Attachment 1 to Report 14.326

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Treasury Risk Management Policy

Including the liability management and investment policies

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June 201~~1~~4

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Contents

1. Introduction

The purpose of the Treasury Risk Management Policy is to outline the approved policies and procedures in respect of all treasury activity to be undertaken by the ~~Greater~~ Wellington Regional Council ~~(Greater Wellington~~ the Council~~)~~. The formalisation of such policies and procedures will enable treasury risks within Council~~Greater Wellington~~ to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within the Council ~~Greater Wellington~~ continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry "best practices" for a Council the size and type of the Wellington Regional Council ~~Greater Wellington~~.
- The Council's~~Greater Wellington's~~ risk-bearing ability and tolerance levels.
- Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on the Council's~~Greater Wellington's~~ financial exposures.
- Robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- The extent to which the policy assists the Council ~~Greater Wellington in~~ achieving strategic objectives relating to ratepayers.

The policy will be distributed to all personnel involved in any aspect of the Council's ~~Greater Wellington's~~ financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.

A twelve-month phase in period to debt and interest rate control limits is permitted upon ratification of this policy.

2. Scope and objectives

2.1 Scope

This document identifies the policy and procedures of the Council ~~Greater Wellington~~ in respect of treasury management activities.

The policy has not been prepared to cover other aspects of the Council's~~Greater Wellington's~~ operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of the Council~~Greater Wellington~~ cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.

2.2 Principles

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by The Council's~~Greater Wellington's~~ solicitors.
- The Council ~~Greater Wellington~~ will not enter into any borrowings denominated in a foreign currency.
- The Council ~~Greater Wellington~~ will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which the Council ~~Greater Wellington~~ would achieve without pledging rates revenue.
- A resolution of the Council~~Greater Wellington~~ will not be 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~~Greater Wellington~~.

2.3 Objectives

The objective of this Treasury Risk Management Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:

- Minimise the Council's~~Greater Wellington's~~ costs and risks in the management of its borrowings and maximise its return on investments.
- Minimise the Council's~~Greater Wellington's~~ exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect the Council's~~Greater Wellington's~~ financial assets and costs.
- Arrange and structure appropriate funding for the Council~~Greater Wellington~~ at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.

- Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's~~Greater Wellington's~~ lending/security arrangements.

- Comply with financial ratios and limits stated within this policy.

- Maintain a long-term Standard & Poor's credit rating at AA- or better.

- Monitor the Council's~~Greater Wellington's~~ return on investments in CCTOs, property and other shareholdings.

- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.

- Maintain liquidity levels and manage cash flows within the Council~~Greater Wellington~~ to meet known and reasonable unforeseen funding requirements.

- Minimise counterparty credit risk.

- Adhere to all statutory requirements of a financial nature.

- Provide adequate internal controls to protect the Council's~~Greater Wellington's~~ financial assets and to prevent unauthorised transactions.

- Develop and maintain relationships with financial institutions and investors in the Council's~~Greater Wellington's~~ debt securities.

- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.4 of this policy.

- Keep Council abreast of macro economic trends.

2.4 Policy exclusion

This policy covers WRC Holdings and its subsidiaries, but excludes CentrePort Ltd.

3. Management responsibilities

3.1 Overview of management structure

All of the Council's~~Greater Wellington's~~ treasury management activities are undertaken by the Treasury Management Department.

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in sections 3.2 – 3.8 of this policy:

3.2 Council

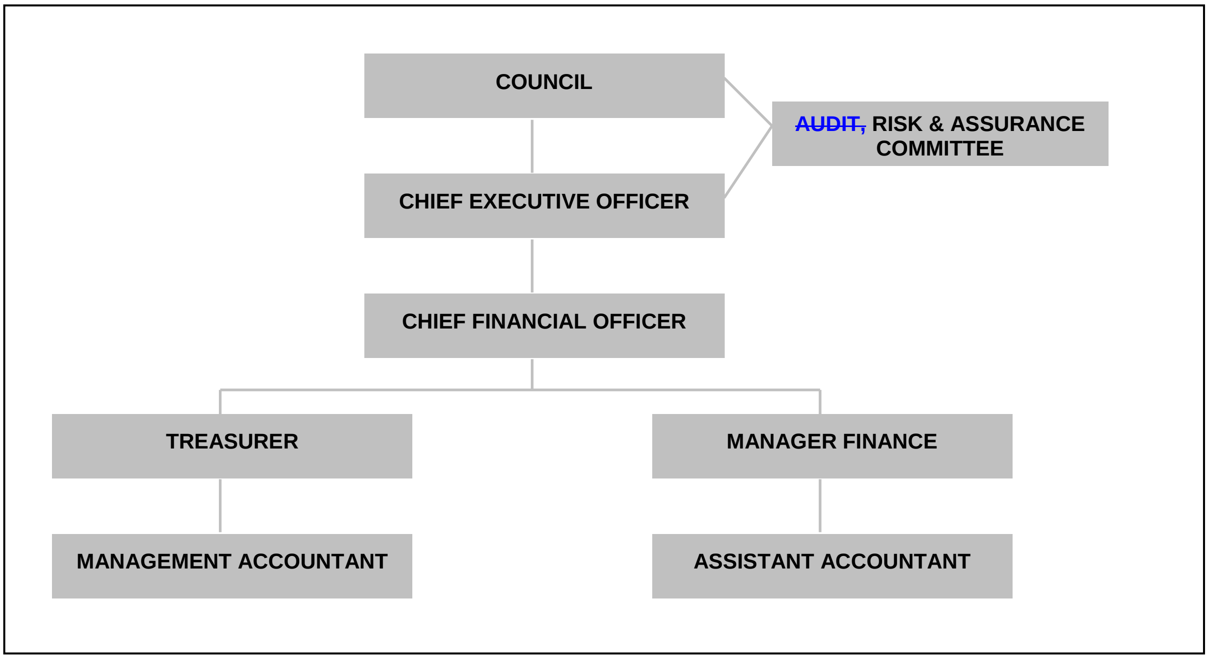
The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time-to-time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of the Council~~Greater Wellington~~ through the 10-year Long-Term Council Community Plan (LTCCP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan
- Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other managers

Management structure



  - counterparties and credit limits
  - risk management methodologies and benchmarks
  - guidelines for the use of financial instruments.
- Approving budgets and high level performance reporting.
- Delegating authority to the CEO and other officers.

- Reviewing and approving the Treasury Risk Management Policy every three years.

The Council will also ensure that:

- It receives appropriate information from management on risk exposure and financial instrument usage in a form that is understood.

- Issues raised by audit

- ors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.

- Approval is gained for any transactions falling outside policy guidelines.

3.3 ~~Audit,~~ Risk & Assurance Committee (~~Audit,~~ Risk & Assurance)

~~Audit,~~ Risk & Assurance has the following responsibilities:

- Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.

- Receiving recommendations from the CEO and CFO and making submissions to the Council on all treasury matters requiring Council approval.

- Recommending performance measurement criteria for all treasury activity.

- Monitoring six-monthly performance against benchmarks.

~~Audit,~~ Risk & Assurance will:

- Oversee the implementation of the Council's~~Greater Wellington's~~ treasury management strategies and monitor and review the effective management of the treasury function.

- Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report.

- Discuss treasury matters on a six monthly basis (and informally as required).

3.4 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of the Council's~~Greater Wellington's~~ risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- Ensuring the Council's~~Greater Wellington's~~ policies comply with existing and new legislation.

- Approving the register of cheque and electronic banking signatories.
- Approving new counterparties and counterparty limits as defined within section 6.3 of this policy and recommended by the CFO.
- Approving the opening and closing of bank accounts.

3.5 Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Management responsibility for borrowing and investment activities.
- Recommending policy changes to ~~Audit,~~ Risk & Assurance for evaluation.
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approving re-financing of existing debt.
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority.
- Authorising the use of approved financial market risk management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Recommending changes to credit counterparties to the CEO.
- Proposing new funding requirements falling outside the Annual Plan and Long-Term Council Community Plan (LTCCP) to ~~Audit,~~ Risk & Assurance for consideration and submission to the Council.
- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to ~~Audit,~~ Risk & Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
- Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the Manager, Finance.
- Managing the long-term financial position of the Council~~Greater Wellington~~ in accordance with the Council's~~Greater Wellington's~~ requirements.
- Ensuring that all borrowing and financing covenants to lenders are adhered to.
- Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.

- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year.

3.6 Treasurer

The Treasurer runs the day-to-day activities of the Council's~~Greater Wellington's~~ Treasury Management Department.

The CFO formally delegates the following responsibilities to the Treasurer who in turn may delegate these to the Treasury Management Accountant:

- Overseeing relationships with financial institutions.
- Approving treasury transactions in accordance with policy parameters within delegated authority.
- Negotiating borrowing facilities.
- Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed:floating mix to re-profile the Council's~~Greater Wellington'~~s interest rate risk on either debt or investments.
- Making decisions and authorisations to raise and lower fixed rate (interest rate market price re-set greater than 12 months) percentage of net debt or investment position within interest rate policy risk control limits.
- Designing, analysing, evaluating, testing and implementing risk management strategies to position the Council's~~Greater Wellington's~~ net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- Monitoring credit ratings of approved counterparties.
- Co-ordinating annual reviews with Standard & Poor's credit rating agency.
- Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to ~~Audit,~~ Risk & Assurance as appropriate.
- Negotiating bank funding facilities and managing bank and other financial institution relationships.
- Executing treasury transactions in accordance with set limits.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- Providing written evidence of executed deals on an agreed form immediately to the Manager, Finance.

- Co-ordinating the compilation of cash flow forecasts and cash management.
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features.
- Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- Preparing treasury reports.
- Monitoring all treasury exposures daily.
- Forecasting future cash requirements.
- Providing regular short-term and long-term cash flow and debt projections to the CFO.
- Managing relationships with financial institutions.
- Completing deal tickets for treasury transactions.
- Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- Updating credit standing of approved counterparty credit list on a quarterly basis.

3.7 Manager, Finance (MF)

The CFO formally delegates the following responsibilities to the MF, who in turn may delegate these to the Assistant Accountant:

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO.
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and the Council's~~Greater Wellington's~~ accounting policy.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Approving all amendments to the Council's~~Greater Wellington's~~ records arising from checks to counterparty confirmations.
- Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories.

- Delivering weekly reports to the CFO covering cash/liquidity, investment profile, funding profile and interest rate risk position.

3.8 Delegation of authority and authority limits

Treasury transactions entered into by the Council~~Greater Wellington~~ without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.

- A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant current delegated authorities of the Council~~ Greater Wellington~~ and contracted personnel empowered to bind the Council~~Greater Wellington~~.

- Whenever a person with delegated authority on any account or facility leaves the Council~~Greater Wellington~~, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

The Council~~Greater Wellington~~ has the following responsibilities, either directly, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt	The Council CEO (delegated by Council) CFO (delegated by Council)	Unlimited (subject to legislative and other regulatory limitations) Subject to Council Resolution and policy
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Negative Pledge
Overall day-to-day risk management	CEO (delegated by Council CFO (delegated by Council)	Subject to policy
Re-financing existing debt	CEO (delegated by Council	Subject to policy

	CFO (delegated by Council)	
Approving transactions outside policy	The Council	Unlimited
Adjusting net debt or net investment interest rate risk profile	Treasurer	Per risk control limits
Managing funding maturities in accordance with Council approved facilities	Treasurer	Per risk control limits
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council CEO (delegated by council) CFO (delegated by council Treasurer (delegated by Council	Unlimited $75 million $50 million $30 million
Authorising lists of signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/CFO	Unlimited
Reviewing the Treasury Management Policy every three years	~~Audit,~~ Risk & Assurance	N/A
Ensuring compliance with Policy	CFO	N/A

4. Liability Management Policy

The Council's~~Greater Wellington's~~ liabilities comprise borrowings and various other liabilities. The Council's~~Greater Wellington's~~ Liability Management Policy focuses on borrowings as this is the most significant component and exposes the Council~~Greater Wellington~~ to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

The Council's~~Greater Wellington's~~ ability to readily attract cost-effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

New Zealand Local Government Funding Agency

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

(b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

(c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;

(d) subscribe for shares and uncalled capital in the LGFA; and

(e) 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.

4.1 Debt ratios and limits

Debt will be managed within the following limits.

Ratio	
Net debt per capita	<$400
The percentage of net external debt to annual rates and levies	<210%
Net interest expense on net external debt as a percentage of annual rates and levies	<25%
Liquidity (total debt + committed loan facilities + liquid investments to total debt)	>110%

Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.

Net debt is defined as total external debt less liquid financial deposits/investments.

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

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

4.2 Security and charges

The Council operates under a "negative pledge" arrangement, which is an arrangement under which (with some limited exceptions) it provides no security to any creditor. Although lenders are unsecured, they have the benefit of an undertaking that other lenders will also be unsecured. This arrangement is created by the Council's "Negative Pledge Deed".

The Council may join a scheme (LGFA Scheme) under which it borrows from the New Zealand Local Government Funding Agency Limited (LGFA). One of the requirements of the LGFA Scheme is that the Council grants a change over its rates and rates revenue to secure obligations related to its borrowing from the LGFA. It cannot do this under the current negative pledge arrangement, so will need to replace the arrangement if it joins and LGFA Scheme.

From time to time, with prior Council approval, security maybe offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds(eg through a finance lease, or some form of project finance)
- the Council considers a security interest in the physical assets to be appropriate
- the security interest is permitted by the Negative Pledge Deed (unless the Negative Pledge Deed has been terminated)

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

4.3 Borrowing mechanisms

The Council~~Greater Wellington~~ will borrow through a variety of market mechanisms including but not limited to:

- commercial paper (CP)
- fixed rate bonds and floating rate notes (FRNs)
- direct bank borrowing or loans with private placement investors
- short and long-term capital markets directly
- internal reserve and special funds.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the CFO will take into account the following:

- Available terms from banks, capital markets and loan stock issuance
- The Council's~~Greater Wellington's~~ overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing
- The market's outlook on future interest rate movements
- The Council's~~Greater Wellington's~~ outlook on future interest rate movements
- Legal documentation and financial covenants, together with credit rating considerations
- Whether retail or wholesale debt issue.

5. Investment Policy and limits

5.1 General policy

The Council~~Greater Wellington~~ is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. The Council~~Greater Wellington~~ may invest liquid funds externally for the following reasons:

- Strategic purposes consistent with the Council's~~Greater Wellington's~~ LTCCP
- Holding short term liquid investments for general working capital requirements or any other cash management objective
- Holding investments that are necessary to carry out the Council~~Greater Wellington~~ operations consistent with annual plans
- Holding investments for self-insured infrastructural assets and contingency reserves.

The Council~~Greater Wellington~~ recognises that as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

In its financial investment activity, the Council's~~Greater Wellington's~~ primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

5.2 Investment mix

The Council~~Greater Wellington~~ maintains investments in the following assets from time to time:

- Equity investments, including CCOs/CCTOs and other shareholdings
- Property investments incorporating land, buildings
- Financial investments incorporating longer term and liquidity investments.

5.2.1 Equity Investments

The Council's~~Greater Wellington's~~ current equity investments are held in WRC Holdings Limited (100%):

WRC Holdings Limited owns the following companies:

- Port Investments Ltd (100%), which owns 76.9% of CentrePort Ltd (CentrePort)
- Pringle House Ltd (100%), which owns the Regional Council Centre
- Greater Wellington Rail Ltd

- ~~Greater Wellington Infrastructure Ltd~~
- ~~Greater Wellington Transport Ltd.~~

The above companies are CCOs or CCTOs.

5.2.2 Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

The Council~~Greater Wellington~~ is responsible for the appointment of the board of directors for the Council's~~Greater Wellington's~~ CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

The objectives of the Council's~~Greater Wellington'~~s CCOs and CCTOs are to:

- Separate the Council's~~Greater Wellington's~~ investments and commercial assets from its public good assets.
- Impose a commercial discipline
- Appropriate separation of management and governance.

The Council~~Greater Wellington~~ manages risk associated with CCOs and CCTOs by:

- Appointing suitably qualified external directors
- Receiving regular reports from directors
- Using external advisors when required
- Providing input into the statements of corporate intent and constitutions of the CCOs and CCTOs.

5.2.2.1 New Zealand Local Government Funding Agency Limited Investment

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

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

(a) obtain a return on the investment; and

(b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

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

5.2.3 Other Investments

The Council's~~Greater Wellington's~~ other investments are:

- CentrePort
- Forestry investments
- Stadium advance
- Liquid financial investments.

(a) CentrePort

The Council~~Greater Wellington~~, through Port Investments Ltd (PIL), owns 76.9% of CentrePort.

CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

PIL, along with the other shareholder in CentrePort, is responsible for appointing the board of directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. PIL, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

The Council~~Greater Wellington~~ manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing of Greater Wellington's CFO as reporting officer for the Council~~Greater Wellington~~ in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's statement of corporate intent.

(b) Forestry investments

The Council~~Greater Wellington~~ has investments in forestry which are managed on a commercial basis, but also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes). The Council has sold its cutting rights to its forestry investments for a period of up to 60 years.

~~Harvesting is on a sustainable yield basis~~.

~~The forestry investments are set up as separate units within Greater Wellington and their operations are regularly reported to Council. Greater Wellington manages the forests but contracts out silviculture, harvesting and marketing. Risk is managed by the use of in-house expertise along with external consultants.~~

(c) Stadium advance

The Council~~Greater Wellington~~ has lent $25 million to the Wellington Regional Stadium Trust. The advance is interest free with limited rights of recourse. The Council~~Greater Wellington~~ will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance. The Council~~Greater Wellington~~ and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

(d) Liquid financial investments

The Council's~~Greater Wellington's~~ primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 6.3 of this policy. Credit ratings are monitored on a regular basis by the Treasurer.

For the foreseeable future, the Council will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections.
- Interest income from financial investments will be credited to general funds.
- Internal borrowing will be used wherever possible to avoid external borrowing.

The Council~~Greater Wellington~~ may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet the Council's~~Greater Wellington's~~ objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

The Council's~~Greater Wellington's~~ external investment interest rate profile will be managed within the parameters outlined in section 6.0 of this policy.

5.2.4 Special Funds and Reserve Funds

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

Interest accrued from these funds will be credited to the particular fund.

6. Risk recognition/identification management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council~~Greater Wellington~~, will be as detailed below and will apply to both the Liability Management Policy and Investment Policy.

6.1 Interest rate risk

6.1.1 Risk Recognition

Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the LTCCP.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

6.1.2 Approved Financial Instruments

Dealing in interest rate products will be limited to financial instruments approved by the Council.

Approved interest rate instruments are:

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 Wholesale Bond and Floating Rate Note (FRN) issues Commercial paper (CP) New Zealand Dollar (NZD) denominated local or offshore private placements Retail bond and FRN issues
Investments	Short-term bank deposits Bank bills Bank certificates of deposit Treasury bills Local authority stock or State-owned Enterprise (SOE) bonds and FRNs Corporate/bank senior bonds Floating Rate Notes Promissory notes/Commercial paper Redeemable Preference Shares (RPS)
Interest rate risk management	Forward rate agreements (FRAs) on: - Bank bills - Government bonds

	Interest rate swaps including: - Forward start swaps - Amortising swaps (whereby notional principal amount reduces) - Swap extensions and shortenings Interest rate options on: - Bank bills (purchased caps and one-for-one collars) - Government bonds - Interest rate swaptions (purchased only)
Foreign exchange risk management	- Foreign currency deposits - Purchased currency options - Collars (one-for-one) - Forward foreign exchange contracts

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty
credit limits.

6.1.3 Interest Rate Risk Control Limits

Interest rate exposure

Exposure to interest rate risk is managed and mitigated through the controls below. where:

"Debt" is all external debt (existing and forecast~~)~~ including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding Centreport Limited debt.

"Fixed Rate Debt" is all debt or swaps repricing beyond one year that is fixed rate plus all floating rate debt swapped to a fixed rate maturing beyond one year. Any debt or swap maturing within one year is defined as floating.

"Floating Rate Debt" is defined as an interest rate re-pricing within 12 months. This includes FRN's with a maturity date beyond one year that are not swapped to fixed rate. Floating Rate debt may be spread over any maturity out to 12 months.

Fixed rate debt must be within the following repricing bands:

Debt Interest Rate Policy Parameters
(calculated on rolling monthly basis)

Debt Period Ending	**Debt Amount**	**Minimum Fixed**	**Maximum Fixed**	**Actual Fixed**	**Compliant (Y/N)**
Current		50%	95%		
Year 1		45%	95%		
Year 2		40%	90%		

Year 3	-	35%	85%	-	-
Year 4	-	30%	80%	-	-
Year 5	-	25%	75%	-	-
Year 6	-	15%	70%	-	-
Year 7	-	5%	65%	-	-
Year 8	-	0%	60%	-	-
Year 9	-	0%	55%	-	-
Year 10	-	0%	50%	-	-
Year 11 plus	-	0%	25%	-	-

Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 15years, based on anticipated future interest rate movements.

- Forward Rate Agreement, (FRAs) outstanding at any one time must not exceed 75% of the total floating rate debt. FRAs may be closed out before their maturity date by entering an equal and opposite FRA to the same maturity date or, alternatively, by purchasing an option on an FRA for the equal and opposite amount to the same date.

- interest rate options must not be sold outright. 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, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.

- purchased borrower swaptions must mature within 36 months.

- interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

Risk management

Instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Current approved interest rate instruments are as follows:

Category	Instrument
Cash management and borrowing	• bank overdraft • committed cash advance and bank accepted bill facilities (short term and long term loan facilities) • uncommitted money market facilities • wholesale bond and Floating Rate Note (FRN) • commercial paper (CP) • New Zealand dollar denominated private placements • retail bond and FRN
Interest rate risk management	• forward rate agreements (FRAs) on: o bank bills o government bonds • interest rate swaps including: o forward start swaps o amortising swaps (whereby notional principal amount reduces) o swap extensions and shortenings • interest rate options on: o bank bills (purchased caps and one-for-one collars) o government bonds o interest rate swaptions (purchased only)

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

~~Net interest rate debt is defined as being total external debt less matching liquid investments.~~

~~Greater Wellington net interest rate debt will be within the following fixed/floating[1] interest rate risk control limits:~~

~~Master fixed/floating control limit~~

~~Minimum Fixed Rate~~	~~Maximum Fixed Rate~~

~~[1] 'Fixed Rate' is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis. 'Floating Rate' is defined as an interest rate repricing within 12 months.~~

~~40%~~	~~95%~~

~~The percentages will be calculated on the rolling 12-month projected net debt level calculated by management (approved by the CFO). Net debt is the amount of total debt net of liquid financial assets/investments. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may be adjusted to comply with the policy minimums and maximums.~~

~~Fixed rate~~

~~Fixed rate is defined as an interest rate repricing date beyond 12 months forward of a continuous rolling basis.~~

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

~~Fixed Rate Maturity Profile Limit~~		
~~Period~~	~~Minimum Cover~~	~~Maximum Cover~~
~~1 to 3 years~~	~~15%~~	~~60%~~
~~3 to 5 years~~	~~15%~~	~~60%~~
~~5 years plus~~	~~10%~~	~~60%~~

~~Floating rate~~

~~Floating rate is defines as interest rate repricing within 12 months.~~

~~Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.~~

~~Options/collars/swaptions~~

- ~~Interest rate options will not be sold outright. However, 1:1 collar option structures will be allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out in isolation (i.e. repurchased) otherwise both sides must be closed out simultaneously. The sold option leg of the collar structure will not have a strike rate 'in-the-money'.~~
- ~~Purchased borrower swaptions will mature within 18 months.~~
- ~~Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.~~

6.1.4 Liquid Financial Investment Portfolio

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

Interest Rate Re-Pricing Period	Minimum Limit	Maximum Limit
0 to 1 year	40%	100%
1 to 3 years	0%	60%
3 to 5 years	0%	40%
5 to 10 years*	0%	20%

To ensure maximum liquidity, any interest rate position beyond five years will be made with acceptable financial instruments such as investor swaps.

The re-pricing risk mix may be changed, within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

6.1.5 Special Funds/Reserve Funds

Where such funds are deemed necessary they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when the Council~~Greater Wellington~~ borrows at a higher rate compared to the investment rate achieved by special/reserve funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are required to be held within a trust. For non trust funds, the Council~~Greater Wellington~~ will manage these funds using internal borrowing facilities.

6.2 Liquidity risk/funding risk

6.2.1 Risk Recognition

Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same or better than existing facilities.

~~* When total external debt less liquid investments exceeds $100 million, this minimum will increase to 15%.~~

Managing the Council's~~Greater Wellington's~~ funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility such as:

- Local Government risk is priced to a higher fee and margin level.

- The Council's~~Greater Wellington's~~ own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.

- A large individual lender to the Council~~Greater Wellington~~ experiences its own financial/exposure difficulties resulting in Greater Wellington not being able to manage its debt portfolio as optimally as desired.

- New Zealand's investment community experiences a substantial 'over supply' of the Council's~~Greater Wellington's~~ investment assets.

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. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

6.2.2 Liquidity/Funding Risk Control Limits

These control limits will be determined by the following:

- Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.

- Term debt and committed debt facilities together with liquid investments, will be maintained at an amount that is greater than or equal to ~~averages~~ 110% of existing external debt.

- The maturity profile of total external debt less liquid financial investments in respect to all loans, bonds and committed facilities, will be controlled by the following:

Period	Minimum	Maximum
0 to 3 years	10%	60%
3 to 5 years	20%	60%
5 years plus	0%*	60%

When total external debt exceeds $400 million this minimum will increase to 10%

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

* When total external debt less liquid investments exceeds $100 million, this minimum will increase to 15%.

The CFO will have the discretionary authority to re-finance existing debt.

6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council~~Greater Wellington~~ is a party. The credit risk to the Council~~Greater Wellington~~ in a default event will be weighted differently depending on the type of instrument.

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

Counterparties and limits may only be approved on the basis of long-term credit ratings (Standard & Poor's or Moody's) being A- and above or short-term rating of A2 or above, with the exception of New Zealand Local Authorities.

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

To avoid undue concentration of exposures, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and repriced.

The following matrix guide will determine limits.

Counterparty/Issuer	Minimum long term/ short term credit rating – stated and possible	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)
NZ Government		Unlimited	none	unlimited
NZD Registered Supranationals	AAA	50.0	none	50.0
State Owned Enterprises	A-/ A2	15.0	none	15.0
NZ Registered Bank	A-/ A2	60~~50.0~~	70	~~70.0~~80
Corporate Bonds/ CP[*]	A-/ A2 (if rated)	10.0	none	10.0
Local Government Stock/ Bonds/ FRN/ CP**[**]	A-/ A2 Unrated	40.0 25.0	none none	40.0 25.0

[*] Subject to a maximum exposure no greater than 25% of total funds invested in corporate debt at any one point in time.
** Subject to a maximum exposure no greater than 60% of total funds invested in Local Government debt at any one point in time
Debt instruments should rank as senior debt and subordinated debt investments are not permitted

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

- Investments (e.g. bank deposits) – transaction notional × weighting 100% (unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply).
- Interest rate risk management (e.g. swaps, FRAs) – transaction notional × maturity (years) × 3%.
- Foreign exchange – transactional principal amount x the square root of the maturity (years) x 15%.

Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the CFO. Credit ratings will be reviewed by the Treasurer on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the CFO and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

6.4 Foreign exchange risk

6.4.1 Foreign Exchange Risk Recognition

The Council's~~Greater Wellington's~~ policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.

It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.

The Council~~Greater Wellington~~ has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed or order is placed.

Full risk: is at the time the expenditure is approved and legal commitments are made.

6.4.2 Foreign Exchange Risk Control Limits

All individual items/ services greater than NZ$100,000 must be hedged at all times in accordance with the following risk control limits:

Time – point	Exposure hedged by forward exchange contracts or options	Exposure hedged by purchased foreign exchange options
1. Budget approved by Council – (Medium Probability)		Maximum 50%
2. Specific item approved – (High probability)		Maximum 100%
3. Contract/ order confirmed – (Undoubted Risk)	Minimum 100%	

6.4.3 Use of Foreign Exchange Instruments and Forecasting

Financial instruments, other than those stipulated in section 6.1.2, will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

All significant tenders will allow bidders the opportunity to select desired currencies and where possible, allow for suppliers to transparently link price escalations to clear financial market references.

Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Treasurer or CFO. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In order to determine a suitable spot rate to use for the calculation of outright forward cover budget levels, the two-year daily average rate or spot rate, whichever is the lower rate, will be used. This will allow for some degree of movement in the NZD cross during the budget evaluation process, prior to Council approval. This will take into consideration the annual volatility of the NZD, especially with the USD where the average annual movement over the past 10 years has been NZD 9.7 cents. Forward points, reflecting the market rates at the time, will then be added/subtracted to the budget spot rate to establish an effective budget rate.

- Consideration will be given to using options within the hedging strategy, and consequently, option premiums will be built into any scenario testing and breakeven analysis.

6.5 Managing operational risk

Operational risk is the risk of loss as a result of human errors including fraud, system failures, or inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood

- Too much reliance is often placed on the specialised skills of one or two people

- Most treasury instruments are executed over the phone

Operational risk is minimised by this policy.

6.5.1 Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by the Council.

6.5.2 Segregation of Duties

There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

The risk will be minimised by the following:

- The MF will report directly to the CFO to control the transactional activities of the Treasurer

- There will be a documented approval process for borrowing and investment activity.

6.5.3 Procedures and controls

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.

- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.

- All treasury products will be recorded and diarised within a treasury system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. The Council ~~Greater Wellington~~ will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.

- Procedures and controls will include:

- Regular management reporting

- Regular risk assessment, including review of procedures and controls

- Organisational systems, procedural and reconciliation controls to ensure:
  - All borrowing and investment activity is bona fide and properly authorised

- Checks are in place to ensure the Council's~~Greater Wellington's~~ accounts and records are updated promptly, accurately and completely

- All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity

- Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.

- All counterparties will be provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

- All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.

- All inward letter confirmations, including registry confirmations, will be received and checked by the MF against completed deal tickets and summary spreadsheets records to ensure accuracy.

- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.

- Any discrepancies arising during deal confirmation checks which require amendment to the Council~~Greater Wellington~~ records will be signed off by the CFO.

- The majority of borrowing and investment payments will be settled by direct debit authority.

- For electronic payments, batches will be set up electronically. These batches will be checked by the MF to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.

- Bank reconciliations will be performed monthly by the MF. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's records will be signed off by the CFO.

A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasurer and reviewed by the MF.

6.6 Managing legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Greater Wellington may be exposed to such risks.

In the event that the Council~~Greater Wellington~~ is unable to enforce its rights due to deficient or inaccurate documentation, Greater Wellington will seek to minimise this risk by:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice for any non-standardised transactions.

6.6.1 Agreements

Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer's Association (ISDA) Master Agreement with Greater Wellington. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

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

Currently, the Council~~Greater Wellington~~ has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand) Ltd
- National Bank of New Zealand Ltd
- ASB/CBA Bank
- Westpac.

6.6.2 Financial Covenants and Other Obligations

The Council~~Greater Wellington~~ will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

The Council~~Greater Wellington~~ will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

6.7 Diesel hedging

Other risks, such as commodity price risk associated with diesel, will be considered for risk management by the Council~~Greater Wellington~~. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Total hedges or options not to exceed 15,000 barrels of Singapore Gasoil
- Maximum term of a hedge or option contact once it becomes operational is one year
- Contracts shall only be with a counterparty with a S&P rating of at least A.

6.8 Electricity hedging

Wholesale electricity spot market price risk will be considered for risk management by the Council. Management is aware of the inherent price volatility of the electricity spot market. To this end, the Council has delegated to the CEO the power to enter into price hedges with the following conditions:

- • An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- • The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference or a futures contract.
- • The notional value of the hedge contract will be in New Zealand dollars.
- • The hedge contract will be for a maximum duration of no more than three years, and will be signed no earlier than 12 months prior to contract commencement.
- • The expiry of any hedge contract will be no more than four years.
- • For any given reporting year, the hedge volume will be between 85 percent and 115 percent of the expected actual consumption. The hedge ratio will be monitored and reported annually.

• The credit rating of the hedge counter-party will be at least investment grade from Standard and Poor's at the time of entering into the contract (i.e., a long-term rating of not less than BBB-). In the event of the rating falling below this, the Council would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to the Council. If the preferred hedge counter-party does not have an external credit rating with Standard & Poor's the Chief Financial Officer may review the financial position of the proposed counter-party and provide a recommendation for approval by the Chief Executive.

7. Measuring Treasury performance

In order to determine the success of the Council's~~Greater Wellington's~~ treasury management function, benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to ~~Audit, ~~Risk & Assurance on a monthly basis.

7.1 Operational performance

All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits.

All treasury deadlines will be met, including reporting deadlines.

7.2 Management of debt, investments and interest rate risk

The actual funding cost for the Council~~Greater Wellington~~ (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

8. Cash management

The Treasurer has the responsibility to carry out the day-to-day cash and short-term debt management activities.

The Treasurer will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all the Council's~~Greater Wellington~~ bank account information daily
- Co-ordinate the Council's~~Greater Wellington's~~ operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor the Council's~~Greater Wellington's~~ usage of cash advance facilities
- Match future cash flows to smooth over time

- Provide reports to CFO detailing actual cash flows during the month compared with those budgeted
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

9. Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and swaps/swaptions/FRAs must be incorporated.

9.1 Treasury reporting

The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Daily Cash Position	Daily	Treasurer	CFO
Treasury Exceptions Report	Daily	Treasurer	CFO
Risk Exposure position	Monthly	Treasurer	CFO
Risk Management performance	Monthly	Treasurer	CFO
Policy Compliance	Monthly	MF	CFO
Interest rate exposure report	Monthly	Treasurer	CFO
Cost of funds report	Monthly	Treasurer	CFO
Funding facility report	Monthly	Treasurer	CFO
Funding risk report	Monthly	Treasurer	CFO
Cash flow forecast report	Monthly	Treasurer	CFO
Summary Treasury Report	Monthly Quarterly	Treasurer	CFO Council/~~Audit,~~ Risk & Assurance
Quarterly Treasury Strategy Paper	Quarterly	Treasurer	CFO CFO CEO/~~Audit,~~ Risk & Assurance
Limits Report	Daily, rep on an exceptions basis Quarterly	MF	Treasurer ~~Audit,~~ Risk & Assurance
Debt Maturity Profile	Quarterly	Treasurer	~~Audit,~~ Risk & Assurance/Council
Statement of Public Debt	Quarterly	Treasurer	~~Audit,~~ Risk &

			Assurance/Council
Revaluation of financial instruments	Quarterly	Treasurer	CFO

9.2 Accounting treatment of financial instruments

The Council~~Greater Wellington~~ uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates.

The accounting treatment for such financial instruments will follow IFRS accounting standards.

9.3 Valuation of treasury instruments

All treasury financial instruments will be revalued at least quarterly for risk management purposes. This includes those instruments that are used only for hedging purposes.

Underlying rates to be used to value treasury instruments are as follows:

- Official daily settlement prices for established markets.
- Official daily market rates for short term treasury instruments (eg, FRA settlement rates calculated by Reuters from price-maker quotations as displayed on the BKBM page).
- Relevant market mid-rates provided by the company's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments.
- For markets that are illiquid, or where market prices are not readily available, rates are calculated in accordance with procedures approved by the CFO.

10. Policy review

This Treasury Risk Management Policy will be formally reviewed every three years.

The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to ~~Audit,~~ Risk & Assurance. The report will include:

- Recommendations on changes, deletions and additions to the policy.
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.

- Analysis of bank and lender service provision, share of financial instrument transactions etc.

- Comments and recommendations from the Council's~~Greater Wellington's~~ external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.

- Total net debt servicing costs.

The policy review will be completed and presented to ~~Audit,~~ Risk & Assurance within five months of the financial year-end. ~~Audit,~~ Risk & Assurance will approve any resulting policy changes.