

# Treasury Policy update

**Meeting:** Audit, Risk & Finance Committee  
**Date of meeting:** 11 June 2020  
**Reporting officer:** Sue Davidson, GM Sustainable Growth and Investment

## Purpose/Ngā whāinga

The Treasury Policy is a document that is part of every Long Term Plan (LTP), providing the framework under which council operates all borrowing and investment activities. The time to review it is prior to adopting the LTP and propose any changes to Council.

## Executive summary/Whakarāpopototanga

PricewaterhouseCoopers (PWC) has been engaged by Council to review our Treasury Policy. They also provide advice in the management of our debt, as they run a treasury function inhouse and provide advice to many Councils. Key changes are proposed around:

- Borrowing limit definitions as defined by LGFA
- Lending to CCO's or CCTO's now included
- Interest rate risk control limits (fixed and floating) more flexible as could not effectively manage
- Funding risk control limits adjusted as maturity profile too difficult to manage
- Counterparty credit limits.

## Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Recommend to Council to approve the changes to the Treasury Policy, to be included as part of the Long Term Plan 2021-2031.

## Context/Horopaki

The Local Government Act 2002 requires local authorities to adopt a liability management policy and an investment policy. The liability management policy must state the council's policies on how it will manage its borrowings and other liabilities, including interest rate exposure, liquidity, credit exposure and debt repayment. The investment policy must set out the council's policies on investments including the mix of investments, acquiring new investments, management and reporting procedures, and risk management. Together these policies make up Kaipara District Council's treasury management policy providing the framework under which council operates all borrowing and investment activities.

## Discussion/Ngā kōrerorero

PWC have detailed the rationale for the changes in **Attachment 1**. It should be noted that PWC were not consulted on the previous Treasury Policy review and have advocated for changes to the policy since it was last adopted.

The current Treasury Policy with proposed marked up changes is attached as **Attachment 2**.

## Options

**Option 1** Recommend the adoption of this Treasury Policy to Council for inclusion in the next Long Term Plan 2021-31

### **Policy and planning implications**

This is a regular review of a policy that has required external expertise to review.

### **Financial implications**

These changes still result in a prudent risk management approach to debt management but provide greater flexibility in medium term management.

### **Risks and mitigations**

The biggest risk to our debt management is not having the best information on the condition of our assets and so forecasting our renewals and new projects may not be correct, and this impacts on our debt forecasts. This makes it difficult for PWC to advise and has been a risk realised over the last 3 years.

**Option 2** The Committee don't make any recommendation or want more information

### **Policy and planning implications**

There is still time in the programme for this to occur as this document does not have to be further consulted with, other than as part of the LTP.

### **Financial implications**

No further financial implications other than time to implement a new framework

### **Risks and mitigations**

There are no other risks other than forecasting renewals and new assets and their impact on debt levels. Other risks relating to debt are covered in the policy.

## **Significance and engagement/Hirahira me ngā whakapāpā**

The decisions or matters of this report do not trigger the significance criteria outlined in council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

## **Next steps/E whaiake nei**

The proposed Treasury Policy will be presented to Council for adoption as part of the LTP 2021/2031.

## **Attachments/Ngā tapiritanga**

	Title
1	PWC Treasury Policy Review
2	Kaipara District Council Treasury Policy marked up with proposed changes