

Report 15.53
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Committee Council
Author Mike Timmer, Treasurer/Acting Chief Financial Officer

Amendment of Treasury Risk Management Policy

1. Purpose

To update some debt interest rate policy parameters in section 6.1.3 of the Treasury Risk Management Policy.

2. Background

The Treasury Risk Management Policy contains the Council's Liability Management and Investment Policies. These Policies form part of the funding and financial policies that the Council is required to adopt in accordance with section 102 of the Local Government Act 2002. The Council it is not required to use the special consultative procedure to adopt or amend its Liability Management or Investment Policies.

Currently, the Treasury Risk Management Policy is included in the Council's Long-Term Plan for ease of reference.

2.1 Treasury Policy update

The Treasury Risk Management Policy was last updated and reviewed in June 2014. One of the constraining factors our advisors (PWC) built into the interest rate risk control limits was that hedging interest rates beyond 10 years was limited to a maximum of 25%. This limit was put in place because the New Zealand debt markets were not particularly liquid, as the long term debt market effectively limited debt issues to 7 years with the exception of the New Zealand Government. Over the past 12 months we have now seen the maturity limit increase to 10 years with the likes of Auckland Council and LGFA successfully issuing longer dated bonds early in 2014. It is likely that LGFA will issue 12 year bonds within the next few months. Our advisors have accordingly recommended an amendment to the maximum policy limits in the years 11 to 15 to provide greater flexibility and also to reflect the changes to

the New Zealand market. The changes to the interest rate control limits of section 6.1.3 are as follows.

Debt Period Ending	Debt Amount	Minimum Fixed	Current Maximum Fixed	Proposed new Maximum Fixed
Current		50%	95%	95%
Year 1		45%	95%	95%
Year 2		40%	90%	90%
Year 3		35%	85%	85%
Year 4		30%	80%	80%
Year 5		25%	75%	75%
Year 6		15%	70%	70%
Year 7		5%	65%	65%
Year 8		0%	60%	60%
Year 9		0%	55%	55%
Year 10		0%	50%	50%
Year 11		0%	25%	45%
Year 12			25%	40%
Year 13			25%	35%
Year 14			25%	30%
Year 15			25%	25%

3. Communication

There are no communications required regarding this paper.

4. The decision-making process and significance

Officers recognise that the matters referenced in this report have a low degree of importance to affected or interested parties.

The matter requiring decision in this report has been considered by Officers against the requirements of Part 6 of the Local Government Act 2002. Part 6 sets out the obligations of Local Authorities in relation to the making of decisions.

4.1 Significance of the decision

Part 6 requires GWRC to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

4.2 Engagement

Engagement on this matter is unnecessary.

5. Recommendations

That the Council:

- 1. **Receives** the report.*
- 2. **Notes** the content of the report.*
- 3. **Adopts** the amendments to the Treasury Risk Management Policy as attached in Attachment 1 to this report.*
- 4. **Update** section 7 – Policies – in the Treasury Risk Management Policy in the Long Term Plan with this amendment.*

Report prepared by:

Mike Timmer
Treasurer/Acting Chief Financial Officer

Report approved by:

Greg Campbell
Chief Executive Officer

Attachment 1: Amended section of the Treasury Risk Management Policy (marked up)

Attachment 2: Graphic display of existing Policy position and revised Policy position.