

**MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON TUESDAY
29 AUGUST 2017**

C3 ANNUAL REVIEW - DUNEDIN CITY COUNCIL, TREASURY RISK MANAGEMENT POLICY

The report provided a summary of the Annual Review of the Dunedin City Council, Treasury Risk Management Policy (Policy). It also provided a number of recommended changes to the Policy following the review by the Dunedin City Treasury Board.

The Acting Chief Financial Officer and Treasury Manager spoke to the report and responded to questions.

Following discussion, it was agreed that under the Treasury Structure – Roles and Responsibilities, item 2.2 DCHL Board: The DCHL Board has responsibility for: the second bullet point be amended to read: Recommending that Council approve the DCC Treasury Policy, on the recommendation of the DCTL Board.

Moved (Cr Mike Lord/Cr Doug Hall):

That the Council:

- a) **Approves** (section 2.2) DCHL Board – change wording of the second bullet point to “Recommend that Council approve the DCC Treasury Policy, on the recommendation of the DCTL Board.”
- b) **Approves** (section 2.4) Internal Audit – change wording to "Audit Committee of Dunedin City Treasury Limited (DCTL) has responsibility for ensuring the internal audit programme is carried out".
- c) **Approves** (section 4.3) Management of Interest Rate Risk – Adjust the Minimum and Maximum Hedge Ratios. Years 6 and 7 decrease Minimum from 20% to 15%. Years 8, 9 and 10 increase Maximum from 30% to 40%.
- d) **Approves** (Appendix 1) Delegations of Authority – Long Term funding represented by new and maturing debt drawdowns, adjust the amount for the Total Value of the transactions that can be approved by the DCTL Board from \$75 million to 12 years to \$100 million to 12 years.
- e) **Approves** (Appendix 1) Delegations of Authority – Adjust wording to, "In the absence of the Treasury Manager an active delegation is required to transfer the Dealing Limits of the Treasury Manager to the Assistant Treasurer".
- f) **Approves** the removal of references to the Deed of Understanding. The Statement of Intent is a referenced document.
- g) **Approves** the removal of wording where the Group Treasury Manager is to propose a time frame (six months after 15 December 2014) to unwind internal security arrangements.
- h) **Approves** the adjustment of the definition of the Statement of Intent so the definition refers to the Local Government Act of 2002 and not 1974. In addition, the reference to the Energy Companies Act 1992 to be deleted.

Motion carried (CNL/2017/041) with Cr Vandervis recording his vote against

ANNUAL REVIEW - DUNEDIN CITY COUNCIL, TREASURY RISK MANAGEMENT POLICY

Department: Finance

REASONS FOR CONFIDENTIALITY

Grounds:	S48(1)(a) - The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Reason:	S7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.

EXECUTIVE SUMMARY

- 1 This report summarises the Annual Review of the Dunedin City Council, Treasury Risk Management Policy (Policy) and provides a number of recommended changes to the Policy following the review by the Dunedin City Treasury Board.

RECOMMENDATIONS

That the Council:

- a) **Approves** (section 2.4) Internal Audit – change wording to "Audit Committee of Dunedin City Treasury Limited (DCTL) has responsibility for ensuring the internal audit programme is carried out".
- b) **Approves** (section 4.3) Management of Interest Rate Risk – Adjust the Minimum and Maximum Hedge Ratios. Years 6 and 7 decrease Minimum from 20% to 15%. Years 8, 9 and 10 increase Maximum from 30% to 40%.
- c) **Approves** (Appendix 1) Delegations of Authority – Long Term funding represented by new and maturing debt drawdowns, adjust the amount for the Total Value of the transactions that can be approved by the DCTL Board from \$75 million to 12 years to \$100 million to 12 years.
- d) **Approves** (Appendix 1) Delegations of Authority – Adjust wording to, "In the absence of the Treasury Manager an active delegation is required to transfer the Dealing Limits of the Treasury Manager to the Assistant Treasurer".
- e) **Approves** the removal of references to the Deed of Understanding. The Statement of Intent is a referenced document.
- f) **Approves** the removal of wording where the Group Treasury Manager is to propose a time frame (six months after 15 December 2014) to unwind internal security arrangements.
- g) **Approves** the adjustment of the definition of the Statement of Intent so the definition refers to the Local Government Act of 2002 and not 1974. In addition, the reference to the Energy Companies Act 1992 to be deleted.

BACKGROUND

- 2 The Policy was approved on 15 December 2014. The Policy states that the DCTL Board must conduct a review of the Policy annually and an external review once every three years. The most recent Annual Review of the Policy was completed on 16 September 2016.
- 3 Meetings and discussions were held with all DCC Group entities to ascertain how the Policy could be further enhanced to meet the Treasury and the financial risk management requirements of the Group. From these discussions the above Recommendations were formed.

DISCUSSION

- 4 DCTL has its own Audit Committee and is therefore responsible to ensure the internal audit programme is carried as required.
- 5 The Policy as updated on 16 September 2016 requires the DCTL to have interest rate hedging that is between the specified Minimum and Maximum hedge ratios. To lengthen the Group's debt profile often requires DCTL to issue in a fixed rate format to meet investor demand. Adjusting the Minimum and Maximum Hedge Ratio's will provide DCTL with this flexibility.
- 6 To manage DCTL's maturity profile it may require the refinancing of Floating and Medium Notes from time to time. Given the concentration of maturities it may require the approval of transaction for total amounts in excess of \$75 million. Increasing the

Total Value of the transactions that can be approved by the DCTL Board from \$75 million to 12 years to \$100 million to 12 years provides the necessary flexibility required.

OPTIONS

7 Not applicable.

NEXT STEPS

8 If the Recommendations are approved by the Council the Policy will be adopted and published.

Signatories

Author:	Richard Davey - Treasury Manager
Authoriser:	Gavin Logie - Acting Chief Financial Officer

Attachments

	Title	Page
A	Dunedin City Council Treasury Risk Management Policy (2017)	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

The Treasury Risk Management Policy enables democratic local decision-making and action by, and on behalf of communities, by managing the risks and exposures that the DCC Group have for procuring external funding.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Economic Development Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Policy is key in forming the basis of how the DCC Group is funded and how Treasury risks and exposures are managed.

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

There are no implications for sustainability.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

There are no implications.

Financial considerations

There are no financial implications.

Significance

Not applicable – reporting only.

Engagement – external

There has been no external engagement.

Engagement - internal

There has been internal engagement with all DCC Group entities and the Finance Department. Engagement occurred in May and June 2017.

Risks: Legal / Health and Safety etc.

There are no known risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

There are no implications for Community Boards.