



**GREAT LAKE TAUPŌ**  
Taupō District Council

<b>Date:</b>	<b>Tuesday, 26 March 2024</b>
<b>Time:</b>	<b>1.00pm</b>
<b>Location:</b>	<b>Council Chamber</b> <b>107 Te Heuheu Street</b> <b>Taupō</b>

# **SUPPLEMENTARY AGENDA**

## **MEMBERSHIP**

<b>Chairperson</b>	Mayor David Trewavas
<b>Deputy Chairperson</b>	Cr Kevin Taylor
<b>Members</b>	Cr Duncan Campbell
	Cr Karam Fletcher
	Cr Sandra Greenslade
	Cr Kylie Leonard
	Cr Danny Loughlin
	Cr Anna Park
	Cr Christine Rankin
	Cr Rachel Shepherd
	Cr Kirsty Trueman
	Cr Yvonne Westerman
	Cr John Williamson

**Quorum** 7

**Julie Gardyne**  
**Chief Executive**

## Order Of Business

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**5.11 ADOPTION OF STATEMENT OF INVESTMENT POLICIES & OBJECTIVES (SIPO)****Author:** Jeanette Paenga, Finance Manager**Authorised by:** Sarah Matthews, General Manager Organisation Performance**TE PŪTAKE | PURPOSE**

The purpose of this agenda item is to adopt a new Statement of Investment Policies & Objectives (SIPO) and an amendment to the Treasury Management Policy (TMP), in relation to the management of the Taupō Electricity Ltd (TEL) fund. This will replace the investment parameters for the TEL fund from the TMP, to the SIPO.

**WHAKARĀPOPOTOTANGA MATUA | EXECUTIVE SUMMARY**

Council appointed Forsyth Barr as the managers for the TEL Fund in June 2023, which changed the fund from being internally managed to being externally managed. As a result, the fund is now legally required to have a SIPO with the fund manager, and, as such, parameters outlined for the fund more relevantly sit within the required SIPO, rather than the TMP.

The founding SIPO with Forsyth Barr was based on the existing boundaries within the TMP, but Council have recently held workshops with Forsyth Barr to discuss intended changes to the SIPO going forward and the possible risks and returns of the different policy options, along with responsible investing options.

Council Officers were planning to propose changes to the TMP and SIPO as part of the Long-term Plan (LTP) process. However, due to the delay in timeframes of Council's LTP and the last of Council's TEL fund being transferred across to Forsyth Barr in April 2024, it is financially prudent to make this change now. This will enable investments within the intended parameters, avoiding potential negative impacts from an unnecessary change in policy parameters, and any subsequent investment changes.

Advisors from Forsyth Barr will be present at this meeting to discuss the proposed new SIPO with Council and give Council the appropriate advice to be able to make this decision.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

That Council

1. Receives the report by Jeanette Paenga titled 'Adoption of Statement of Investment Policies and Objectives (SIPO);
2. Adopts the amendments to the Treasury Management Policy, removing references to the management of the Taupō Electricity Ltd Fund; and
3. Adopts the new Statement of Investment Policies & Objectives for the management of the Taupō Electricity Ltd fund.

**TE WHAKAMAHUKI | BACKGROUND**

Council resolved at the 27 June 2023 Council meeting to appoint Forsyth Barr to manage the investment portfolio of the TEL Fund. During the transfer period, instead of developing a new SIPO, a bridging letter was created to clarify the differences between the Investment Strategy Statement (ISS) and Forsyth Barr's supplementary agreements, to ensure the ISS terms are workable in practice. This in effect created a temporary SIPO to cover the period until 30 June 2024 which aligned with Council's original LTP adoption timeframes, where a proposed more permanent SIPO would be recommended.

As part of the Council resolution on 27 June 2023, Council accepted a possible inconsistency with Council's current Treasury Management Policy (TMP) counterparty credit limit parameters during the transition of the TEL fund to Forsyth Barr between September 2023 and June 2024. This recognised the difficulty of investment funds being managed by two parties (Council and Forsyth Barr) prior to the creation of the new SIPO and TMP.

Since June 2023, Forsyth Barr have developed a proposed new SIPO, including a Responsible Investing Policy, which has been discussed with Council at workshops in October 2023 and February 2024, including advice around possible risks and returns of the various policy options.

**NGĀ KŌRERORERO | DISCUSSION**

The Financial Markets Authority (FMA) sets out requirements for SIPOs, which includes the investment governance and management framework, philosophy, strategies and objectives of a managed investment scheme, and its investment funds or portfolios. Under the Financial Markets Conduct Act, all fund managers must ensure there is a SIPO for each managed fund they manage.

The temporary SIPO from Forsyth Barr was created to comply with original LTP timeframes and to allow time for Forsyth Barr to develop a new SIPO with Council. With the delay of the adoption of the Long-term Plan (LTP), the upcoming completion of transfer of the TEL Fund by the end of April 2024, and completion of Council workshops on the new SIPO, it became evident that approval of the new SIPO and amendment of the TMP was financially prudent. Adoption of the new SIPO and changes to the TMP will allow Forsyth Barr to allocate investments within the intended parameters of the fund going forward, to avoid possible unnecessary losses from this change and/or maximise Council's return on investment.

Delaying the approval of the SIPO would restrict Forsyth Barr in the management of the fund and would likely negatively impact Council's return on investment. This is because Forsyth Barr would need to invest the remaining funds that will be transferred across within the existing parameters of the current TMP and temporary SIPO, and then transfer those at a later stage to any new parameters adopted.

Based on this information it is considered that there are 2 options.

**NGĀ KŌWHIRINGA | OPTIONS**

Analysis of Options

Any investment risk from the change in SIPO has been excluded from this options analysis as Council Officers are not Authorised Financial Advisors. Council must consider any investment advice (including risk) from Council's investment advisors, within Forsyth Barr, who have given this advice to Council during recent workshops and will be present at this Council meeting to discuss the proposed new SIPO.

Option 1. Amend the TMP by removing references to the TEL fund and adopt the SIPO.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• The TEL fund will be managed in a financially prudent manner by avoiding unnecessary changes.</li> <li>• Forsyth Barr will be able to invest the last of the TEL funds transferred across to them during April 2024, within the new policy parameters of the amended TMP and SIPO, reflecting Council's desired parameters for the fund.</li> <li>• Council's desired policy parameters would be achieved by Forsyth Barr more quickly.</li> </ul>	<ul style="list-style-type: none"> <li>• Although not legally required, changes made outside of the LTP process will not be subject to the normal LTP consultation.</li> </ul>

Option 2. Delay the amendment of the TMP and approval of the SIPO until the adoption of the LTP.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Changes to TMP would be subject to LTP consultation.</li> </ul>	<ul style="list-style-type: none"> <li>• Forsyth Barr will have to invest the last of the funds transferred from Council as per the current TMP &amp; temporary SIPO which will expose Council to unnecessary changes and possible negative financial impact on the TEL fund when the new SIPO and TMP are adopted.</li> <li>• Breaches of the current (outdated) TMP would need to be carefully managed for longer, and reported to Council.</li> <li>• It will take longer to get TEL fund investments within the desired policy parameters.</li> </ul>

Analysis Conclusion:

The preferred option is option 1, to amend the TMP by removing references to the TEL Fund and adopt the SIPO.

**NGĀ HĪRAUNGA | CONSIDERATIONS****Ngā Aronga Pūtea | Financial Considerations**

The financial impact of the proposal is uncertain as this depends on specific investments required to be undertaken, and any change required post adoption of a new SIPO and TMP. It is instead recognised that it is financially prudent to ensure the investment of funds is in line with the known intended future parameters to minimise the risk of any potential losses, due to unnecessary investment changes.

**Ngā Aronga Ture | Legal Considerations**Local Government Act 2002

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of [Section 10](#) of the Local Government Act 2002 (LGA). That section of the Act states that the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. It is considered that economic wellbeing is of relevance to this particular matter.

The proposal has been evaluated with regards to a range of legislation. The key legislation applicable to the proposal has been reviewed and the relevant matters for consideration are as follows:

Section 102 of the LGA sets out a variety of funding and financial policies that Council must have and what consultation requirements are. Councils are required to have a liability management policy and an investment policy (which have been combined within Council's current TMP), however, there are no requirements to consult on any changes to these policies.

**Ngā Hīraunga Kaupapa Here | Policy Implications**

The proposal has been evaluated against the following plans:

- Long Term Plan 2021-2031     Annual Plan     Waikato Regional Plan  
 Taupō District Plan             Bylaws             Relevant Management Plan(s)

The key aspects for consideration with regards to this proposal are as follows:

Although section 102 of the LGA specifically allows for changes to Council's liability management policy and investment policy (which have been combined within Council's current TMP) to be completed without consultation, Council normally schedule any reviews to align with LTP processes to give the community an opportunity to provide feedback.

**Te Kōrero tahi ki te Māori | Māori Engagement**

Taupō District Council is committed to meeting its statutory Tiriti O Waitangi obligations and acknowledges partnership as the basis of Te Tiriti. Council has a responsibility to act reasonably and in good faith to reflect the partnership relationship, and to give effect to the principles of Te Tiriti. These principles include, but are not limited to the protection of Māori rights, enabling Māori participation in Council processes and having rangatiratanga over tāonga.

Our statutory obligations outline our duties to engage with Māori, and enable participation in Council processes. Alongside this, we recognise the need to work side by side with the ahi kaa / resident iwi of our district. Engagement may not always be required by law, however meaningful engagement with Māori allows Council to demonstrate good faith and our commitment to working together as partners across our district.

Appropriately, the report author acknowledges that they have considered the above obligations including the need to seek advice, guidance, feedback and/or involvement of Māori on the proposed recommendation/s, objective/s, project/s or service/s outlined within this report.

**Ngā Tūraru | Risks**

There are no known risks.

**TE HIRANGA O TE WHAKATAU, TE TONO RĀNEI | SIGNIFICANCE OF THE DECISION OR PROPOSAL**

Council's Significance and Engagement Policy identifies matters to be taken into account when assessing the degree of significance of proposals and decisions.

Officers have undertaken an assessment of the matters in the [Significance and Engagement Policy \(2022\)](#), and are of the opinion that the proposal under consideration is of a low degree of significance.

**TE KŌRERO TAHI | ENGAGEMENT**

Taking into consideration the above assessment, that the decision is of a low degree of significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

**TE WHAKAWHITI KŌRERO PĀPAHO | COMMUNICATION/MEDIA**

No communication/media required.

**WHAKAKAPINGA | CONCLUSION**

The approval of the changes to Council's TMP and adoption of a new SIPO will enable Forsyth Barr to invest the last of the TEL Fund within the intended parameters of the fund, as discussed with Council during past workshops. This will avoid possible unnecessary losses from any subsequent change and/or maximise Council's return on investment.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Treasury Management Policy (amended) (A3515606) [↓](#)
2. Taupō District Council – TEL Fund SIPO (A3517905) [↓](#)

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Style Definition: TOC 2



# **TAUPO DISTRICT COUNCIL**

## **Treasury Management Policy**

### **Including Liability Management and Investment Policies**

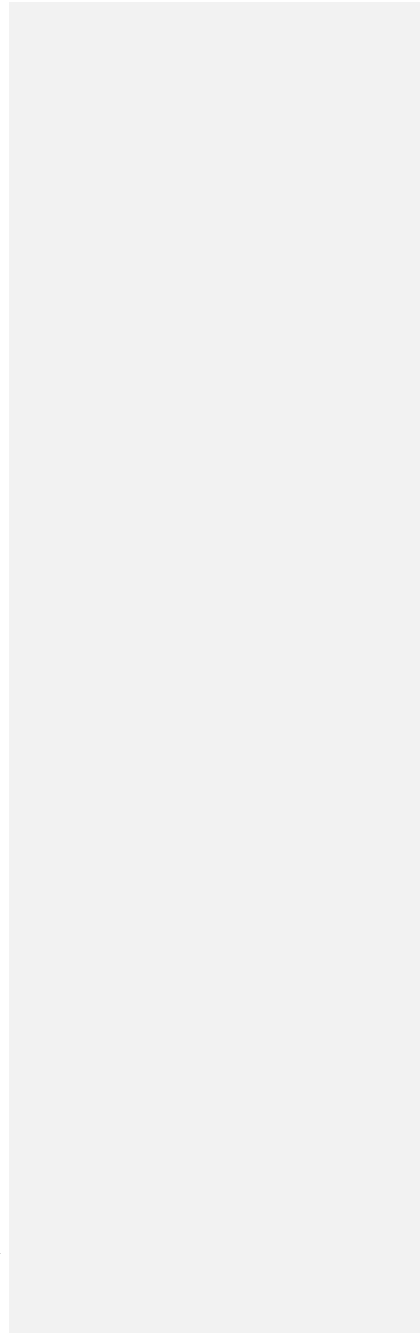
**Adopted by Council  
30 November 2021**

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## 1.0 Introduction

### 1.1 Policy purpose

The purpose of the Treasury Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Taupo District Council ("TDC"). The formalisation of such policies and procedures will enable treasury risks within TDC to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within TDC 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 TDC.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on TDC's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operations of a pro-active treasury function in an environment of control and compliance.
- The robustness of the Policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Assistance to TDC in achieving strategic objectives.

It is intended that the Policy be distributed to all personnel involved in any aspect of the TDC's financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

## 2.0 Scope and objectives

### 2.1 Scope

- This document identifies the Policy of TDC in respect of treasury management activities.
- The Policy has not been prepared to cover other aspects of TDC's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of TDC cover these matters.

### 2.2 Treasury management objectives

The objective of this Policy is to control and manage costs, investment returns and risks associated with treasury management activities.

#### Statutory objectives

- All external 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.
- TDC is governed by the following relevant legislation:
  - Local Government Act 2002, in particular Part 6 including sections 101,102, 104 and 105.
  - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
  - Trusts Act 2019 (effective 30 January 2021). When acting as a trustee or investing money on behalf of others, the Trusts Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is effected.

- All legal master documentation in respect to external borrowing and financial instruments will be approved by Council's legal counsel prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council if it were borrowing without charging rate revenue as security. (Section 63 of the Local Government Act).
- Council is not allowed to give any guarantee, indemnity, or security in respect to the performance of any obligation by a CCTOs under Section 62 of the Local Government Act
- A resolution of Council is not 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 the CEO delegation.

**General objectives**

- Minimise Council's costs and risks in the management of its external borrowings.
- Minimise Council'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 Policy so as to protect Council's financial assets and manage costs.
- Arrange and structure external long term funding for Council at an acceptable margin and cost from debt lenders. Optimise flexibility and spread of debt maturity terms within the funding risk limits established by this Policy statement.
- Monitor and manage carbon risk exposures.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this Policy.
- Manage investments to optimise returns in the long term whilst balancing risk and return considerations.
- Safeguard Council's financial assets and investment capital.
- Monitor Council's return on investments.
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- Ensure that financial planning will not impose an unequitable spread of costs/benefits over current and future ratepayers.
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies and investment counterparties.

In meeting the above objectives Council is, above all, a risk averse entity and does not seek risk in its treasury activities. Interest rate risk, liquidity risk, funding risk, investment risk or credit risk, and operational risks are all risks which the Council seeks to manage, not capitalise on. Accordingly activity which may be construed as speculative in nature is expressly forbidden.

**2.3 Policy setting and Management**

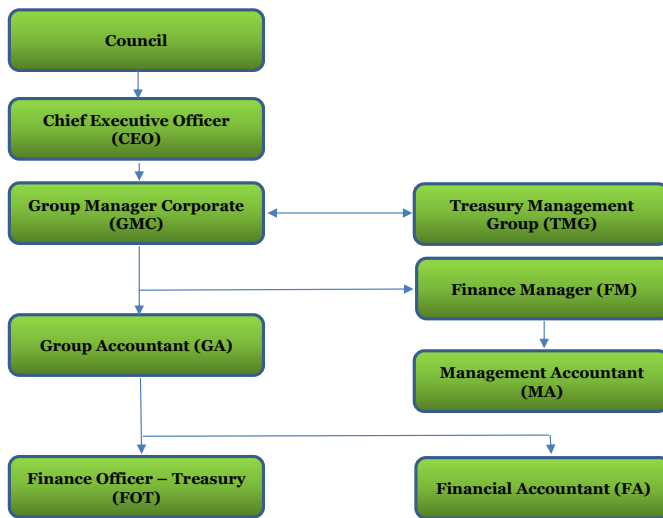
The Council approves Policy parameters in relation to its treasury activities. Council’s Chief Executive Officer has overall financial management responsibility for the Council’s borrowing and investments.

The Council exercises ongoing governance over its subsidiary companies (CCO/CCTO), through the process of approving the Constitutions, Statements of Intent, and the appointment of Directors/Trustees of these organisations.

**3.0 Governance and management responsibilities**

**3.1 Overview of management structure**

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in the following section:



**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, given the underlying objectives of TDC.

The Council is responsible for approving the Policy. 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 TDC through the Long Term Plan (LTP) and Financial Strategy along with the adopted Annual Plan.
- Approve and adopt the Liability Management and Investment Policies (the Treasury Management Policy).
- Approving the Policy incorporating the following delegated authorities:

- Borrowing, investment and dealing limits and the respective authority levels delegated to the CEO, GMC and other management;
- Counterparties and credit limits;
- Risk management methodologies and benchmarks;
- Guidelines for the use of financial instruments;
- Receive a triennial review report on the Policy.
- Approving amendments to Policy.
- Approving one-off transactions falling outside Policy.

**3.3 Chief Executive Officer (CEO)**

While the Council has final responsibility for the Policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive Officer.

In respect of treasury management activities, the Chief Executive Officer's responsibilities include:

- Approving the opening and closing of bank accounts.
- Approving the register of cheque and electronic banking signatories.
- Approving new external borrowing undertaken in line with Council resolution and approved financial strategy.
- Review the monthly management reports to monitor compliance with policies, procedures and risk limits. Receiving advice of non-compliance of Policy and significant treasury events from the GMC.
- Review amendments to the treasury policies and procedures as recommended by the GMC.

**3.4 Treasury Management Group (TMG)**

The members of the TMG are the General Manager Finance & Strategy, Finance Manager, and the Management Accountant.

- Evaluate and recommend amendments to Policy.
- Review treasury management strategies.
- Review treasury activity and performance through monthly reporting, supplemented by exception reporting.
- Manage the process of selecting fund managers and appointing brokers/investment advisers and oversee negotiations of borrowing facilities with financial institutions.
- Investigate financing alternatives to minimise borrowing costs, margins and interest rates.

**3.5 Group Manager Corporate (GMC)**

The GMC's responsibilities are as follows:

- Approving the opening and closing of bank accounts.
- Management responsibility for all external borrowing and investment activities as delegated by the CEO.
- Ongoing risk assessment of borrowing and investment activity including procedures and controls.
- Managing the long-term financial position of Council as outlined in the LTP.
- Approving deal tickets of treasury transactions in accordance with delegated authority.
- As part of the Annual Planning process, proposing new external borrowing requirements to the CEO for consideration and submission to the Council.
- Proposing new external borrowing and on-lending CCO/CCTO funding activity to the CEO for Council approval.
- Approving all amendments to Council records arising from checks to counterparty confirmations.

- Reviewing and making recommendations on all aspects of the Policy to the CEO, including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments.
- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs.

**3.6 Finance Manager (FM)**

The Finance Manager’s responsibilities are as follows:

- Responsible for overseeing the day-to-day treasury function as delegated by the GMC.
- Approving deal tickets of treasury transactions in accordance with delegated authority.
- Reviewing treasury exposure on a regular basis, including current and forecast cash position, interest rate exposures and borrowings. Ensuring management procedures and policies are implemented in accordance with this Policy.
- Manage Council’s relationship with financial institutions, LGFA, brokers, fund managers, trustee, registrar and credit rating agencies
- Review Council’s cash flow and debt forecasts.
- Review monthly treasury report to Council
- Conduct review of policy as per 10.0 Policy Review.

**3.7 Management Accountant (MA)**

The Management Accountant’s responsibilities are as follows:

- Execution of external borrowing, investment, and interest rate management transactions in accordance with set limits. Completes all properly formatted deal tickets. Responsibilities include execution of on-lending activity to CCO/CCTOs.
- Manage Council’s cash flow forecasts and debt forecasts.
- Carry out the day-to-day cash and short term cash management activities.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, interest rate exposures, investments and borrowings.
- Liaise and negotiate with bankers/brokers/the LGFA, for issue of debt, investments and interest rate management activity.
- Update investment, borrowing and interest rate spreadsheets for all new, re-negotiated, reset and maturing investment, borrowing and interest rate transactions.
- Monitor and update credit ratings of approved counterparties.
- Handle all administrative aspects of bank counterparty agreements and documentation such as loan agreements and ISDA documents.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
- Complete monthly general ledger reconciliations to borrowing and investment spreadsheets.
- Reconcile monthly summaries of outstanding financial contracts from bank counterparties to internal records.
- Prepare monthly treasury report to Council.
- Complete annual review of delegated authorities and authorised signatories.

**3.8 Group Accountant (GA)**

- Account for all treasury transactions in accordance with legislation and generally accepted accounting principles (GAAP), Council’s accounting and borrowing and financial policies.
- Review and approve monthly, bank reconciliations, and general ledger reconciliations.

- Review and approve monthly, general ledger reconciliations to borrowing and investment spreadsheets.
- Arrange settlement of external borrowing, investment, and interest rate management transactions.
- Oversee day-to-day cash management, review and approve daily bank reconciliations.

**3.9 Finance Officer Treasury (FOT)**

- Process treasury transactions as per approved deal tickets.
- Check all treasury deal confirmations against deal tickets and spreadsheet records. Report any irregularities immediately to the GMC.
- Complete daily bank reconciliation.

**3.10 Delegation of authority and authority limits**

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Council has the following responsibilities, either directly itself, or via the following stated delegated authorities:

<b>Activity</b>	<b>Delegated Authority</b>	<b>Limit</b>
Approving and changing Policy	Council	Unlimited
Approve external borrowing for year as set out in the AP/LTP.	Council CEO, GMC	Unlimited (subject to legislative and other regulatory limitations) Per Council approved resolution, AP/LTP
Acquisition and disposition of investments other than financial investments (Excluding TEL Fund)	Council	Unlimited
TEL acquisition and disposition of investments	GMC	As per TEL ISS
Approval for charging assets as security over borrowing	Council	Unlimited
Approving of Council guarantees or uncalled capital relating to CCO/CCTO indebtedness	Council	Unlimited (subject to legislative and other regulatory limitations)
Approving new and refinanced direct and on-lending arrangements with CCO/CCTOs.	Council	Subject to Policy
Negotiation and ongoing management of direct and on-lending arrangements to CCO /CCTOs	GMC	Subject to Policy
Arranging new and reviewing re-financed bank facilities/debt issuance	GMC	Subject to Policy

































































































