

ATTACHMENTS

UNDER SEPARATE COVER 1

Risk and Assurance Committee Meeting

2 May 2024

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4.3 APPROVAL OF THE DRAFT TREASURY MANAGEMENT POLICY FOR CONSULTATION**Author:** Jeanette Paenga, Finance Manager**Authorised by:** Sarah Matthews, General Manager Organisation Performance**TE PŪTAKE | PURPOSE**

This paper seeks Council's adoption of the (draft) Treasury Management Policy 2024 for consultation alongside the 2024 Long-term Plan (LTP). The (draft) policy document is reproduced in Attachment 1 with a tracked changes version in Attachment 2.

This paper sets out:

- the purpose of the Treasury Management Policy and our legal obligations and requirements;
- the draft contents of the 2024 Treasury Management Policy;
- the key changes proposed in the 2024 Treasury Management Policy;
- options for Council to consider; and
- a recommendation for Council consideration and approval.

WHAKARĀPOPOTANGA MATUA | EXECUTIVE SUMMARY

Council is required under the Local Government Act 2002 (LGA) to have a liability and investment policy. The Treasury Management Policy provides for this requirement. The policy maintains the prudent and conservative focus of the existing policy.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That Council approves the draft Treasury Management Policy 2024 provided in Attachment 1 for consultation as part of the Long-term Plan 2024-34 subject to changes required as a result of the audit process.

TE WHAKAMAHUKI | BACKGROUND

Section 102(2)(b) and (c) of the LGA requires that Council adopt an investment policy and a liabilities policy setting out its policies to manage its investments and liabilities, respectively. Sections 104 and 105 set out what must be included in these policies. Council's Treasury Management Policy (TMP) includes Council's policies in respect of both liabilities and investments.

Council recently adopted amendments to the Treasury Management Policy and adopted a new Statement of Investment Policies & Objectives for the managed Taupō Electricity Ltd fund. (Council Agenda 26 March 2024: Item 5.8). The amendments to the TMP involved removing references to the management of the Taupō Electricity Ltd Fund. Due to the delay of the Long-term Plan and the last part of Council's TEL fund being transferred across to Forsyth Barr in April 2024, it was considered financially prudent to make changes earlier that would enable investments within the intended parameters, avoid potential negative impacts from an unnecessary change in policy parameters, and any subsequent investment changes.

While council has adopted a new Statement of Investment Policies & Objectives, the adoption of the Treasury Management Policy in its entirety will fulfil Council Long-term Plan requirements.

NGĀ KŌRERORERO | DISCUSSION

The policy maintains a prudent and conservative focus with accountability to Council via a monthly Treasury Report.

The purpose of the Treasury Management Policy and its legal requirements

The purpose of the Policy is to set out the approved policies and procedures in respect of all treasury activity to be undertaken by Taupō District Council ("TDC"). The formalisation of such policies and procedures will enable treasury risks within TDC to be prudently managed. Moreover, regular reviews are 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 proactive 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.

The draft contents of the Treasury Management Policy

The (draft) 2024 Treasury Management Policy sets out the investment policy, liability management policy and governance & management responsibilities. It identifies the key investment and financing risks and how TDC intends to manage these risks. A copy of the (draft) 2024 Treasury Management Policy for consultation is provided in Attachment 1.

Proposed changes to the Treasury Management policy

The (draft) 2024 Treasury Management Policy is substantively the same as the current 2021 policy with a few changes made to the policy itself. These changes are summarised as follows:

- Change to Net External Debt/Total Revenue Borrowing Limit from 225% to 250% (paragraph 4.2)
- Change to a simpler, easier to manage fixed rate hedging percentages (paragraph 6.1.2)
- Removal of the control limits for financial Market investments as the limits contradict the requirement to match investments with cashflows (paragraph 6.2)
- Updated Authorised Investment Parameters (paragraph 6.6)
- Updated performance measures (paragraph 7)
- Updated roles, responsibilities and delegations (section 3)

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

NGĀ KŌWHIRINGA | OPTIONS

Analysis of Options

Option 1 – Adopt the (draft) Treasury Management Policy 2024 for consultation (recommended)

Advantages	Disadvantages
<ul style="list-style-type: none"> • Will enable Council to consult on the draft policy as part of the Long-term Plan in June 2024. • The policy will reflect the current staff structure and roles and associated delegated authorities • The policy settings will be less restrictive enabling Council to make prudent investment and borrowing decisions 	<ul style="list-style-type: none"> • None

Option 2 – Do not adopt a (draft) Treasury Management Policy 2024 for consultation.

Advantages	Disadvantages
<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Does not meet the legislative requirements of the LGA 2002 to have a liability and investment policy. • The policy will not reflect the current staff structure and roles and associated delegated authorities • The policy will remain restrictive and affect Council’s ability to make prudent investment & borrowing decisions.

Analysis Conclusion:

Option 1 is the preferred option. Council is required to have a current liability and investment policy in place. The draft Treasury Management Policy 2024 provides for this requirement.

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

The Treasury Management Policy provides the policy framework for all of Council's borrowing and investment activities and defines key responsibilities and the operating parameters within which borrowing, investment and related risk management activities are to be carried out.

Council acknowledges that there are various financial risks such as interest rate risk, currency risk, liquidity risk and credit risk arising from its treasury activities. Council is a risk adverse entity and does not wish to incur additional risk from its treasury activities.

Long-term Plan/Annual Plan

The draft information for the LTP has been prepared on the basis that the (draft) Treasury Management Policy 2024 will be approved by Council.

Ngā Aronga Ture | Legal ConsiderationsLocal 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. 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 the economic wellbeing is of relevance to this particular matter.

The draft Treasury Management Policy 2024 has been made in accordance with the legislative requirements under the LGA.

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)

Key borrowing and investment objectives form the basis of the policies. These objectives, while consistent with corporate best practice, are subject to overall Council objectives, as stated in Annual Plans and Long-term Plans.

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

If the Treasury Management Policy is not adopted, the policy will not be up-to-date and will not reflect our current information.

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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

Officers have undertaken a rounded assessment of the matters in clause 12 of the Significance and Engagement Policy (2022) and are of the opinion that the proposal under consideration is of low importance.

TE WHAKAWHITI KŌRERO PĀPAHO | COMMUNICATION/MEDIA

Communication will be carried out as part of wider consultation with the community on the 2024 Long-term Plan.

WHAKAKAPINGA | CONCLUSION

Council is required under the Local Government Act 2002 to have a liability and investment policy. The draft Treasury Management Policy 2024 provides for this requirement. The proposed changes to the policy maintain the prudent and conservative focus of the existing policy.

NGĀ TĀPIRIHANGA | ATTACHMENTS

1. Draft Treasury Management Policy 2024
2. Draft Treasury Management Policy 2024 with tracked changes



TAUPO DISTRICT COUNCIL

Treasury Management Policy

Including Liability Management and Investment Policies

Draft

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