made up of \$97,622.76 for ground improvement under walls, under crane stand \$8784.48, additional base course under aviaries costing \$38,622.40, dig barrier soft spots \$7,000, temporary electrical cable (required because of additional depth of foundations affecting existing cable) costing \$10,327.31 and \$4,488.82 to fill a void under the walk through aviary footing.
 - Plant sheds (for water reticulation pumps and filters) – revised design from sunken below ground level pits following detailed design coordination and review - \$24,661.64
 - Additional services design work \$15,283.80 and drainage \$10,000 and sewer pump requirements \$10,000
- 2.5 This is a very lean allowance at this stage of the project. While most of the major variations are expected to have been completed as the ground works, walls and education centre work is largely complete there remains some risk of some overspend if further variations are required.

Funding update:

- 2.6 In March 2017 when Council approved the award of tender the fundraising total was still \$467,792 short of the total project budget.
- 2.7 Council approved an underwrite of \$440,000 (Resolution 40-17) so the construction could proceed on the basis this shortfall would be addressed as far as possible. Officers signalling they believed the majority could be covered through mesh specification changes and additional fundraising. That funding gap was successfully filled between specification changes to aviary mesh and education centre flooring as well as further fundraising.
- 2.8 At the time of tender reporting a risk was highlighted with the Pub Charity funding for the raptor aviaries creating a timing challenge. The Project Managers and Contactors have successfully eliminated that issue and the full grant amount of \$120,000 has been used.
- 2.9 Funding support work has continued, much of it driven by the Mr Scott Bruce, helping to off-set some of the variations that have arisen during construction and providing higher quality outcomes at no cost change.
- 2.10 In-kind support generated since tender:
- *Peterfell and LANXESS* donated the colour for the exterior concrete walls for a higher quality finish not affecting budget
 - *Powerco* donating additional power cable work required due to additional depth required for foundations reduced variations amount
 - *Humes pipelines* donating materials

- *EMF switchboards* have undertaken to donate the equivalent value of the switchboard installed to the Wildbase Recovery Community Trust
- *IPlex Pipelines* donated additional product, over and above their previous earlier general services pipe product) for aviary ponds and pool reticulation and audio-visual cabling conduit.
- *Hand dryers* were donated by SPL Limited thanks to Chapple Architects approach
- *Silvester Clark* consulting engineers continue to work for free on project design and construction monitoring.
- *Programmed Property Services* – supply and labour for graffiti coating exterior pre-cast wall. This was not covered in the original specifications but can now be added at no extra cost to the project.
- *RLB Quantity Surveyors* – Mr Wayne Kitching has been doing some of the cost control and monitoring work on his own time.
- A number of small community donations to the *Wildbase Recovery Community Trust* such as those covered in media articles.

Possible further savings or support:

1. *Winstone Wallboards* recently toured the facility and verbally agreed to at least a discount but possibly some product donation. This support is thanks to a Chapple Architects approach.
 2. *McIntosh Cranes, and Hoult's Contractors* donating logs and their transport for aviary fitout may reduce the end bill covered in a provisional sum depending on other costs.
- 2.11 It needs to be noted that the Quantity Surveyors report referred to under Clause 2.4 of this report, values all components of the project, including in-kind work and material supplies. Accordingly the cash funding required by Council following payments from other funding partners needs to also make adjustments for the value of the in-kind contributions.
- 2.12 This cash position is currently being prepared at the time of writing this report and will be available for presentation at the Committee meeting.

Timeframes

- 2.13 Some delays in the first 6 months of construction were incurred due to the poor weather over that period and the additional work required due to soft ground. Furthermore an issue has arisen with the pole support structure for the alternative aviary mesh. This is currently being assessed by the design team in conjunction with the main contractor and his mesh supply subcontractor. That assessment will address areas of responsibility and cost implications. It may also lead to a time extension.

- 2.14 However at this stage is now expected to be complete in early June 2018.
- 2.15 Massey Vets note the need for a one month quarantine period where pest exclusion and elimination is undertaken along with any commissioning issues that need to be dealt with.
- 2.16 Opening Central Energy Trust Wildbase Recovery to the public is therefore likely to be in August 2018.

3. DESCRIPTION OF OPTIONS

Central Energy Trust naming rights Memorandum of Understanding

- 3.1 Option One: Approve signing the draft Memorandum of Understanding with Central Energy Trust for Wildbase Recovery Naming Rights
- 3.2 Option Two: Revise the Memorandum of Understanding to address any specific concerns Councillors may have.

Construction update:

- 3.3 No options are presented as part of the general project update.

4. ANALYSIS OF OPTIONS

Central Energy Trust naming rights Memorandum of Understanding

- 4.1 Central Energy Trust are the largest financial contributor to the Wildbase Recovery contributing more than the Pamerston North City Council capital contribution of \$1.37 million or Lotteries \$950,000.
- 4.2 Central Energy Trust have paid \$900,000 over to Council in March 2017. They are due to make their final \$1.1 million contribution, when 85% of the construction is completed, expected to be end of March 2018.
- 4.3 The MoU has been prepared over the last 6 months and CET are happy with it in its current form.

5. CONCLUSION

- 5.1 The CET naming rights sponsorship was the turning point in the fundraising timeline for Wildbase Recovery. Signing of the MoU formalises the undertakings made in accepting that funding.
- 5.2 Progress on the construction of Central Energy Trust Wildbase Recovery has experienced some delays but construction is still expected to be completed within the financial year.
- 5.3 Forecasting expenditure against budget is tight, particularly due to discovery of soft ground in the early construction phases. There is some risk of overruns. Fundraising and in-kind contributions continue and have achieved the original targets as well as off-set some potential variations.

6. NEXT ACTIONS

- 6.1 Sign the MoU and circulate it to the other parties for signing.



7. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

- 7.1 Not applicable for the MoU or construction update.

COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No

ATTACHMENTS

1. draft CET Naming Right MOU [!\[\]\(b6d55d0b173caf9b2505126db01e6158_img.jpg\)](#) 
2. CET Wildbase Recovery Construction Project Report November 2017 [!\[\]\(ef4c06c861a77cbd8cff5c2a4ca34233_img.jpg\)](#) 

Aaron Phillips
**Senior Property & Parks
Planner**

ITEM 7

THIS MEMORANDUM OF UNDERSTANDING

BETWEEN: THE TRUSTEES OF THE CENTRAL ENERGY TRUST at Palmerston North ("the Trust") of the one part

AND: THE PALMERSTON NORTH CITY COUNCIL at Palmerston North ("PNCC") of the other part

AND: MASSEY UNIVERSITY at Palmerston North ("Massey") of the other part

AND: DEPARTMENT OF CONSERVATION at Palmerston North ("DOC") of the other part

AND: RANGITĀNE O MANAWATŪ at Palmerston North including Tanenuiarangi Manawatu Incorporated, The Trustees of Te Rangimarie Marae and Ngati Hineaute Hapu Authority ("Rangitāne") of the other part

WHEREAS:

- A. The Trust is a Consumer Trust established by Deed dated 20 April 1993.
- B. The Trust has funds to be made available by way of grants and loans for approved purposes within the Manawatu and elsewhere.
- C. The Trust has offered to join as a contributor to develop what is currently known as Wildbase Recovery involving total capital commitments to be made by PNCC under its Long Term Plan estimated at \$5.69 million by making a commitment of \$2 million.
- D. PNCC, Massey, Rangitāne and DOC entered into a separate Memorandum of Understanding for Wildbase Recovery in 2014, and PNCC and Massey entered into a Collaboration Agreement for Wildbase Recovery in 2014.
- E. The parties have agreed to enter into this Memorandum to record their respective understandings in respect of the Trust's contribution as a major stakeholder to the capital programme for Wildbase Recovery.

NOW THEREFORE this memorandum records as follows:

1. Commitment

In the context of PNCC resolving to commit \$5.69 million to Wildbase Recovery under its Long Term Plan the Trust will for its part commit funds of \$2,000,000.00 to PNCC to assist with those approved new capital work within the Wildbase Recovery development.

2. Sponsorship and Branding

(a) For a 30 year period commencing from the execution of this Memorandum the Trust will be the Naming Rights Sponsor of Wildbase Recovery.

(b) For the period of 30 years Wildbase Recovery will be branded Central Energy Trust Wildbase Recovery

(c) Should Wildbase Recovery cease to operate any ongoing aviaries or similar facilities will be branded the Central Energy Trust Aviaries or similar, in accordance with any negotiations that might be carried out at the time.

(d) The PNCC design team will work with the Trust on the best signage options.

(e) The Trust will, in addition to the benefits that will follow as a consequence of the sponsorship, obtain additional exposure by way of advertisements on a large screen provided within the Education Centre of Wildbase Recovery.

3. Aviary Advisory Committee

The Trust has offered to make a contribution of \$25,000 per year for 10 years towards the operational costs of Wildbase Recovery. The commencement of the 10 year period will be the day that Wildbase Recovery is open to the public.

The Trust will be offered a position on the Aviary Advisory Committee as an addition to the membership detailed in Schedule A of the Wildbase Recovery Collaborative Agreement between PNCC and Massey, dated 11 June 2014.

4. Liaison and Coordination

The Trust will also be involved in any discussion on the implementation and coordination of the Wildbase Recovery project as per the MoU between Massey, PNCC the Rangitāne and DOC signed variously in June and July of 2014. The Trust will nominate a key contact person who will have the role identified in Section 6 of the 2014 MoU.

5. Payment Details

Payment of the determined \$2 million capital contribution will be made by the Trust to PNCC at the Trust's discretion but the Trust undertakes that:

- At least \$1 million will be provided prior to 65% of the build being complete – with PNCC providing a schedule of completed components and the balance build components to complete.
- The balance \$1 million will be provided prior to 85% of the build being complete – with PNCC providing a schedule of completed components and the balance build components to complete.

6. Trustee Hosting

PNCC will make available to the Trust the Wildbase Education Centre and its meeting room for a minimum of two uses per year at the Trusts discretion.

7. Parties' Obligations

PNCC will provide the Trust with details of the required components of Wildbase Recovery and will ensure that the Trusts expectations around the accountability of the proposed funding is met by providing the Naming Rights Sponsorship and the other benefits contemplated by this memorandum.

8. Other Sponsorships

Notwithstanding the provisions of this Memorandum the Trust accepts that PNCC wishes to identify other sponsors for Wildbase Recovery from time to time. In this regard PNCC will consult with the Trust in respect of proposed Tier Two and Tier Three sponsors as they are known and will ensure that such additional sponsorship in no way denigrates from the naming and other rights granted to the Trust herein.

9. Co-operation

The parties to this memorandum agree to co-operate with each other in good faith to the fullest extent during the lifetime of this memorandum and ensure that the understandings set out herein are utilised to the fullest extent possible for the benefit of the Manawatu Region.

10. Term

This MOU will commence after the last Party signs and will continue until 28 July 2043 (at which time the permit from the Department of Conservation expires).

DATED this day of 2017

SIGNED on behalf of)
CENTRAL ENERGY TRUST)
by two of its trustees)

SIGNED on behalf of)
PALMERSTON NORTH)
CITY COUNCIL by Heather Shotter - CEO

Witnessed by
Name:
Position:

SIGNED on behalf of)
MASSEY UNIVERSITY)
Name:
Position:

Witnessed by
Name:
Position:

Tanenuiarangi Manawatu Inc)
Name:
Position:

Witnessed by

Name: _____

Position: _____

SIGNED on behalf of _____)

The Trustees of Te Rangimarie Marae

Name: _____

Position: _____

Witnessed by

Name: _____

Position: _____

SIGNED on behalf of _____)

Ngati Hineaute Hapu Authority

Name: _____

Position: _____

Witnessed by

Name: _____

Position: _____

SIGNED on behalf of the Director-General of Conservation

DEPARTMENT OF CONSERVATION

Name: Reg Kemper _____

Position: Director Operations Lower North Island
(under delegated authority)

Witnessed by

Name: _____

Position: _____

Central Energy Trust – Wildbase Recovery

Project Report for Central Energy Trust and Palmerston North City Council for the period ending 27 November 2017



1 Summary & Overview

Key Actions / Decisions achieved in the last period

- The sourcing of the boulders has been completed, the larger boulders have arrived on site and are ready to be placed once the pond liner is installed in the walkthrough aviary.
- Education framing has been 100% completed, the exterior façade has been 100% completed with one further coat of stain to be applied.
- 90% of the internal wall linings have been installed and 50% of the ceiling has been installed not including the Woodtex panels in the public space.
- 25% of the painting has been completed internally.
- Grading of the soil in the walkthrough aviary has started and 85% through, the dig barrier has been installed and the pond has been dug out ready to be lined.
- 80% of the front entrance framing has been installed, roof has been installed on the front entrance.
- Fabric Structures has completed their structural analysis and design for the aviary mesh. It has been found that the current poles erected are not strong enough to hold the weight and tension of the mesh. Silvester Clark and Fabric Structures are working collaboratively to design a solution.

2 Health & Safety

- Kynoch's Site Specific Safety Plan continues to be updated as new task analysis are completed as new works start on site. Inductions will be required for any and all site visits going forward.
- The following near misses/ corrective actions have been undertaken over this period:
 - One incident on site, a Kynoch Construction Ltd, Labourer, was cutting 2 x 4 into wedges for framing with a skill saw, the saw kick backed and severed two fingers, and he was rushed to hospital for surgery, incident report attached.

3 Regulatory

- Building Consent – Partial Pre-line inspection has been completed, allows exterior cladding to start to be installed

4 Programme & Progress

Progress Key ■ On track ■ At Risk ■ Off Track

Key Milestone	Expected Date	Comments
Complete framing to front entrance	November 2017	On Track
Construction Completion Date	April 2018	Due to the re-design of the poles work to the exterior pole installation has been put on hold and will delay completion

		date.
Concrete Perimeter wall completion	November 2017	95% completed, remaining panels to be installed at the end of the project.
Installation of the larger boulders for the walkthrough aviary	Mid December	Now on track as boulders have arrived on site.
Installation of Aluminium joinery	November	Completed

5 Works Being to be completed within the next period

- The below indicates the works to be completed on site through to the next period:
 - Pond membrane to be installed in the walkthrough aviary
 - Interior painting to continue and flooring prep to be completed
 - Stitching between the external panels to be completed, design underway for an alternative detail
 - Exterior painting to be completed
 - Boulders to be installed in the walk through aviary
 - Tree perches to be installed in the walk through aviary.
 - Structural design to be produced for the remaining aviary posts, coordinated by Silvester Clark and Fabric Structures
 - 2nd fix of services to begin
 - Trenching for electrical and plumbing to begin externally

6 Financial

Description	Contract Total	Invoiced to Date*
Project Cost		
Preliminary and General	\$491,000.00	\$134,420.50
Siteworks, Site Boundary and Infrastructure	\$845,579.40	\$224,960.43
Support and Interpretive Building	\$767,895.76	\$279,901.88
Aviary, Vestibule and Pool Structures	\$1,846,765.30	\$97,006.16
Variations	-	\$76,319.22
Construction – Sub Total	\$3,951,740.00	\$813,475.67
Materials Delivered to the Site		\$7,107.38
Advances for Materials		\$183,853.00
Overall – Sub total		\$1,004,436.05
Retentions		\$(50,221.80)
Total Paid		\$954,214.25
* Invoiced to date indicates certified payment claims, this includes up to payment claim 5, payment claim 6 will be received in early December		
Donated Funding Spend		
Infinity Foundation	\$20,000	\$20,000.00
Pub Charity	\$120,000	\$120,000.00
NZCT	\$30,000	\$30,000.00
Mainland Foundation	\$25,000	\$25,000.00

Lotteries Environment & Heritage	\$500,000	\$500,000.00
Eastern & Central Community Trust	\$250,000	\$250,000.00
Lotteries Significant Projects	\$450,000	\$9,214.25
Central Energy Trust	\$2,000,000	
Sub-total	\$3,375,000.00	\$954,214.25
Variations	Estimated Costs	Confirmed Costs
Please see RLB Report for Updated Variation List		
Total Project Value	Original	Updated
Construction Costs	\$3,607,240.00	\$3,723,829.27
Separate Contractor Costs	\$525,087.00	\$660,342.46
Interpretive Works	\$475,000.00	\$479,000.00
Consultant Costs	\$923,850.00	\$986,981.03
Statutory and Consent Charges	\$35,000.00	\$35,000.00
Contingencies	\$330,000.00	\$11,024.24
Grand Total	\$5,896,177.00	\$5,896,177.00

7 Issues / Risks

Risk to Project Key		Low	Medium	High	Extreme
Risk		Comment	Remediation		
Boulder Supply		Larger boulders have been brought to site and are ready to be placed when required. There is still an overall programme impact to be worked through.	Ensure boulders are received in good condition and as per specification. Work with Kynoch to mitigate programme risk.		
Aviary Poles		Aviary poles that were erected for the walkthrough aviary have been found not to be sufficient structurally for the aviary mesh	Silvester Clark and Fabric Structures are working together to come up with alternative solutions to allow for the mesh to be installed.		
Programme		Programme may be affected by the aviary poles re-design	Currently awaiting design and will re-assess with Kynoch		
Cost		The current costs to date the majority being the ground condition variations have resulted in the project being very close to exhausting contingency allowance.	These variations are being confirmed by RLB, a couple of further donations including the following: door hardware has come in less than anticipated, foundations for Pou are being reviewed but may come in less		
Variations Outstanding		There is a number of Plumbing variations that are not being costed by Brokenshire.	Both Kynoch and RLB are trying to help Brokenshire to put together the variations		
Funding Requirements		Funding dates are being reviewed and updated, however dates are approaching that need to be met.	Raptor aviary spend was exhausted and all monies has been accounted for, the rest of the funding dates are achievable.		

Prepared by Michael Anderson
Reviewed by Saiful Islam



Exterior of the building is fully enclosed – 23/11/2017



Large Walkthrough Aviary Rocks – 23/11/2017



Rest of the large rocks – 23/11/2017



Walkthrough aviary has been graded, stream cut out – 15/11/2017



Interior Plasterboard has been installed – 15/11/2017



Exterior large windows have been installed along with glazing – 23/11/2017



Some remaining poles have been installed – 15/11/2017



All in-wall services has been installed before plasterboard – 09/11/2017



Insulation has been installed in interruptive space – 15/11/2017

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 18 December 2017

TITLE: Conference Opportunity - Digital Nations 2030

DATE: 4 December 2017

AUTHOR/S: Kyle Whitfield, Governance & Support Team Leader, City Corporate

ITEM 8

RECOMMENDATION(S) TO FINANCE AND PERFORMANCE COMMITTEE

1. That the Committee approve the attendance of up to XX elected member(s) to attend, with expenses paid, the Digital Nations 2030 conference being held in Auckland on 19-20 February 2018.
2. That, in the event that the Committee approves the attendance of elected member(s) at the above training, then registrations of interest be invited from elected members wishing to attend, with expenses paid, and advise the Governance and Support Team Leader, Kyle Whitfield, by 12 noon Friday 22 December 2017.

1. ISSUE

The elected members' budget for conference attendance and training opportunities is \$72,336. As at 4 December 2017 there remains \$54,070 available for the balance of the financial year ending 30 June 2018. This does not include outstanding invoices that have been previously approved, but have yet to be presented for payment.

Anticipated expenses for attending this conference are:

Conference	\$1,399.00 plus GST (Full summit pass)
	\$1,099.00 plus GST (Day 2 Pass)
Travel	\$350.00
Accommodation	\$120.00

No financial provision is to be made for any spouse or partner of an elected member attending any conference or training opportunity, other than for the Mayor's spouse or partner attending a conference in association with the Mayor.

2. BACKGROUND

Digital Nations 2030 is an international summit located in Auckland. The event coincides with the visiting Ministerial and business delegations from the world's leading Digital Nations and the D5 meeting.

International thought leaders will be joined by digital leaders from throughout New Zealand to engage in stimulating dialogue and aspirational discussions on actions needed to create a truly digital nation by 2030.

Day 2 presents a unique opportunity for participants across all sectors to co-design the digital future of sectors and society.

The Agenda is attached.


3. NEXT STEPS

The Committee may choose whether any elected members should attend the conference, and if so, how many, in which case the Committee could invite registrations of interest from elected members wishing to attend.

If the Committee decides to approve the attendance of one or more elected members, registrations of interest will be sought from elected members. At the closing date of registrations (12 noon on Friday 22 December 2017), the Governance and Support Team Leader will advise the Chairperson and Deputy Chairperson of the interest received, for them to make a decision on the successful registrant(s).

Once the Chairperson and Deputy Chairperson have advised the Governance and Support Team Leader of the successful registrant(s), all further information regarding the conference will then be forwarded to that person or those persons direct.

ATTACHMENTS

1. Conference Agenda [↓](#) 

Kyle Whitfield
Governance & Support
Team Leader

Agenda

<p>Day 1: Plenary 19 February (/programme?qt-agenda_tab=0#qt-agenda_tab)</p> <p>Day 2: Forums 20 February (/programme?qt-agenda_tab=1#qt-agenda_tab)</p>	<p>VIEW / DOWNLOAD BROCHURE (HTTPS://S3.AMAZONAWS.COM/ONLINE.DN18)</p>
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8.30	Registration and coffee	
8.50	Powhiri and opening of Digital Nations 2030	
9.10	<p>Welcome from our MCs</p> <p>Rod Oram, Business Commentator Rosalie Nelson, General Manager - Strategy, Impacts and Insights & Cologhan Innovation</p>	▶
9.20	<p>Ministerial Address</p> <p>Hon. Clare Curran, Minister for Government Digital Services</p>	▶
9.30	<p>Opening Keynote Address</p> <p>Graeme Codrington, CEO & Futurist, TomorrowToday (South Africa)</p>	▶
10.10	Q&A	
10.20	<p>Keynote Address</p> <p>2017 was the dawn of the DX (digital transformation) economy. By DX economy, we mean digital transformation will attain macroeconomic scale and impact. It will become the core of what industry leaders do and how they operate. 2018 is when the "ticking clock" starts. Nations and organizations slow to adopt a digital-native operating model will compete for a smaller and smaller piece of the global economy. This keynote will focus on where we will see innovations multiply, giving rise to new business models and unprecedented competitive benchmarks.</p> <p>Sandra Ng, Group Vice President Asia Pacific, IDC (Singapore)</p>	▶
11.00	Q&A	
11.10	Morning tea	
	Digital Nations Panel Series	
11.40	Outlook priorities - Innovation in Government to 2030	▶

This outlook snapshot identifies and clarifies the priorities for digital innovation in government towards 2030

11.50	<p>Panel: Leading digital transformation across Government, Economy & Society</p> <ul style="list-style-type: none"> Identifying the skills, traits and necessities for the next generation of digital citizens and leadership Addressing digital inclusion and creating accessible services while understanding the barriers precluding access New models to enhance collaboration and aspirational approaches to our digital economy Building capacity in policy for an innovative public sector Working towards smart governments – the technology, culture shift and partnerships required for this to happen Becoming agile and resilient in the face of rapid disruption <p>Colin MacDonald, <i>Chief Executive, Secretary for Internal Affairs; Secretary for Local Government; and Government Chief Information Officer (New Zealand)</i> Andrew Grant, <i>Senior Partner, McKinsey & Company (Singapore)</i> Liam Maxwell, <i>National Technology Adviser, HM Government (United Kingdom)</i> Graham P. Waller, <i>VP Distinguished, Analyst Digital Business Leadership, Gartner (United States)</i></p>	
12.40	<p>Panel: Citizen centric engagement – customer centric design</p> <ul style="list-style-type: none"> Structuring policy to enable digital inclusion, change and transition and ensuring the rights of citizens in a digital economy Enabling technology to deliver better services for citizens and customers Ensuring people are protected and enabled to make the most of the digital revolution Delivering integrated services that are based on user needs and requirements Understanding the journey and skillfully managing this for stronger experiences <p>Mark Jeffries, <i>Founder, Mycare (New Zealand)</i> Sim Sikkut, <i>Government CIO, Ministry of Economic Affairs and Communications (Estonia)</i> David McLean, <i>Chief Executive Officer, Westpac (New Zealand)</i> Mike Cunningham, <i>Deputy Commissioner, Information Intelligence & Communications & Inland Revenue (New Zealand)</i> Simon Moutter, <i>Chief Executive Officer, Spark (New Zealand)</i></p>	
1.30	Lunch	
2.30	<p>Panel: Big Data for predictive outcomes – informing and targeting policy and resource allocation</p> <ul style="list-style-type: none"> Balancing opportunity and collaboration with security and risk - creating risk frameworks and policy for the collection and use of bigger data sets Ensuring the governance and technology is correctly configured to avoid data breaches Using data wisely – creating centres of analytics excellence without compromising integrity Aligning data use with social imperatives Data driven initiatives – fuelling evidence based policy making and enabling significant change in public policy performance <p>Liz MacPherson, <i>Chief Executive and Government Statistician, Statistics NZ (New Zealand)</i> Dorothy Adams, <i>Acting Chief Executive, Social Investment Agency (New Zealand)</i> Shai-lee Spigelman, <i>CEO - Digital Israel, Ministry of Social Equality (Israel)</i></p>	
3.20	<p>Panel: Showcasing digital leadership</p> <ul style="list-style-type: none"> Collaboration with the private sector – becoming nimble to solve challenges and opportunities across all sectors Building capabilities within agencies, companies and governments to tackle future workforce challenges Digital as a mind-set – leading a positive mind-set for the uptake and rollout of digital technologies Provisioning for digital inclusion – providing digital touch points and support at a community level and reducing the gap between the internet "haves" and "have-nots" <p>Te Aroha Morehu, <i>Kaitiaki / General Manager Toki Takao & Project Lead for Digital Transformation, Ngāhi Whātua Ōrākei Whai Maia Ltd (New Zealand)</i> Sam Minné, <i>CEO & Co-founder, SilverStripe (New Zealand)</i> Victoria MacLennan, <i>Chair, Digital Skills Forum (New Zealand)</i> Kristine Dery, <i>Research Scientist, MIT Sloan School of Management (Australia)</i> Sue Suckling, <i>Independent Director & Future Strategist (New Zealand)</i></p>	
4.10	Afternoon Tea	
4.40	<p>Closing keynote panel - Supporting a thriving digital sector</p> <p><i>Voices from education, health, entrepreneurs, finance sector and social enterprise on cultivating digital leadership & culture.</i></p> <ul style="list-style-type: none"> Measuring the Digital Economy with upended traditional value models – how can businesses and governments support a shift of value into an "unmeasurable economy" Increasing productivity and economic benefits of digital transformation Facilitating culture shifts – aligning the workforce, technology and policy required to create the "perfect storm" Important skills for the future with new ways of thinking and behaving and creating opportunities for lifelong learning Cultivating digital leadership – creating responsive environments for a new wave of thinking, process and opportunity <p>Frances Valentine, <i>Founder, Tech Futures Lab (New Zealand)</i> Ian Taylor, <i>Chief Executive Officer, Animation Research Ltd (New Zealand)</i> Leigh Flounders, <i>Board Member, NZTech; & Non-Executive Director and Board Member & Lotipay (New Zealand)</i></p>	

Vic Crone, Chief Executive Officer, Callaghan Innovation (New Zealand)
 Carolyn Tremain, Chief Executive, Ministry of Business & Innovation & Employment (New Zealand)

5.30 Summary and final comments from the Chair

5.40 New Zealand Innovation Showcase & Networking Function

Held at MOTAT, network alongside some of our finest Innovators and Digital Leaders at the New Zealand Innovation Showcase.

At the close of Plenary Summit on Day 1, delegates will be transported to MOTAT, Auckland's iconic Museum of Transport and Technology to network alongside some of our finest Innovators and Digital Leaders at the New Zealand Innovation Showcase.

Ticket Options

FULL SUMMIT PASS (19 & 20 FEB)

\$999* + GST

*Super Saver (pay before 15 Dec 2017)

Last Minute: \$1399 + GST

ACCESS TO:

- Day 1 Plenary Summit
- The New Zealand Innovation Showcase and Networking Function (transportation included)
 - Day 2 Plenary Sessions
 - Day 2 Future Focused Forums - co-designing the digital future of your sector and society
- Day 2 Digital Nations Networking Function

(https://www.conferenz.co.nz/registration/add/CL160_C1)

DAY 2 PASS (20 FEB)

\$699* + GST

*Super Saver (pay before 15 Dec 2017)

Last Minute: \$1099 + GST

ACCESS TO:

- Day 2 Plenary Sessions
- Day 2 Future Focused Forums - co-designing the digital future of your sector and society
- Day 2 Digital Nations Networking Function

(https://www.conferenz.co.nz/registration/add/CL160_C2)

Agenda

<p>Day 1: Plenary 19 February (/programme?qt-agenda_tab=0#qt-agenda_tab)</p>	<p>VIEW / DOWNLOAD BROCHURE (HTTPS://S3.AMAZONAWS.COM/ONLINE.DN17)</p>
<p>Day 2: Forums 20 February (/programme?qt-agenda_tab=1#qt-agenda_tab)</p>	



9.00	Opening remarks from the MC	
9.10	Opening keynote: Showcasing digital and creative industry excellence	
9.50	<p>Case study: The NZ Government Common Web Platform (CWP)</p> <p>The Common Web Platform (CWP) is the official web platform of the NZ government. It was launched in 2013 and has grown to include over 200 websites, from 60 government agencies. This innovative approach shows how a private and public sector partnership can be used to drive cost efficiencies, reduce duplication and push government digital innovation.</p> <p>Nicole Williams, Head of Product, SilverStripe Christine Bennett, GM - Government Information Services, Department of Internal Affairs</p>	
10.20	<p>Best practice models of government and industry co-design, co-development and co-creation</p> <p>Pia Waugh, Service Integration Lead, Department of Internal Affairs</p>	
10.50	Morning tea	

Building Digital Nations by 2030 - Future Focused Sector Forums

Delegates will break out into sector focused forums to engage in facilitated panel and cross table discussions to envisage the future state across various parts of an ideal Digital Nation and to discuss and develop policy and collaboration needed to get there.

Future Education and Workforce (/programme?qt-stream_tab=0#qt-stream_tab)
Future Health (/programme?qt-stream_tab=1#qt-stream_tab)
Future Society (/programme?qt-stream_tab=2#qt-stream_tab)
Future Productive Sectors (/programme?qt-stream_tab=3#qt-stream_tab)
Future Finance (/programme?qt-stream_tab=4#qt-stream_tab)

FUTURE EDUCATION & WORKFORCE

11.20	<p>Opening address – an aspirational view of 2030 education & work</p> <p>Frances Valintine, Founder, Tech Futures Lab</p>	■
11.50	<p>Case study: Adaptivity as crucial for success – creating fit for purpose solutions for future education</p> <ul style="list-style-type: none"> • How new commercial technologies influence and create opportunity for the education and education technology space • Utilising the human factor – relating to customers and maximising reliability • Providing data as an opportunity – leveraging data to create personalised learning experiences <p>Jan Zawadzki, Founder, Hapara</p>	■
12.20	<p>Panel: New models of learning and training in a world of constant change</p> <ul style="list-style-type: none"> • How can society, business, and government support and encourage lifelong learning and development? • Transforming traditional pedagogy to better support learning and development of twenty-first century skills • What does the business of the future look like and how can we equip tomorrow's workforce for success? <p>Russell Burt, Principal, Pt England School; Convenor & Moderator Derek Wenmoth, Director – eLearning, Core Education Haami Piripi, Chairperson, Iwi Chairs Forum David Glover, Executive Director – Partnerships, Business Development and Marketing & Unilever Institute of Technology</p>	■
1.00	Lunch break	
2.10	<p>Panel: Finding the balance – Collaboration between EdTech, educators and the government</p> <p>This panel discussion will examine the collaborative approach required to create an environment where learners can gain the skills to thrive in the modern digital economy.</p> <ul style="list-style-type: none"> • Creating innovative approaches to support learner behaviour and ensure basic levels of digital capabilities are reached • Creating environments for optimal learning – balancing today's skills with the future needs and lifelong learning opportunities • Providing platforms for innovation and to enable critical thinking amongst today's learners <p>Rohan Wakefield, CEO, Enspirat Dev Academy Sue Sackling, Independent Director & Future Strategist</p>	■
2.50	Table challenges	
3.20	Summary and actions	
3.30	Afternoon break	
4.00	<p>Co-designing a Digital Nation</p> <p>Reconvene to plenary to co-design a future government across all sectors</p>	■
4.40	<p>Digital Nations Closing Networking Function</p> <p>Featuring a range of diverse digital technologies, gather in an informal atmosphere over drinks and canapes to hear short and sharp presentations from the leading most innovative exemplars of Digital Technology in New Zealand.</p>	■

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COMMITTEE WORK SCHEDULE

TO: Finance and Performance Committee

MEETING DATE: 18 December 2017

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO FINANCE AND PERFORMANCE COMMITTEE

1. That the Finance and Performance Committee receive its Work Schedule dated December 2017.

ATTACHMENTS

1. Committee Work Schedule [↓](#) 

FINANCE AND PERFORMANCE COMMITTEE

PART I

COMMITTEE WORK SCHEDULE – December 2017

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1	April 2018	Property Portfolio	GM, City Networks	Workshop has occurred.	21 February 2011 Clause 10-11
2	March 2018	That as part of the Library Refurbishment Project, the future access and use of the Heritage Staircase be assessed and restoration cost estimates be reported as part of the next Long Term Plan (LTP) review.	GM, Libraries and Community Services	To be added to the Library of the future project.	20 March 2017 Clause 14-17
3	November 2017	Ashhurst Domain Riverbank Erosion — confirmation received from NZTA and HRC	GM, City Networks		21 August 2017 Clause 57-17
4	March 2018	Process for reallocating and prioritisation of underspending on programmes.	CFO/GM, City Networks		18 September 2017 Clause 59-17