



# TREASURY RISK MANAGEMENT POLICY

INCLUDING THE LIABILITY MANAGEMENT  
POLICY AND INVESTMENT POLICY

**ADOPTED BY COUNCIL**

**27 FEBRUARY 2024**

# 1. Introduction

## 1.1 Objectives and Scope

The purpose of the Treasury Risk Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Hurunui District Council ("Council").

The policy outlines permitted and non-permitted treasury activities and the manner in which interest rate, liquidity, funding, credit and other associated activities will be managed. The formalise of such policies and procedures will help ensure treasury risks within the Council are prudently managed.

This policy does not cover other aspects of Hurunui District Council's operations, particularly transactional banking management, internal controls and financial management, as these are covered by other policies and procedures.

## 1.2 Statutory context

Under the section 102(2) of the Local Government Act 2002, the Council is required to have a Liability Management Policy and an Investment Management Policy. This policy incorporates both of these policies.

Under section 104 of the Local Government Act 2002, the Liability Management Policy is required to include the Council's policies in respect of the management of both borrowing and other liabilities, including:

- (a) Interest rate exposure; and
- (b) Liquidity; and
- (c) Credit exposure; and
- (d) Debt repayment

Under section 105 of the Local Government Act, the Investment Policy is required to state the Council's policies in respect of investments, including:

- (a) The mix of investments; and
- (b) The acquisition of new investments; and
- (c) An outline of the procedures by which investments are managed and reported on to the Council; and
- (d) An outline of how risks associated with investments are assessed and managed.

Council is not allowed to guarantee loans to CCTOs under section 62 of the Local Government Act 2002.

This policy also reflects the:

- Local Government (Financial Reporting and Prudence) Regulations 2014; and
- Trustee Act 1956, which outlines the responsibilities of those acting as a trustee or investing money on behalf of others.

The Council is also required to satisfy financial covenants agreed with the Local Government Funding Agency (LGFA),

### 1.3 Glossary

Annual Rates Income	Total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
Core debt	Total external debt less liquid investments
Liquid investments	The sum of: <ul style="list-style-type: none"><li>• Overnight bank cash deposits</li><li>• Wholesale/retail bank term deposits no greater than 30 days</li><li>• Bank Term Deposits.</li><li>• New Zealand dollar denominated sovereign and non-sovereign bonds</li></ul>
Net external debt	Total external debt less liquid financial assets/investments
Net interest	Gross interest is calculated as external interest expense less external interest income.
Net interest on external debt	The sum of all interest and financing costs (on external debt) less external interest income for the relevant period.
Total revenue	Earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. It excludes non-government capital contributions (e.g. developer contributions and vested assets).

## 2. Liability Management Policy

### 2.1 Purpose of this policy

This policy primarily focuses on borrowing (external and internal) as this is the main component of Council's liabilities and exposes Council to the most significant risk. The policy outlines how Council will raise debt to finance investment in council assets. Approaches to risk management are described in subsequent sections.

The policy contributes to compliance with statutory obligations and external financing covenants, thereby helping ensure ongoing access to external debt.

### 2.2 Purpose of liability management activities

The general objectives of Council's liability management activities are to:

- Ensure access to funding required in order to carry out Council activities
- Support access to external funding at favourable margins/costs
- Assess and minimise/mitigate Council's risks in managing its liabilities
- Manage exposures to potentially adverse interest rate movements
- Help ensure appropriate internal and external accountability in respect of liability management activities
- Ensure compliance with relevant statutory and contractual obligations.

### 2.3 Permitted external liabilities

Subject to the limits and other matters outlined in this policy, permitted sources of funding may include:

- Direct bank borrowing (e.g. overdraft, fixed term loans)
- Borrowing from the Local Government Funding Agency (including commercial paper)
- Issuing stock/bonds
- Accessing the short and long-term wholesale and retail debt capital markets
- Credit or deferred purchase of goods, providing:
  - 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.

Council may only enter into the following approved financial instruments:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Uncommitted bank facilities LGFA debt (including commercial paper) Local authority debt instruments issued by Council (e.g. fixed rate bonds and floating rate notes) Commercial paper/promissory notes issued by Council

Interest rate risk management	Forward rate agreements (FRAs) on bank bills Interest rate swaps including: <ul style="list-style-type: none"> <li>– Forward start swaps</li> <li>– Amortising swaps (whereby notional principal amount reduces)</li> </ul> Interest rate options including: <ul style="list-style-type: none"> <li>– Caps (purchased caps only)</li> </ul>
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Any other financial instrument must be specifically approved by the Hurunui District Council on a case-by-case basis and only be applied to the one singular transaction being approved.

#### 2.4 Prohibited liabilities and instruments

Hurunui District Council will not enter into any of the following:

- Debt denominated in a foreign currency (other than immaterial amounts owed to offshore creditors for the procurement of goods and services as part of normal operating activities)
- Transactions with any Council Controlled Trading Organisations (CCTO) on terms more favourable than those achievable by Hurunui District Council itself
- Sold interest rate options

#### 2.5 Internal Financing

Hurunui District Council will manage debt on a net portfolio basis. Subject to other matters outlined in this policy, where there are available funds, it will generally borrow internally prior to seeking external borrowings. *[Refer Internal Financing Policy].*

#### 2.6 New Zealand Local Government Funding Agency Limited Investment (LGFA)

Despite anything elsewhere in this Policy, the Hurunui District Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA, e.g. borrower notes;
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- Subscribe for shares and uncalled capital in the LGFA; and
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Hurunui District Council's rates and rates revenue.

#### 2.7 Trust Funds

From time to time, where in line with Hurunui District Council's strategy and policies, the Council may hold funds in trust for community organisations. Any such arrangement will be reflected in a formal agreement between the Council and the organisation concerned (such agreement to be reviewed by Council's legal representatives). The associated investments will be separately identifiable.

## 2.8 Debt Limits

Debt will be managed within the following limits:

Ratio	Hurunui District Council	Local Government Funding Agency
Net external debt as a percentage of total revenue	<165%	<175%
Net Interest on external debt as a percentage of total revenue	<20%	<20%
Net Interest as a percentage of annual rates income (debt secured under debenture)	<25%	<25%
Liquidity (External, term debt + committed loan facilities + available liquid investments/cash equivalents to existing external debt)	>110%	>110%

The Debt:Revenue ratio adopted by Council are more restrictive than the Local Government Funding Agency ratio for unrated guaranteeing Councils. This limit, along with the required liquidity, provides Council with a level of flexibility to react to unforeseen events.

## 2.9 Matters to be taken into consideration in evaluating strategies for new borrowing:

- Available terms from banks, LGFA, debt capital markets and loan stock issuance
- Council's overall debt maturity profile
- Prevailing interest rates and margins relative to terms for loan stock issuance, LGFA, debt, capital markets and bank borrowing
- Both the market's outlook and the Council's outlook on future interest rates and credit margins
- Legal documentation and financial covenants together with security and credit rating considerations
- Council is likely to borrow internally in the first instance unless there is a compelling reason for establishing external debt (e.g. where external debt can be obtained on more favourable terms than internal borrowing)
- As appropriate, consideration may be given to funding using alternative funding mechanisms such as leasing. Any such proposals should be evaluated with financial analysis
- Any other matters which the Council considers relevant for the purposes outlined in this policy.

## 2.10 Security

Under a Debenture Trust Deed, Council's borrowing, committed bank facilities and potential liabilities under International Swaps and Derivatives Association (ISDA) contracts are secured by a floating charge over all rates levied by Hurunui District Council under the Local Government (Rating) Act 2002. Creditors holding that security under the Debenture Trust Deed rank equally or pari passu with other lenders.

With prior Council approval on a case by case basis, security may be offered by providing a charge over one or more physical assets. Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset which it funds, e.g. project finance; and
- Council considers a charge over physical assets to be more appropriate than a pledge of rates.

#### **2.11 Guarantees and other financial arrangements**

On a case by case basis, where the purposes of the loan are in line with the Council's strategic objectives, and it considers it prudent to do so, Council may agree to act as a guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or similar legal entities.

For any outstanding guarantees, Council will ensure that sufficient financial capacity exists relative to LGFA lending covenants. The total value of such guarantees in respect of any organisation will not exceed \$0.5 million.

#### **2.12 Debt repayment**

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the provisions in this policy, a loan may be rolled over and/or renegotiated as and when appropriate.

## 3. Investment Policy

### 3.1 Objective

Hurunui District Council primarily holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is usually a secondary objective.

Specific purposes for maintaining investments include:

#### (a) Liquidity

Maintaining a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements, including:

- Holding short term investments for working capital requirements;
- Ensuring sufficient funds are available to conduct Hurunui District Council operations consistent with Long Term Plans and Annual Plans;
- Ensuring that, in the event of a natural disaster, there is adequate liquidity to bridge any revenue gap until normal income streams/assets are available.

#### (b) Investment returns

- To generate investment income, thereby reducing the current ratepayer burden;
- Holding assets (such as property) for commercial returns;

#### (c) Investment of available funds

- Investing amounts allocated to accumulated surplus, Hurunui District Council created restricted reserves and general reserves.
- Investing proceeds from the sale of assets.

#### (d) To support intergenerational equity.

Hurunui District Council's primary objective when investing is the protection of its investment capital. Hence a prudent approach to managing risk is applied within the confines of this Policy. It is recognised that low risk investments generally generate lower long-term returns.

### 3.2 Investment Mix

Subject to the objectives and limits contained in this policy, including those relating to credit ratings, permitted external investments include:

- New Zealand Registered Bank deposits (short term bank deposits, bank certificates of deposit (RCDs))
- Equity investments, including investments held in CCO/CCTO and other shareholdings as approved by Council on a case by case basis
- New Zealand Government bonds and Floating Rate Notes (secured/senior)
- Local authority promissory notes and commercial paper (secured/senior)
- SOE bonds and corporate bonds
- LGFA borrower notes/commercial paper/bills/bonds/floating rate notes
- Advances to CCOs, CCTOs, charitable trusts and community organisations
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development



- Forestry investments
- Carbon credits

### **3.2.1 Prohibited investments**

The following investments are prohibited:

- Investments denominated in foreign currency
- Cryptocurrency
- Financial investments for speculative purposes.

### **3.2.2 Internal lending [*Refer Internal Financing Policy*]**

Hurunui District Council will make loans from internal funds to provide funding for other Council activities in the first instance, unless there is a compelling reason for establishing external debt. One such reason might be where it is more cost effective to borrow externally.

### **3.2.3 Financial Investments**

Hurunui District Council will only acquire financial investments in organisations with at least the minimum credit ratings set out below.

### **3.2.4 Equity Investments**

Equity investments may be held where Hurunui District Council considers these investments will fulfil various strategic, economic development and financial objectives as provided for in the Long Term Plan. Any purchase or disposition of equity investments requires prior Hurunui District Council approval.

### **3.2.5 Property Investments**

In general, Hurunui District Council will not acquire or hold a property investment unless it is necessary for the delivery of services. Hurunui District Council reviews property ownership by assessing the advantages and disadvantages (both financial and non-financial) of continued ownership compared with other options which could deliver the same outcomes.

### **3.2.6 Forestry**

Hurunui District Council acquires and holds forestry assets for the primary purpose of service delivery (e.g. weed control), with income generation as a secondary purpose. In evaluating the acquisition and retention of forestry assets, regard will be had for net positive discounted cashflows, factoring in projected market prices and maintenance and cutting costs, along with other matters.

Any disposition of forestry investments requires Hurunui District Council approval. Unless financial analysis suggests otherwise, it is likely that Council owned forestry blocks will be replanted following harvesting.

### **3.2.7 Carbon credits**

The Hurunui District Council may acquire/hold carbon credits from time to time. The primary objective is to minimise the financial impact of movements in the carbon credit prices on Council, particularly following harvesting of Council forestry assets.

### **3.2.8 Special funds or reserve funds**

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are held within a trust requiring such. Instead, Hurunui District Council will manage these funds using internal borrowing facilities.

### **3.2.9 Advances to CCTOs, charitable trusts and community organisations**

Council may provide advances to CCOs, CCTOs, community organisations for strategic and commercial purposes. New loan advances are by Council resolution only.

Council does not lend money, or provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable to the CCO than those that would apply if Council were borrowing the money or obtaining the financial accommodation.

Advances to CCOs and community organisations do not have to be on a fully commercial basis. Advances to a CCTO are on a commercial basis.

All advances are made on a fully secured basis and executed under approved legal documentation.

### **3.2.10 Trust Funds**

Where Hurunui District Council hold funds as a trustee, or manages funds for a trust then such funds must be invested on the terms provided within the trust deed (or equivalent), provided the terms of the trust deed are lawful. If not specified, then this Treasury Risk Management Policy will apply.

## 4. Risk Management

### 4.1 Overall risk management

The following procedures support risk management across both investment and borrowing activities:

- Hurunui District Council seeks external professional advice regarding its equity investments when it considers this appropriate.
- Council monitors financial performance regularly to ensure compliance with this policy and that specified objectives are being met.
- The Audit and Risk Committee receives and reviews a quarterly report about market conditions.
- Exception reporting is required in the event of any departures from this policy.

### 4.2 Interest rate risk

Interest rate risk is the risk that funding costs (due to adverse movements in market interest rates) will materially exceed or fall short of projections included in Council's Long Term Plan and Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/and feasibilities.

Interest rate risk management has the objective of containing Hurunui District Council's interest rate exposures in order to:

- Give a sufficient level of certainty to Hurunui District Council's funding costs while, at the same time, allowing the Council to participate if interest rates and credit spreads move favourably.
- Control variations in interest expense for the debt portfolio from year to year, taking into consideration any relevant budgetary assumptions.
- Recognise Hurunui District Council's exposure to the local and international economies and maintain sufficient flexibility in its interest rate risk management profile to enable the Council to respond when considered appropriate.

The proportion of fixed rate obligations to core debt will fall within the limits shown below.

"Fixed rate" obligations are defined as all known interest rate obligations on forecast external debt, including where hedging instruments have converted floating rate obligations into firm commitments.

"Floating rate" obligations are defined as any interest rate obligation subject to movements in the applicable reset rate.

<b>Fixed Rate Cover Percentages</b>		
<b>Period</b>	<b>Minimum</b>	<b>Maximum</b>
<b>0 to 2 years</b>	40%	100%
<b>2 to 4 years</b>	25%	80%
<b>4 to 8 years</b>	0%	60%
<b>8 to 12 years</b>	0%	30%

Any fixed rate hedge with a maturity beyond 12 years must be approved by Council.

Within the above limits, Council may pre-hedge in advance of a projected physical drawdown of new debt, providing such drawdown is expected to occur within 3 months of the expected date of the physical drawdown.

Interest rate options 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.

#### **4.3 Liquidity and Funding Risk**

Council must ensure it has sufficient funds available to meet its obligations as they fall due. Accordingly, liquidity risk management focusses on the ability to access committed funding at the appropriate time to fund cash flow deficits in various future periods based on long term forecasts.

Funding risk management centres on the ability to re-finance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms. Several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level
- Hurunui District Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons
- A large individual lender to Hurunui District Council experiences their own financial/exposure difficulties resulting in Hurunui District Council not being able to manage their debt portfolio as optimally as desired
- New Zealand investment community experiences a substantial "over supply" of Hurunui District Council investment assets
- Financial market shocks from domestic or global events.

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 so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

#### **4.4 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 Hurunui District Council is a party. The credit risk to the Hurunui District Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council.

##### **4.4.1 Investments**

Treasury related transactions will only be entered into with organisations specifically approved below.

The following table sets out the minimum credit ratings for counterparties:

<b>Debt maturity</b>	<b>Standard &amp; Poor's</b>	<b>Moody's</b>	<b>Fitch</b>
Long Term	A and above	A2 and above	A and above
Short term	A-1 and above	P-1 and above	F1 and above

The following matrix outlines the limits for classes of counterparties:

Counterparty/ Issuer	Minimum long term credit rating – stated and possible	Investments maximum per counterparty (\$m)	Interest rate risk management instrument maximum per counterparty (notional principal \$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	None	unlimited
Local Government Funding Agency	A-	50.0	None	unlimited
State Owned Enterprises	A-	5.0	None	5.0
NZ Registered Bank	A-	20.0	20.0	30.0
Corporate Bonds	A-	2.0*	None	2.0
Local Government Stock	A- (if rated) Unrated	2.0** 0.5**	none none	2.0 0.5

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure and maturities should be well spread. Consideration should be given to the liquidity of the market and the prevailing market conditions applying in the markets in which the instrument is traded.

#### 4.5 Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and/or inadequate procedures and controls.

Some measures taken by Council to manage operational risk are detailed below:

##### 4.5.1 Delegated authorities

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

To reduce the risk of transactions being entered into by unauthorised personnel, it is critical that all relevant banks and other counterparties have current lists of personnel authorised to bind the Council. Accordingly:

- Delegated authorities and signatories must be reviewed at least annually to ensure they remain current
- A letter must be sent to all bank counterparties at least annual to confirm details of personnel authorised to bind the Council
- In the event that a person with delegated authority leaves or is no longer authorised to bind the Council, all relevant banks and other counterparties must be advised in writing as soon as possible.

#### 4.5.1.1 Debt

Delegated authorities for debt and associated interest rate risk management instruments are shown below:

Activity	Delegated Authority	Limit
Approving new and reviewing re-financed bank facilities with New Zealand registered banks	CEO	Unlimited
Negotiating bank facilities with New Zealand registered banks	CFO	N/A
Maximum daily transaction amount (debt and interest rate risk management), including re-financing existing debt and managing debt maturities	Two members of the Executive Leadership Team (ELT) provided that at least one is either the CEO or CFO	\$10m per day, subject to limits in this policy

#### 4.5.1.2 Investments

Delegated authorities for investments are shown below:

Activity	Delegated Authority	Limit
Maximum daily transaction amount (investing, interest rate risk management and cash management)	Two members of the Executive Leadership Team (ELT) provided that at least one is either the CEO or CFO	\$10m per day, subject to limits in this policy

#### 4.5.1.3 Other relevant financial delegations

Additional delegations are shown below

Activity	Delegated Authority	Limit
Opening/closing bank accounts with New Zealand registered banks	CEO	Unlimited
Authorising bank signatories	CEO	Unlimited
Managing cash/liquidity requirements	CFO or CEO	Subject to limits in this policy

#### 4.5.1.4 Activities which have not been delegated by Council

For the avoidance of doubt, the Hurunui District Council has not delegated the following activities:

- Changing and approving the Treasury Risk Management Policy
- Approving projected external debt in the Long Term Plan/Annual Plan
- Acquisition and disposal of investments other than financial investments, e.g. forestry
- Approval for charging assets as security over borrowing
- Appointing a debenture trustee
- Approving transactions outside the Treasury Risk Management Policy
- Investing in equities
- Investing in property
- Disposition of forestry investments
- Guaranteeing commitments of other organisations, e.g. community groups.

#### **4.5.2 Expert advice**

- The Council receives expert advice relating to its borrowing and interest rate risk management activities on an ongoing basis.
- Council's advisor meets with the Audit and Risk Committee/Council on request, and no less frequently than once a year.
- Council's financial assets and liabilities are valued externally.

#### **4.5.3 Segregation of Duties**

A number of the processes detailed contribute to segregation of duties. For example:

- The CEO and CFO both sign all external transaction confirmations received
- All payments are required to be authorised by two signatories
- There is separation of duties between those entering into transactions and those maintaining financial records
- Council's borrowings and financial investments are valued externally.

#### **4.5.4 Transaction and record keeping procedures**

- All borrowing, interest rate and investment activity must be properly authorised
- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations
- Deal capture and reporting must be done immediately following execution/confirmation
- All transactions are either carried out or confirmed in writing
- The CFO verifies that external transaction confirmations are as per the instructions given to the counterparty
- The CEO and CFO both sign all external transaction confirmations received
- Transaction confirmations are received by the Financial Accountant, who enters them into a treasury software package
- The transactions are also advised to the Management Accountant who is responsible for bank reconciliations and for ensuring the general ledger is correct
- At the end of each month, the Management Accountant verifies information in the Council's treasury software package against the general ledger. Any differences are investigated and resolved.
- Bank reconciliations and other account reconciliations are reviewed and signed off by the CFO
- Each quarter, the Financial Accountant receives a position statement from external counterparties and verifies that it aligns with the position shown in the treasury software package. Any differences are discussed with the CFO and advised to the CEO.

Some of the above procedures are documented in detail in the Council's process mapping software. It is expected that over time, all relevant processes will be documented.

#### **4.5.5 Settlement**

- All borrowing, interest rate and investment payments are settled by direct debit authority or direct credit
- Dual signatures are required for all payments and/or the set up of direct debit authorities

#### **4.6 Legal Risk**

Legal and regulatory risks relate to the unenforceability of a transaction (e.g. due to a counterparty not having the legal capacity or power to enter into the transaction).

Hurunui District Council seeks to minimise this risk by:

- Using standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- Matching of transaction confirmations and position reports and the immediate follow-up of differences.
- Obtaining expert advice.

##### **4.6.1 Agreements**

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Hurunui District Council.

Hurunui District Council's legal advisor(s) must sign off on all documentation for new external borrowing, legal documentation supporting financial instruments, and investment structures prior to any transactions being executed.

##### **4.6.2 Financial Covenants and Other Obligations**

Hurunui District Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Hurunui District Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.



# Accountability

## 4.7 Reporting

The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Treasury Report	Monthly	CFO	Council
Quarterly market report	Quarterly	CFO/Financial advisor	Audit and Risk Committee
Half-yearly Financial Statements Half-yearly Reporting Certificate	Six monthly	CFO	Trustee
Annual Report Annual Reporting Certificate Auditors' Report Annual Plan/Long Term Plan	Annual	CFO	Trustee
Revaluation of financial instruments	Annual	CFO	Audit and Risk Committee
LGFA compliance report	Annual	CFO	LGFA

The monthly treasury report will include the following matters:

Debt	<ul style="list-style-type: none"> <li>• Total debt facility and utilisation</li> <li>• Treasury transactions</li> <li>• Debt maturity profile</li> <li>• Interest rate maturity profile vs limits</li> <li>• New hedging transactions completed – interest rate risk management</li> <li>• Weighted average cost of funds</li> <li>• Funding profile against the policy limits</li> <li>• Liquidity profile against the policy limits</li> </ul>
Investments	<ul style="list-style-type: none"> <li>• Term of investments</li> <li>• Interest rates</li> <li>• Portfolio movements</li> <li>• Any other appropriate measures</li> </ul>
Overall	<ul style="list-style-type: none"> <li>• Statement of policy compliance</li> <li>• Exception reporting as required</li> </ul>

## 4.8 Valuation of Treasury Instruments

All treasury financial instruments must be revalued (marked-to-market) at least annually. This includes those instruments that are used only for hedging purposes.

## 4.9 Accounting Treatment of Financial Instruments

Hurunui District Council uses financial arrangements (“derivatives”) for the primary purpose of reducing financial risk to fluctuations in interest rates. The purpose of this section is to articulate Hurunui District Council’s accounting treatment of derivatives in

a broad sense. Further detail of accounting treatment is contained within the appropriate operations and procedures manual.

Under New Zealand Public Benefit Entity (PBE) International Public Sector Accounting Standards (IPSAS) changes in the fair value of derivatives go through the Statement of Comprehensive Revenue and Expense unless derivatives are designated in an effective hedge relationship.

Hurunui District Council's principal objective is to actively manage its interest rate risks within approved limits. The Council chooses not to use hedge accounting treatments and accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in its annual accounts.

The CFO is responsible for advising the CEO of any changes to relevant New Zealand Public Sector PBE Standards, which may result in a change to the accounting treatment of any financial derivative product.

Dividends received from CCO's and unlisted companies not controlled by Hurunui District Council are recognised when they are received in the consolidated revenue account.

Any profit or loss arising from the sale of equity investments is to be recorded in accordance with appropriate accounting standards.

#### **4.10 Departures from this policy**

##### **4.10.1 Departures from policy by Council**

The Council may depart from this policy where it considers that the departure would advance its broader social or other policy objectives. As required by section 80 of the Local Government Act, any resolution authorising a decision under this provision shall note that it departs from the Council's ordinary policy and the reasons justifying that departure.

##### **4.10.2 Departures from policy by Council officers**

Council officers shall not intentionally breach this policy without prior agreement of Council.

In the event of an inadvertent breach (e.g. arising from movements in interest rates), officers shall advise Council of the breach at the next Council business meeting, and shall advise the manner and timing of rectification. Such rectification shall normally occur within 90 days of the initial breach unless Council determines otherwise.