Questions and Answers
Pūroro Tahua | Finance and Performance
19 August 2021

2.1 Sustainable (Green and Social) Financing

I am concerned that the tests being signalled regarding this initiative are traditional narrow direct financial benefit, but the point made in paragraph 45 is important? How can we ensure that Te Atakura objectives will be factored into evaluating this?

The bonds and loans have their own criteria to enable them to be verified 'green' etc which drives the reporting against them – these are based on the internationally recognised certification schemes (Like the Intenational Capital Markets Association Green Bond Principles) rather than on Te Atakura, however they are aligned in that some of the green lending will be reducing carbon emissions. Also the investigation of issuing green bonds is one of the actions on the Te Atakura action plan. Financial benefit is not the driver of this initiative.

I'm concerned that we are too quickly dismissing the incentive approach, isn't that approach where we want the Council to be? Can we switch to this?

We are focussing on the proceeds approach for now, rather than dismissing the incentive approach. The incentive approach is used in Asia and Europe and only started being developed in NZ last year. Synlait, Contact Energy and Kathmandu have ESG sustainability linked loans through banks, however these organisations are more mature in this area with having recognised frameworks set up to enable delivery and measurement e.g Dow Jones Sustainability index, B corp certification etc

WCC will continue to mature in its approach to Green Financing and will look to more ambitious models in the future. By starting with the proceeds approach now means we can act now rather than wait to grow both the capability of the organisation and capacity of the market.

Is the LGFA on track with its own Green and Social Fund programme? Have they confirmed the employment of the Sustainability Fund Manager?

The LGFA's Green, Sustainable and Social Fund programme should be operational in October (6 weeks), after appointments to the sustainability advisory committee are complete. Nick Howell was employed as head of Sustainability for the LGFA in April 2021, after working on the framework in the background for 18 months.

Can you give any examples of how food security might be funded through this?

We haven't looked into that market as it is currently not part of WCC capital strategy or asset programme. The LGFA gives the example of 'breakfast clubs at underprivileged schools' however they are not expecting much demand in this area initially, they wanted to future proof the framework to enable these areas to develop and keep the framework consistent with the United Nations Sustainable Development Goals (UN SDG's). Green Finacing is a tool to fund existing initiatives in the Council's Long Term Plan

Please explain a bit more about “Not providing more favourable pricing but there is potential to do so in the future” (Page 7). Does this include forecasts?

Current market pricing of debt does not generally show a discount for sustainable financing, however a recent $150m 7 year trade by kiwi property seemed to show slightly better pricing than similar deals. Demand for sustainable financing is increasing and so could develop differentiated (beneficial) rates based on demand for an ESG focus from investors and supply.

What are the other projects in the council that will have the opportunity to expand our financing? (Page 8) What are the estimated time frames for being able to gear up green and sustainable financing for these?

We will be looking into projects such as social housing, three waters infrastructure, Te Matapihi (5 green star rated Library), cycle ways, and Lets Get Wellington Moving.

The timeframes are dependent on delivery of the projects, their ability to measure the outcomes required in the criteria, and the relatively short process of obtaining the funding.

How long will this lower rate apply?

The five basis point (0.5%) discount was set by the LGFA Board and will apply to the duration of the loan. The discount is effectively a reduction in margin from the LGFA when compared to the margin on other lending, rather than a market based discount at this point. This can be changed by board resolution. It is likely to be in place for at least a year until the LGFA issues its own bonds after it has obtained scale from consolidation of the loans.

Is Greater Wellington Regional Council (GWRC) also working in a similar way, or have they got any projects planned to be funded by the LGFA green/ sustainable fund? Or are they looking at issuing their own?

GWRC are also engaging with the LGFA in setting up the scheme, and would have similar scale difficulties issuing their own bonds.

Do officers recommend a Green Bond steering group for WCC?

We don’t believe a steering group is necessary as all debt funding is already managed by the Treasury Management Committee. We will be working across the relevant Business Units and the Climate Change Response Team to make applications, perform monitoring and reporting etc.

What are the long-term benefits for issuing our own bonds? Would this have any impact on going faster?

Additional benefits (or ability) for issuing our own bonds are limited in the current market. The schemes (in terms of environmental outcomes) are similar/the same as they use similar/the same verification, the benefits will then relate to the access to investors and market pricing of LGFA vs private issuance. The LGFA gives us access to sustainable lending and better pricing, whereas direct bond issues cannot guarantee either.

Using the LGFA initially does not preclude us from issuing our own sustainable bonds at any time. There is limited capacity to issue our own bonds as they need to be of a scale around $80+m, which is more than we issue on most projects (let alone applicable ones), at any given time.

What process would officers recommend for keeping the council updated on progress?

Quarterly and annual reporting. WCC will be required to provide impact reporting to LGFA .

What are the benefits to us issuing our own Sustainable Financing and issuing our own bonds?

See above

How does issuing bonds impact our debt limit with the LGFA? If we issue our own what impact does this have on our debt limit with the LGFA?

It makes no difference – the LGFA debt limit is our total debt to income ratio whether or not it is loaned through the LGFA.

Is there anything else we can do to help this go faster such as fund more of our assets through this, or issuing ourselves or working with LGFA?

We are planning to be the first Council to obtain 'green' debt through the LGFA so we are moving with as much pace as possible. It will take about 10 days to process an application. The future quantum is determined by the delivery of the relevant capital program projects.

2.2 Overview of structure and process for the Annual Report 2020/21

Is it usual for the format and approach to the AP to be approved by Councillors or is this only occurring as there is a proposed change?

The Terms of Reference for Finance & Performance committee includes the reviewing and recommending the adoption of the Annual Report to Council. This used to sit with the Audit & Risk committee. To ensure that the Committee can make an informed recommendation to Council, knowledge of the format and approach to the Annual Report development at an early stage is desirable, rather than when the report is substantially written. The paper is a noting paper to provide this information to Councillors.

Do we have a follow-on communications plan so that the community can get a really quick update on what's been achieved?

A communications plan is being developed for the adoption of the Annual Report in October.

When we say 'build the foundation' is this a digital foundation?

Yes - this year we will start to make foundation changes to the design of the report as part of preparing for a digital report in later years. For example, the design, layout and visual elements that give a concise easy to and navigate performance story for both on a screen and printed page viewing.

What are the costs associated with the print version?

$2,034 for 50 externally printed "perfect bound" copies to distribute to libraries, Arapaki and other places in order for the report to be publicly available and accessible, and $187.05 for 5 internally printed "spiral bound" copies for staff use. A total of $2,221.05.

What are the benefits of having the printed version?

The printed version is publicly available in libraries and at Arapaki. This ensures those without digital access are still able to read the report. Any digital version of the Annual Report will be constructed in a way that it can be printed on demand to ensure this accessibility remains.

However, while requirement for a printed copy remains the demand has been decreasing – for example many Central Government organisations that previously needed printed copies of the Annual Report now just need the link to the digital version on the website. We have already halved the number of printed reports we produce.