



Report 08.742
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Committee Finance, Evaluation & Risk
Author Mike Timmer Treasurer

Treasury Management Policy

1. Purpose

To consider the Council's updated Treasury Management Policy.

2. Significance of the decision

This report discusses the draft Treasury Management Policy. This policy will form part of the proposed 2009-19 Long Term Council Community Plan (LTCCP). The Council is required to follow the special consultative procedure set out in section 83 of the Local Government Act 2002 when adopting the proposed 2009-19 LTCCP. This procedure includes public notification of the proposed 2009-19 LTCCP and a formal submission process.

3. Background

Every three years the Council is obliged under the Local Government Act 2002, to review its policies, including the Treasury Management Policy (TMP). The TMP incorporates the liability and investment policies as required by the Local Government Act 2002.

Our advisors Asia Pacific Risk Management (APRM) have assisted with developing a new policy. This policy is more detailed and comprehensive than the current policy and can be considered 'best practice'.

Stuart Henderson from APRM will be in attendance at the meeting to answer any questions the Committee may have. He will also give an update on the current financial crisis.

4. **Comment**

The existing policy has been updated to incorporate foreign exchange contracts and commodity hedging for diesel, which the Council recently approved.

The major changes from the existing TMP are as follows:

- The Council approves any additional debt facilities detailed in the Annual Plan as part of their approving the Annual Plan. It is then the responsibility of the Chief Financial Officer to implement the additional facilities required.
- Any debt beyond that specified in the Annual Plan requires separate Council approval.
- The new policy covers our Council Controlled Trading Organisations (CCTO's), the old policy was silent on them.
- The new policy incorporates operational details on internal controls, accountabilities and authorities.
- There is a section on foreign exchange (FX) which sets out the rules on when to cover an FX exposure and what instruments can be used to achieve this.
- The policy requires increases to the minimum amount of fixed interest rate debt.
- There is a requirement for longer dated term debt.
- There is a 12 month transition period from the existing policy to the proposed policy to allow the Council time to comply.

This new policy is attached (**refer Attachment 1**).

5. **Timing**

Subject to any changes that may be required by the Committee, the TMP will be included in the Council's 2009-19 LTCCP which will be released for consultation in March 2009. Following consultation, and any changes required, the TMP will become effective on 1 July 2009.

6. Recommendations

That the Committee:

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Approves** the Treasury Management Policy for inclusion in the 2009-19 LTCCP.

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Barry Turfrey
Chief Financial Officer

Attachment 1: Treasury Management Policy