Rangitikei District Council
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Finance/Performance Committee Meeting

Order Paper

Thursday, 30 July 2015, 9.30 am

Council Chamber, Rangitikei District Council
46 High Street, Marton

Website: www.rangitikei.govt.nz **Email: info@rangitikei.govt.nz**

Chair
His Worship the Mayor, Andy Watson

Deputy Chair
Cr Nigel Belsham

Membership
Councillors Cath Ash, Tim Harris, Dean McManaway, Rebecca McNeil, Soraya Peke-Mason, Ruth Rainey and Lynne Sheridan

Rangitikei District Council

Finance and Performance Committee Meeting

Order Paper – Thursday 30 July 2015 – 9:30 a.m.

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The quorum for the Finance/Performance Committee is 5

At its meeting of 28 October 2010 Council resolved that 'The quorum at any meeting of a standing committee or sub-committee of the Council (including Te Roopu Ahi Kaa, the Community Committees, the Reserve Management Committees and the Rural Water Supply Management Sub-committees) is that required for a meeting of the local authority in SO 2.4.3 and 3.4.3.'

1 Welcome

2 Council prayer

3 Apologies/leave of absence

4 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, ... be dealt with as a late item at this meeting.

5 Confirmation of minutes

Recommendation
That the Minutes of the Finance/Performance Committee meeting held on 25 June 2015 be taken as read and verified as an accurate and correct record of the meeting.

6 Chair's report

A report is attached

File ref: 3-CT-14-1

Recommendation

That the Chair's report to the Finance/Performance Committee meeting on 25 June 2015 be received.

7 Financial commentary and progress to finalise accounts to 30 June 2015

A report is attached outlining the main trends and expected results for the year ending 30 June 2015.

File ref: 5-FR-4-1

Recommendation

That the report 'Financial commentary and progress to finalise accounts to 30 June 2015' be received.

8 Local Government Funding Agency (LGFA) – membership recommendation

A memorandum is attached.

File: 5-FM-8

Recommendations

1. That this report: 'Local Government Funding Agency (LGFA) - Membership Recommendation' date 24 July 2015 be received.

2. That the Council approves 'in principle' membership of the LGFA, noting the process to be followed and costs involved, and that the proposal to join the LGFA be consulted on as part of the draft 2016/17 annual plan process.

3. That Council does not become a shareholder or guarantor member of the LGFA.

4. That Council notes that it can have LGFA borrower notes, where from time to time it may place surplus funds with the LGFA as noted in the current policy.

9 Queries from Previous Meeting

The analysis of subsidised and unsubsidised roading programmes will be presented to the Committee's September meeting, as part of a review of funding options taking into account the savings from the new roading contract and the anticipated costs to Council of making good the damage to the local roading network from the rainfall event 20-21 June 2015.

10 Strategic Water – next steps

A verbal update will be provided to the meeting

Recommendation

That the verbal update on Strategic water – next steps be received.

11 Statement of Service Performance – draft full year

A report will be tabled (and circulated electronically beforehand to Members).

File ref: 5-FR-1-2

Recommendation

That the draft full-year 2014/15 Statement of Service Performance be received.

12 Accountability Pro-formas for the Community Initiatives Fund and the Events Sponsorship Scheme

Both these funds are currently open for applications and the Committee will consider the eligible applications at its meeting on 27 August 2015. The Committee has agreed criteria and application forms for both funds and it only remains for the Committee to be confident that it will be able to evaluate the success of its grant-making through collecting appropriate feedback from the organisers of the projects/events that receive funding.

Proposed cover letters and pro-forma accountability reports for the Community Initiatives Fund and Events Sponsorship Scheme are attached for the Committee's consideration.

Recommendations

1. That the Accountability Pro-formas for the Community Initiatives Fund and the Events Sponsorship Scheme are received.

2. That the Finance/Performance Committee adopts the Accountability Pro-formas for the Community Initiatives Fund and the Events Sponsorship Scheme [as amended/without amendment].

13 Late items

14 Future items for the agenda

Next meeting

Thursday 27 August 2015, 9.30 am

15 Meeting closed

Attachment 1

Rangitikei District Council

Finance/Performance Committee Meeting

Minutes – Thursday 25 June 2015 – 9:30 a.m.

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Present: Cr Nigel Belsham (Deputy Chair[1])
His Worship the Mayor, Andy Watson
Cr Cath Ash
Cr Ruth Rainey
Cr Dean McManaway
Cr Lynne Sheridan

In attendance: Mr Ross McNeil, Chief Executive
Mr George McIrvine, Finance & Business Support Group Manager
Mrs Priscilla Jeffrey, Governance Administrator

[1] Before the meeting His Worship the Mayor, anticipating that he would be away for some, if not all of the meeting to address issues from the recent flood event, asked the Deputy Chair to chair the meeting throughout.

1 Welcome

The Chair welcomed everyone to the meeting.

2 Council prayer

Councillor Rainey read the Council prayer.

3 Apologies/leave of absence

Nil

4 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, ... be dealt with as a late item at this meeting.

5 Confirmation of minutes

Resolved minute number 15/FPE/027 File Ref

That the Minutes of the Finance/Performance Committee meeting held on 28 May 2015 be taken as read and verified as an accurate and correct record of the meeting.

Cr Sheridan / Cr Rainey. Carried

6 Chair's report

The Deputy Chair gave a brief verbal report on the recent flooding event and advised that this would have a significant financial impact on the Council. However, there needed to be a full budget of costings and claims brought to Council for discussion to enable that impact to be fully assessed.

Resolved minute number 15/FPE/028 File Ref

That the Deputy Chair's verbal report be received.

Cr Belsham / Cr Sheridan. Carried

7 Financial Highlights and Commentary to 31 May 2015

His Worship the Mayor left the meeting at 9.54am/10.00am

Mr McIrvine spoke to the report, giving a brief overview of the commentary to the report and the budget variances.

Resolved minute number 15/FPE/029 File Ref 5-FR-4-1

That the report 'Financial Highlights and Commentary to 31 May 2015' be received.

Cr Sheridan / Cr McManaway. Carried

8 Queries from Previous Meeting

Mr McIrvine advised that the requested breakdown of the roading budgets – i.e. analysis of subsidised and unsubsidised programmes would be reported back to the next scheduled meeting of the Committee.

His Worship the Mayor left at 10.18am/10.25am

The meeting adjourned at 10.18am

The meeting resumed at 10.21am

9 Application forms for the Community initiatives Fund and Event Sponsorship scheme 2015/16

Consideration was given to the advice note on the Order Paper and the proposed application forms for the two funding schemes. It was suggested that the Community Initiatives Fund and the Events Sponsorship Scheme were managed in parallel and that a second funding opportunity be available for both funding schemes, as follows:

Name of fund	Round 1 open:	Decision made:	Round 2 open:	Decision made:
Community Initiatives Fund	29 June 2015 – 24 July 2015	27 August 2015	28 September 2015 – 30 October 2015	26 November 2015
Events Sponsorship Scheme	29 June 2015 – 24 July 2015	27 August 2015	28 September 2015 – 30 October 2015	26 November 2015

Council also considered the allocation of funds between the two rounds. It was suggested that up to two-thirds of the available funding may be distributed in round 1 with the balance being distributed in round 2. This means the Committee may allocate up to $20,000 from the CIF and up to $18,000 from the Events Sponsorship Scheme in round 1.

Resolved minute number 15/FPE/030 File Ref

That the draft application form for the Community Initiatives Fund be adopted without amendment for 2015/16.

Cr Rainey / Cr Sheridan. Carried

Resolved minute number 15/FPE/031 File Ref

That the allocations for the Community Initiatives Fund and the Events Sponsorship Scheme are distributed over two funding rounds with decisions made by the Finance/Performance Committee at its meetings in August and November 2015.

Cr Sheridan / Cr McManaway. Carried

The meeting adjourned at 10.25am

The meeting resumed again at 10.38am

10 Local Government Funding Agency (LGFA)

Mr Andrew Michl, LGFA's Manager, Credit & Client Relations, gave a presentation about credit management. In his presentation he gave an update on the objective of the Agency; its borrowing programme; recent developments and upcoming initiatives.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities including savings in interest costs, availability of longer term borrowing and enhanced certainty of access to debt markets.

Recent developments in LGFA included two new members – Porirua and Opotiki; issuance of 2027 maturity – a twelve year bond and the longest debt instrument in $NZ after the Transpower 2028 bond. There was flexibility around bespoke lending to councils with maturity date of borrowing and time of loan drawdown. Tender dates were being published one year in advance and offshore investors now hold at least 2% of our debt. The Fitch credit rating agency watch had placed LGFA as positive. LGFA had a close working relationship with the Office of the Auditor-General, the Department of Internal Affairs, and Local Government New Zealand. It had 65% market share in 2014.

Mr Michl advised that the reason for bespoke lending was for a more flexible borrowing option for councils and not being restricted to borrowing to LGFA. Bond maturity dates of 2015, 2017, 2019, 2021, 2023. Bespoke pricing fundamentals included base margin from tender levels or prevailing secondary market levels; standard margins (interpolated if required) on-lending margin and any additional credit margin; and two basis point intra tender margin if not priced at time of a LGFA tender.

Cr McManaway left 10.55am/10.58am

Currently 22 councils had credit ratings from either Standard & Poor's (S&P), Fitch or Moody's. Ratings ranged over three notches between AA and A+. Western Bay of Plenty District Council and Taupo District Council had been upgraded. LGFA ratings had been affirmed by S&P and Fitch at AA+, the same as the New Zealand Government. Debt levels were below forecast while the revenue was in line with forecast over 2014.

Mr Michl advised that Japan was the biggest investor. Its retail sector had a lot of money to buy our bonds. They were buying and holding for long term. There was no currency risk and if there was the risk would be theirs.

11 Review of Investment Policy

Mr McIrvine advised that once an investment policy was adopted, there was no prescribed time for a review. Council may amend the policy at any time by resolution. It was intended to undertake a review once decisions had been taken about future borrowing (including using the Local Government Funding Agency).

Cr McNeil entered the meeting at 11.25am

12 Late items

Nil

13 Future items for the agenda

- Financial requirements for Roading
- Flood funding requirements

14 Next meeting

Thursday 30 July 2015, 9.30 am

15 Meeting closed - 11.32am

Confirmed/Chair: ________________________________

Date:

Attachment 2

Report to Finance/Performance Committee – 30 July 2015

Having recently adopted the long term plan normally we would be looking to monitor cash flows and work programs rather than review our financial position.

However the effects of the recent floods are huge and they will have a significant impact on our council position. The damage to our infrastructure is fortunately largely confined to roading and has been estimated at nearly 20 million dollars. The roading team will work with NZTA to verify this estimate. Under current FAR rates (financial assistance rates) that could translate to a loss to Council of 4 million dollars. We would then be able to argue a case of hardship to NZTA to increase the level of the FAR rate. That argument of hardship would include consideration of the effect on the rate payer base, the ability of the District to pay (i.e. affordability) and the state of the agricultural sector locally and from a national perspective.

I am sure that the government will assist us, as in a worst scenario we could be looking at attributed to this event of between of 10% to 15 % rates increase over the next two years. However because the principal damage is to roading which is capital funded that burden would not fall evenly and will result in very heavy increases in the rural sector.

Even with increased governmental assistance there will be a rate payer consequence. We as a Council will need to look at options as to how that will be funded. Options could include;

1. Using reserve funds already set aside for flood relief
2. Increasing our debt position
3. Loan funding this event over perhaps five years
4. Striking a separate flood rate which could be funded in several different ways
5. Looking at approved capital work schedule particularly in roading but not limited to that area.
6. Or a combination of any of these

All of these come at a cost and associated risk. For example if you loan funded this over 5 years what happens if there is another event? Sitting alongside of this is the effect on the rural sector and future production. We could well be in the position of asking that sector to pay rate increases when their ability to fund it has been impacted not only by this event but by low commodity prices particularly for milk. There is also an existing opportunity on a "case by case" basis for rate remissions which if used will compound the effects on the rest of the rate payers.

It will take time to first assess the actual position and then to look at these options and other options I may not have considered

Andy Watson

Chair of Finance/Performance Committee

Attachment 3

MEMORANDUM

Rangitikei Unspoilt...

TO:	Ross McNeil
COPIES:	Council
FROM:	George McIrvine
DATE:	24 July 2015
SUBJECT:	**Financial commentary and progress to finalise accounts to 30 June 2015**
FILE:	

Background

At time of writing the main ledgers for the 30 June 2015 year have been closed off and year end processing has commenced in earnest. Most GL codes still indicate that revenues and expenditures had tracked as expected until year end as previously reported.

Flood event – June

The response and recovery costs associated with the recent flood event are currently sitting around $21K. There are further flood-related costs for utilities ($15K) and roading ($519K), making the total flood-related costs around $555K to 30 June 2015. These costs, particular Roading, will increase substantially as the recovery phase proceeds.

Roading Asset Impairment

The wide-spread damage to the roading network that occurred as a result of the June event is estimated at around $18.9M. This is a significant item and we are in discussions with Audit NZ to ensure we treat this appropriately.

While in the normal course of events Council would revalue its Roading assets and this would incorporate any impairment loss this has not been possible at year end with the degree of materiality, accuracy and certainty required. It would have also incurred a significant cost to Council and would have tied up critical Roading staff for a number of weeks. It would not have added anything to the accuracy of the estimates, as any valuer would have to rely on the estimates provided by the Roading team.

In line with Public Benefit Entity International Public Sector Accounting Standard 17 Property Plant and Equipment (PBE IPSAS 17 and other related Standards 21 and 26), Council has chosen to impair its roading assets for the loss of service incurred during this event by a sum of $18.9M. Our current treatment of this amount is as an impairment to the assets and with no revaluation reserves this should reflect as a paper loss in the Operating Statements of that amount as our best current estimate.

This is similar to the value reduction that was carried out at the end of last financial year due to the change in estimated depth of the roading base course. This was circa $22M and reflected as a significant paper loss in last year's accounts and our current treatment will have a similar effect.

The local Audit NZ team view this as a pragmatic treatment and are running this approach through their technical people in Wellington at time of writing.

As part of these standards and writing down the value of the roading assets due to impairment we have also noted (see draft below) that compensation for this write-down (via NZTA funding) will be received in future periods when the work is done and funding received. This draft note highlights the NZTA funding changes and that we are fully recognising the impairment loss in this year's accounts. Any future compensation funding for this will be treated as revenue and recognised in future periods effectively writing the asset back on.

> "**Compensation for Impairment**
>
> Under the old NZTA funding model historically these events have been funded at 95% of the cost of the estimated damage. Under the new NZTA funding model from 1st of July 2015 the figures for 2016 and 2017 and beyond are 82% and 83% respectively. Council is in negotiations' with NZTA as to the level of support payable but depending on the year the work is able to be carried out Council could face an additional cost to ratepayers of approximately $2.5M. While the estimated cost of repairs to original level of service are included in the accounts any compensation amounts have not been accrued at balance date but will be recognised as revenue in the future periods in which they are received. "

Insurance claims

Costs will be incurred in the short-term on work in repairing community housing. These should be recoverable from our insurers and the initial claims have been submitted. This will have a cashflow impact in the short-term as the claims process is expected to take around eight months or so based on the experience with the fire at Bulls last year.

There is a deductible/excess amount of $10,000 on the material damage policy and we have not had the insurers say that they are accepting all the claims as yet but expect the size of the work-load with Wanganui for the loss adjustors is slowing this process down.

Recommendation

That the memorandum "Financial commentary and progress to finalise accounts to 30 June 2015" be received.

George McIrvine
Group Manager Finance and Business Support
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Attachment 4

MEMORANDUM

TO:	Finance/Performance Committee
FROM:	George McIrvine
DATE:	24 July 2015
SUBJECT:	**Local Government Funding Agency (LGFA) - Membership Recommendation**
FILE:	5-FM-8
Attachments:	Treasury Policy and Liability Management Policy

1. Background

During the current LTP period (2015-2025) Council has indicated that its total capital spend will be around $130M, which is expected to result in a net debt position of around $31M in 2025.

2. Risk minimisation of debt facilities

With the amount of debt envisaged Council needs to put in place facilities of sufficient scale, affordability and capacity to manage its interest rate risk and also its liquidity risk. This is both in terms of accessing the initial loan amounts and also renewing debt as it falls due. This may occur at a time when the national and global lending environment is different from present.

Currently most existing banks do not lend beyond five years, which exposes Council to significant risk if there is a major movement in interest rates or funds availability on Council's long term borrowing for its long term asset base.

The Finance/Performance Committee received a presentation from a representative of LGFA who highlighted the reduced costs of borrowing funds from LGFA. Importantly, the LGFA offer the longer loan terms which reduces the interest rate and liquidity risk significantly for Council's asset investment programme.

Council debt is forecast to be $14M at the end of 2016 and some $23M by the end of 2018. With the relative uncertainty over project timing in future years it is important to achieve certainty of access to funds while minimising or eliminating commitment fees (where banks are paid for "earmarking" access to funds before they are drawn down).

3. Process to Join LGFA and estimated costs of membership

The process for joining the LGFA is outlined below, together with a summary of the estimated cost:

1. Public Consultation

A council needs to consult with the public prior to joining LGFA. This can be done either through the annual plan, long term plan or by a separate special consultation process. Consultation needs to be undertaken even if the council does not intend to be a guarantor as there needs to be consultation in regard to the investment in LGFA borrower notes which council may want to use from time to time.

2. Treasury Policy

A council will need to amend its Treasury Policy to make sure that they are consistent with joining LGFA. This will involve:

- Amending the liability policy to allow the council to borrow from LGFA. The current policy as drafted does allow this but will need a review to make sure it is up to date.
- Amending the investment policy to incorporate ability to invest in LGFA Borrower Notes. It may also include the ability to invest in LGFA bonds and LGFA commercial paper which may be wise if projects do no progress at the speed expected.
- There may also be other parts of the Treasury Policy that requiring amending such as counterparty credit risk, ability to subscribe in LGFA equity, ability to subscribe in LGFA subordinated debt and ability to provide a charge over the council's rates.

The required changes do differ between councils although this policy is based on Horizons. This will also be dependent upon whether a council is a shareholder, guarantor or non-guarantor. Other councils in the region, notably Ruapehu and Horizons, are not shareholders or guarantors and it is recommended that is the position that Rangitikei takes. Borrowing will be slightly more expensive at 10 basis points (i.e., 10x100th of 1.0% difference between guarantor and non-guarantor.

3. Debenture Trust Deed

A council needs to have a debenture trust deed in place. The current deed is may require some significant changes so that it is consistent with LGFA requirements. The current Debenture Trust Deed was done in 1998 for Council's previous borrowing so will need updating in line with legislative changes since that time.

4. Appointment of a Trustee

A council needs to appoint a trustee in regard to the debenture trust deed. Council has the Foundation Corporate Trust in place since Council needed to borrow previously. The cost of this is included in current expenditure and is $5,000 annually. Originally the trustee was Perpetual Trust which transferred this trustee obligation to Corporate Trust Limited (trading as Foundation Corporate Trust) as the security agent. Foundation Corporate Trust acts as security agent for some 33 councils in New Zealand.

5. Documentation

There are a number of documents that a council needs to sign:

- Accession Deed to the Multi-Issue Deed
- Accession Deed to the Notes Subscription Agreement
- Chief Executive Certificate relating to the accession documents
- Officers Certificate

In addition, a council then needs to issue a Security Stock Certificate.

Councils will need to use a law firm to assist them with the required documentation. LGFA currently use Russell McVeigh as its legal advisors. Council will require its own legal advisor. Based on their expertise on being able to assist local authorities with the documentation to join LGFA, names suggested include Buddle Findlay or Simpson Grierson, or Council could use a local firm if they have the necessary expertise.

6. Formal Application to Join LGFA

Council needs to formally apply to LGFA to become a member. Once the application is received LGFA's Board will consider the application. Historical and forecast future compliance with LGFA's financial covenants will form part of the consideration, although any other material issues relevant to a council's credit worthiness will also be taken into account.

7. Estimated cost to join LGFA and establish debt facilities

There are some costs to putting this or any debt facility with any lender in place.

These costs are both one-off costs but there are also additional annual costs some of which we pay currently. These costs should be viewed in the context of the entire LTP where we are looking to establish debt funding facilities for the life of the LTP to 2025 and beyond as the underlying assets have long service lives and should be funded by long term debt.

Estimates for establishing this facility and the legal work talking with the LGFA and other councils' staff is that there is about $30-40K of up-front costs.

These are one-time costs and should be viewed in terms of a trading bank which requires the same documentation to be put in place and also includes a commitment fee annually of around 30 basis points. For Council's anticipated debt levels these would be approximately $30K annually if we were to put that in place now. The LGFA do not have a commitment fee element to their charges so this would be a saving versus a trading bank as well as the likely rate savings see attached cost of funds curve where they have a spread of 40 to 70 basis points cheaper for money up to 5 years. These savings start from year one and current rates are less than those used in the LTP estimates

Costs for the Trustee ($5K) are in current budgets but annual or regular reviews of the attached investment and liability policy might be prudent, and save money in the long run. These could be in the vicinity of $5K depending on scope but would provide assurance to Council, and Management and also the Audit and Risk Committee and Auditors that we have a current up to date policy and that we remain within that policy.

4. Recommendations

1. That this report: 'Local Government Funding Agency (LGFA) - Membership Recommendation' date 24 July 2015 be received.

2. That the Council approves 'in principle' membership of the LGFA, noting the process to be followed and costs involved, and that the proposal to join the LGFA be consulted on as part of the draft 2016/17 annual plan process.

3. That Council does not become a shareholder or guarantor member of the LGFA.

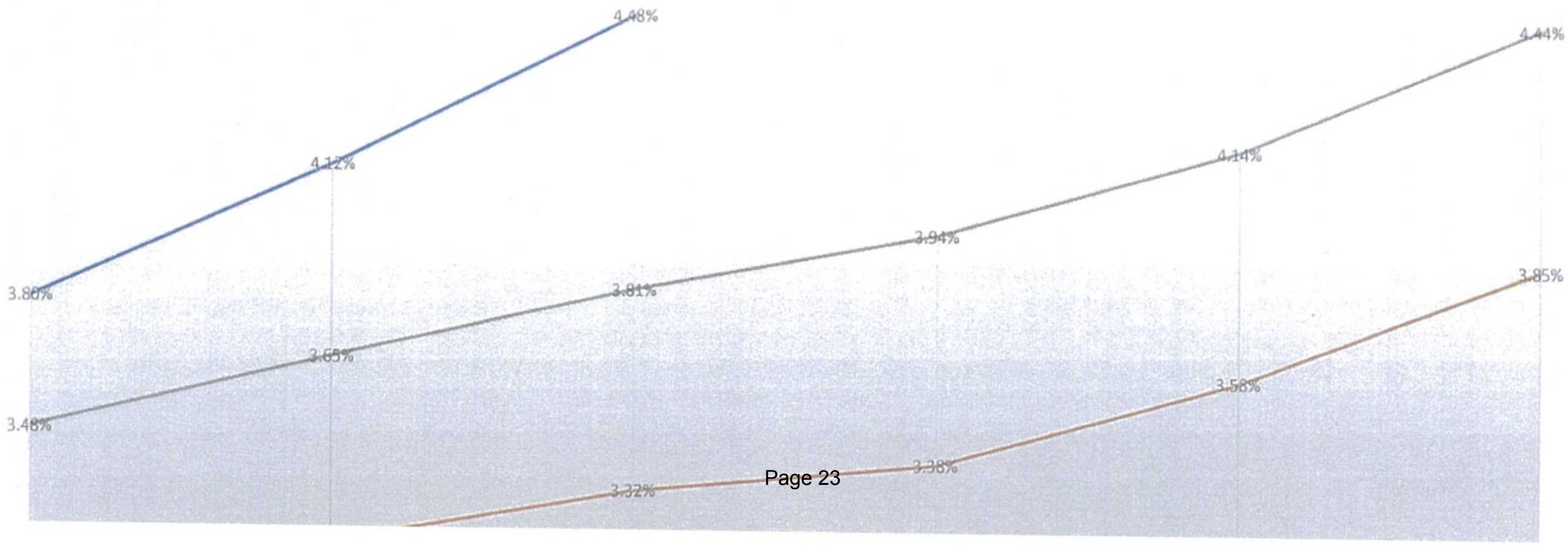
4. That Council notes that it can have LGFA borrower notes, where from time to time it may place surplus funds with the LGFA as noted in the current policy.

George McIrvine
Group Manager, Finance & Business Support

LGFA AND NZGB CURVES

LGFA NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

LGFA, Bank and NZGB Curves



Investment Policy

This policy has been changed to better reflect the current financial environment, best investment management practice, and Rangitikei District Council's' (RDC) current financial position. The main changes reflect the Council's shift from being debt free to becoming a net borrower of funds, and to allow the Council to invest in the Local Government Funding Agency should it be deemed wise and prudent to do so.

1. Introduction and Application

This Investment Policy has been prepared pursuant to Sections 102 and 105 of the Local Government Act 2002.

The policy is structured as follows:

- General Policy;
- Mix of Investments;
- Acquisition of New Investments;
- Revenue and Proceeds of Investments;
- Procedures for Management and Reporting to Council; and
- Risk Management.

2. General Policy

Council has a variety of investments which, at any time, may include cash, trust funds, special funds, bonds, shares, shares in Council Controlled Organisations (CCOs), property held for investment purposes and financial reserves, and investment in internal loans for capital works.

These investments are acquired, held and realised by Council in furtherance of its community and environmental goals and objectives that are identified in the Council's Long-term Plan and Annual Plans. To help meet these objectives, the Council will manage their investments as a base to support the funding of its activities, thereby producing an investment income stream that reduces reliance on general rating revenues.

In managing its investments, the Council generally is not driven by commercial considerations alone. As a public body it is accountable in terms of social, economic, environmental and cultural wellbeing of its communities, and environmental management. These considerations may lead to the Council making investment decisions which would not be made on commercial or financial considerations alone.

In managing its investments in accordance with its general policy, the Council will, consistent with optimising returns in the long term while balancing risk and return considerations, consider the following goals:

- Achieve the goals and objectives set out in the Long-term Plan and the Annual Plan;
- Protect its investment;
- Maximise investment returns (which may include using a managed funds approach);
- Ensure investments are of a type that provide the Council with funds when required;
- Manage its risk; and
- Consider internal loans to fund capital works only, provided the Council's overall risk is not increased, and provided the individual risk from each loan is within the Council's parameters.

New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment; and
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.

Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

3. Mix of Investments

The level and mix of the Council's investments are dependent upon, and consequently determined by, a number of factors including:

- The nature of the funds the investments represent;
- The timing of possible demand for utilisation of those funds, and associated impact on liquidity; and
- Council's rationale for retaining those surplus funds in the form of investment.

Thus investments comprise shares, convertible notes (or similar with equity like characteristics), debt securities, term deposit and call deposit instruments. Uses for these investments are summarised in the following table:

Nature of Funds	Term of Funds	Rationale for Retention
Working capital and surpluses due to temporary cash flow fluctuations	Short-term	Necessary to fund future cash flow requirements. Target is for a minimum available committed bank funding facility and/or liquid assets of $5 million. Targets for rates receivables are: – overdues not to exceed 10% of the rates for the current year at balance date; and .
General Accumulated Reserves	Short to medium term	Maintain income stream to minimise Rate reliance.
Restricted Reserves –	Short to medium term	As outlined in the Council's Long-term and Annual Plans.

4. Delegated Authorities

The Investment Policy related delegations are outlined below and are duly authorised by the Council's adoption of this policy.

Activity	Responsibility
Approve policy document	Council
Alter policy document	Council
Open/close bank accounts	Council
Approve authorised cheque/electronic signatory positions	Chief Executive
Investment management activity	Chief Financial Officer
Approving allowable risk management instruments	Council

Activity	Responsibility
Adjust interest rate risk profile	Chief Executive Per risk control limits
Maximum daily transaction amount (approved investing, cash management, interest rate risk management)	Council (unlimited) Chief Executive ($20 million) Chief Financial Officer ($5 million)
Ensuring compliance with policy	Chief Executive
Policy review	Chief Executive

5. Acquisition of New Investments

Acquisition of financial investments, such as on-call and short-term deposits, is managed within the treasury functions allocated to specified and authorised Council staff. This function covers the selection of initial deposits, reinvestment and maturities.

Acquisition and management of medium- to long-term investments are done in accordance with goals, objectives and provisions of the Long-term Plan and Annual Plans. However, the Council may from time to time deem it appropriate, in terms of prudent financial management, to modify its investment profile; such a change would be entered into only through specific Council resolution and in compliance with the provisions of the Local Government Act 2002. As part of this medium to long-term investment strategy, the Council's non-equity related investments will be linked to approximately three months equivalent of rating revenue. Fund surpluses to this requirement would then be available for internal investment through internal borrowing.

Such internal loans will generally be charged at the Council's weighted average cost of borrowing updated annually.

6. Revenue and Proceeds of Investments

Disposition of Revenue from Investments

Revenue from investment of funds reserved for particular purposes, such as Special Reserves, is appropriated to the relevant reserves, utilising the weighted average interest rate earned from Council's non-equity related investments.

Revenue from other investments is retained as an income source in the Statements of Financial Performance to reduce the funding required for the general rate.

Revenue from Asset Sales

Revenue from the disposal of fixed assets is firstly applied to any outstanding debt relative to the activity and secondly, generally used for the purchase and replacement of fixed assets.

Abnormal Funding Items

Council will generally use proceeds from abnormal funding items (such as the sale of a major capital item and reductions in the Council's shareholdings) to maintain its reserves and investment portfolio, and not for operating expenditures.

7. Procedures for Management and Reporting to Council

The Council's policy for the management and reporting of investments includes:

- The legislative necessity to maintain efficient financial systems for the recording and reporting (*inter alia*) of:

  1. All revenues and expenditures;
  2. All assets and liabilities; and
  3. The treatment and application of special funds.

- Adherence to the Council's financial processes and delegations to the Council's staff to invest surplus short-term funds and negotiate reinvestments, subject to the provision of adequate cash resources to meet normal expected demands;
- Periodic reporting of current investments to the chief executive and executive, including details of investment types, maturity dates and interest rates applicable, including the current weighted average rate; and
- Periodic reporting to the Council through a summary of investments, including investment amounts by type, year of maturity, total amounts, and appropriate weighted average interest rate.

8. Risk Management

In carrying out the Council's statutory obligations under Section 101 of the Local Government Act 2002, to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of its District communities, the Council must make its investments in accordance with the provisions of the Trustee Act 1956 as they apply to the investment of trust funds. In exercising its powers of investment, the Council is required to exercise the care, diligence, and skill that a prudent person of business would exercise in managing the affairs of others. The Council may also consider, in making any investment decisions:

- The desirability of diversifying investments;
- The desirability of a managed funds approach;
- The nature of existing investments;
- The risk of capital loss or depreciation;
- The potential for capital appreciation;
- The likely income return;
- The length of the term of the proposed investment;
- The marketability of the proposed investment during, and on the determination of, the term of the proposed investment;
- The effect of the proposed investment in relation to tax liability; and
- The likelihood of inflation affecting the value of the proposed investment.

9. Credit Exposure Policy

In managing its investments generally, the Council will always seek to protect the investment and manage the risks. Accordingly, the Council has determined that it is "risk averse", and will apply the "prudent person" principle for the management of risk and return on the Council's investments.

When investing cash, the Council will seek to minimise its risk by investing only in institutions with a high degree of security or credit rating, and by limiting maximum exposure in certain cases. Council has established the following requirements for all financial investments:

Counterparty/ Issuer	Minimum long term/ short term credit rating	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)	Total Financial Investment Portfolio
NZ Government	n/a	unlimited	none	unlimited	100%
LGFA	n/a	unlimited	none	unlimited	100%

9

Counterparty/ Issuer	Minimum long term/ short term credit rating	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)	Total Financial Investment Portfolio
State Owned Enterprises	A+/ A-2	2.0	none	2.0	50%
NZ Registered Bank	A+/ A-1	5.0	5.0	5.0	100%
Corporate*	A/ A-1	2.0	none	2.0	50%
Local Government*	n/a	2.0	none	2.0	50%
**Subject to a maximum exposure no greoter thon 20% of the portfolio being invested ot ony one point in time.*					

In determining the usage of the above gross limits, the following weightings will be used:

- Investments (eg. Bank Deposits) – Transaction Notional × Weighting 100%;
- Interest Rate Risk Management (eg. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%; and
- Individual counterparty limits are kept on a register by management and updated on a day-to-day basis with specific approvals made by the chief executive. Credit ratings should be reviewed on an ongoing basis and in the event of material credit downgrade this should be immediately reported to the Council and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

10. Approved Financial Investments and Liquidity Policy

Current approved investment instruments are as follows:

Category	Instrument
Cash and debt investments	Short term call and term bank deposits Bank certificates of deposit (RCDs) Treasury bills Government bonds LGFA/Local Authority, stock or State Owned Enterprise (SOE) /Corporate bonds (fixed rate and floating rate notes LGFA/Local Authority, Promissory notes/Commercial paper

Debt instruments must be ranked as senior unsecured or secured debt obligations. No subordinated debt investments are allowed with the only exception being borrower notes or similar issued by the LGFA.

Any financial investments must be restricted to a term that meets future cash flow and capital expenditure projections.

Internal borrowing may be used for the investment of funds managed by Council where there are no relevant restrictions on the investment of those funds.

Short-term call and term bank deposits are invested for a term of up to 12 months. Other financial investments are invested for a term of no more than 4 years.

11. Interest Rate Exposure Policy

The following interest rate re-pricing percentages are calculated on the total projected 12-month rolling financial investment portfolio. This allows for pre-hedging in advance of projected physical receipt or reinvesting of funds. When projections are changed, the interest rate re-pricing risk profile may have to be adjusted to comply with the policy limits.

Interest Rate Re-Pricing Period	Minimum Limit	Maximum Limit
0 to 2 years	40%	100%
2 to 4 years	0%	40%

The re-pricing risk profile can be altered, within the above limits through using approved interest rate instruments. Approved instruments are as follows:

Category	Instrument
Interest rate risk management	• Forward rate agreements (FRAs) on: o Bank bills. • Interest rate swaps including: o Forward start swaps (start date up to six months); and o Swap extensions and shortenings. • Interest rate options on: o Bank bills (purchased floors and one-for-one collars); and o Purchased interest rate swap options, with the option term up to six months.

Any other interest rate instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

12 Reporting, Internal Controls and Legal Risks

Refer Liability Management Policy.

13. Accounting Treatment of Financial Instruments

Financial instruments will be valued as set out by the Council's Statement of Accounting Policies. If instruments are valued at a fair value under these policies, the following underlying rates are to be used to value the financial instruments:

- Official daily market rates for short-term financial instruments (eg. FRA settlement rates calculated by Reuters from price maker quotations as displayed on the BKBM page);
- Relevant market mid-rates provided by the Council's bankers at the end of the business day (5.00 pm) for other over-the-counter financial instruments, eg. swaps; and
- For markets that are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the chief executive.

Liability Management Policy

This policy has been changed to better reflect the current financial environment, best treasury management practice and Rangitikei District Council's' current position. The main change is to allow the Council to borrow from the Local Government Funding Agency.

1. Introduction and Application

This Liability Management Policy has been prepared pursuant to Section 104 of the Local Government Act 2002. The policy is intended to apply, as appropriate, to every transaction that falls within the statutory definition of "borrowing", which is defined in Section 112 of the Local Government Act 2002 as:

"Borrowing"–

a. Means the incurring, by any means of debt, to raise money

b. Includes the incurring of debt:

   i. Under any contract or arrangement for hire purchase, deferred payment, instalment payment, sale and lease back or buy back, financial lease, loan, overdraft, or other arrangement for obtaining debt finance;

   ii. By the drawing, acceptance, making, endorsement, issue, or sale of bills of exchange, promissory notes and other negotiable instruments and debt securities; but

c. Does not include debt incurred in connection with the hire purchase of goods, the deferred purchase of goods or services, or the giving of credit for the purchase of goods or services, if

   i. The period for which the indebtedness is outstanding is less than 91 days and the indebtedness is not incurred again promptly after payment.

   ii. The goods or services are obtained in the ordinary course of the local authority's performance of its lawful functions, on terms and conditions available generally to parties of equivalent creditworthiness, for amounts not exceeding in aggregate an amount:

      (a) Determined by resolution of the local authority as not being so significant as to require specific authorisation.

      (b) Recorded for the purposes of this subparagraph of this paragraph of this definition in the then current borrowing management policy of the local authority.

d. And "borrow" has a corresponding meaning

   For the purposes of subparagraph c ii (b) of the above definition, this Liability Management Policy does not apply to hire purchase, deferred payment, or the giving of credit for goods where transactions are for less than 91 days, or do not exceed in value $400,000.

   Section 113 of the Local Government Act 2002 prohibits the Council from borrowing or entering into incidental arrangements other than in New Zealand currency.

New Zealand Local Government Funding Agency Limited

Despite anything in this policy, the 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, for example 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;
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue; and
- Subscribe for shares and uncalled capital in the LGFA.

The policy is structured as follows:

- Use of Borrowing;
- Borrowing Limits;
- Form of Borrowing;
- Security;
- Interest Rate Exposure Policy;
- Debt Repayment Policy;
- Liquidity Policy;
- Credit Exposure Policy;
- Cash Management Borrowing; and
- Incidental Arrangements.

2. Use of Borrowing

The Council may have long-term external debt for the completion of capital projects as outlined in Long-term Plans and Annual Plans. References to borrowing are related to existing and possible future borrowing requirements.

Where, as a result of the Long-term Plan or Annual Plan, debt funding is deemed appropriate, Council will use term borrowing only to fund long-term projects, or capital additions of a significant nature, and where:

- the benefits of such expenditure are received over terms greater than one financial year but are not matched by a related or relevant outflow of funds; **and**
- the term of borrowing would be related to the expected economic life of the asset purchased or created.

The only form of borrowing to meet operating shortfalls would be the use of overdraft facilities or other committed short-term bank facilities to cover temporary mismatches in operating cash flow An exception to this general statement may be made where the Council by separate resolution deems it to be prudent to borrow for some specific one-off operating expense in excess of $250,000.

As part of the Revenue and Financing Policy, Council will take a project-by-project view of its activities, and allocate the funding resources accordingly. These may include term borrowing.

3. Delegated Authorities

The Liability Management Policy related delegations are outlined below and are duly authorised by the Council's adoption of this policy.

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Activity	Responsibility
Approve policy document	Council
Alter policy document	Council
Approval of borrowing programme for the year	Council
Approval for charging assets as security over borrowing	Council

Activity	Responsibility
Approve new loans, borrowing facilities in accordance with the Council general resolution	Chief Executive
Refinancing of existing debt	Chief Executive
Approve borrowing and interest rate transactions outside policy	Council
Open/close bank accounts	Council
Approve authorised cheque/electronic signatory positions	Chief Executive
Transfers of stock/register new debt issues	Seal register signatories
Borrowing management activity	Chief Executive
Interest rate risk management activity	Chief Executive
Approving allowable risk management instruments	Council
Adjust interest rate risk profile	Chief Executive (Within designated risk control limits)
Managing funding maturities	Chief Financial Officer (Within risk control limits
Maximum daily transaction amount (approved borrowing, cash management, interest rate risk management)	Council (unlimited) Chief Executive ($20 million) Chief Financial Officer ($5 million)
Ensuring compliance with policy	Chief Executive
Policy review	Chief Executive

4. Borrowing Limits

Borrowing will be managed within the following limits/ratios:

- # Net debt as a percentage of equity <20%;
- # Net debt as a percentage of total revenue* <150%;
- Net Interest as a percentage of total revenue* <15%;
- Net Interest as a percentage of annual rates income (debt secured under debenture) <20%; and
- Liquidity (term debt + committed loan facilities + liquid investments) over existing external debt >110%.

Disaster recovery requirements are to be met through the liquidity ratio.

For the purpose of calculating the above ratios:

* Revenue is defined as income from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Excludes government capital contributions (eg. developer contributions and vested assets).

Net debt is defined as total external debt less liquid financial assets that would be available to repay debt.

Infrastructural Assets

Infrastructural assets are assets such as roads, bridges, water, sewage, and stormwater systems. Infrastructural assets are fixed assets with the following characteristics:

- They comprise a system or network of interdependent components;
- This system interdependency may limit a component life to a lesser period than the expected life of the component by itself;
- Infrastructural assets have very long lives and the normal expectation is of an *indefinite* life. A finite life is determinable only when a decision is taken to replace the entire network, or to discontinue a section of it;
- Infrastructural assets are renewable rather than replaceable. Although, at any point in time, all components (excluding land and similar assets like earthworks) have a finite useful life, the asset as a whole can be maintained at a specified level of service potential by the continuous replacement and refurbishment of its components; and
- If infrastructural assets suffer severe failure, equivalent service levels from other sources are usually unobtainable for months or years.

Net Interest
Interest expense less interest received recorded in the Council's accounts.

5. Form of Borrowing

Trade Credit

The Council will arrange such terms and conditions as it considers necessary for the establishment and provision of normal trade credit to enable the carrying out of business activities. Such credit shall not normally involve the issue of any security, undertaking, or collateral, as a condition of the provision of such credit. Finance leases and hire purchase are included within trade credit and will normally include a charge over the assets being purchased.

Primary Instruments

The **primary** instruments for other RDC borrowing will be:

- Committed bank call and term funding facilities including provision of overdrafts and cash advance facilities, term loans or other credit facilities;
- The Council may also use internal funds as a borrowing mechanism.

Alternative funding mechanisms such as leasing must be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Other

Instruments not specifically referred to in this policy may be used only with specific Council approval, with the proviso that the Council will not utilise any off-balance sheet funding instruments.

6. Security

It is the Council's general policy to offer security under a Debenture Trust Deed for borrowing and interest rate management instruments by way of a charge over the rating revenues accessible overall, or portions of, rateable property within the Council's jurisdiction. In the normal course of business the policy is not to offer security over any of the Council's other assets. However, where doing so would help further the Council's goals and objectives, the Council may, by specific resolution, offer such security on a case-by-case basis.

Any internal borrowing will be on an unsecured basis.

Where borrowing is by way of finance lease, or some other form of trade credit under which it is normal practice to provide security over the asset concerned, Council may offer security over the asset.

7. Interest Rate Exposure Policy

Exposure to interest rate risk is managed and mitigated through the controls below. These risk control limits will be only activated once 12 month forecast net debt exceeds $20 million.

Master Fixed/Floating Risk Control Limit	
Minimum Fixed Rate	**Maximum Fixed Rate**
50%	90%

Fixed Rate is defined as an interest rate re-pricing date beyond 12 months forward on a continuous rolling basis.

Floating Rate is defined as an interest rate re-pricing within 12 months.

The percentages are calculated on the rolling 12 month projected net debt level calculated by management and signed off monthly by the chief financial officer. (Net debt is the amount of total debt net of liquid financial investments available for debt repayment.) This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate/hedging in place may have to be adjusted to comply with the policy minimums and maximums.

At any time, the total of the fixed rate debt should be within the following maturity bands:

Fixed Rate Maturity Profile Limit		
Period	**Minimum**	**Maximum**
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	60%

- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- Interest rate instruments that have a term greater than 10 years must be approved by the Council.

Dealing in interest rate instruments is limited to the approved interest rate instruments as follows:

Category	Instrument
Interest rate risk management	• Forward rate agreements (FRAs) on: o Bank bills o Government bonds
	• Interest rate swaps including: o Forward start swaps (start date less than 24 months) o Amortising swaps (whereby notional principal amount reduces) o Swap extensions and shortenings

Category	Instrument
	• Interest rate options on: o Bank bills (purchased caps and one for one collars) o Government bonds • Purchased interest rate swaptions, with the option term up to 18 months

Any other interest rate instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

8. Debt Repayment Policy

The Council's policy is to repay debt as it falls due utilising one or more of the following:

- Surplus operating funds;
- Rating revenues established for that purpose;
- Proceeds from the disposition of surplus assets or investments;
- Regular instalments of principal and interest, especially with internal capital works loans; and/or
- Refinancing with new debt.

Total debt levels are determined through the Long-term Plan and Annual Plans.

9. Liquidity and Funding Risk Policy

Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of term debt and bank facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing facilities.

It is the Council's policy to ensure the timely availability of funds to enable the related expenditure to be carried out, and for obligations to be paid on due date, without incurring penalties or holding unnecessary cash reserves.

To manage and mitigate the Council's liquidity and funding risks the Council has imposed the following controls:

- Match revenue requirements with expenditure streams and ensure timing differences, if any, are favourable to the Council;
- Ensure replacement/renewal funds are available no later than the repayment date, whether sourced from refinancing loans or other sources. The Council has the ability to pre-fund up to 12 months of forecast debt requirements including re-financings in liquid investments;
- Avoid significant concentration of credit risk, exposure or debt repayment maturities; and
- Term debt and committed bank funding facilities plus liquid financial investments, over existing external debt to be greater than 110%.

The chief executive has the discretionary authority to re-finance existing debt on more favourable terms and within the parameters of this policy.

The maturity profile of total committed funding in respect to all term debt and committed bank funding facilities is to be controlled by the following system with percentages calculated off existing external debt.

Period	Minimum	Maximum
0 to 3 years	15%	60%*
3 to 5 years	15%	60%*
5 years plus	10%	40%*

*To be adhered to when external debt levels are greater than $20 million.

10. Credit Exposure Policy

In using Financial Risk Management instruments the Council can be exposed to counterparty credit risk. This is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with counterparties and limits approved on the basis of long-term credit ratings (Standard & Poor's, Fitch or Moody's) being A+ and above or short-term rating of A-1 or above.

The following framework will determine limits.

Counterparty/ Issuer	Minimum long term/ short term credit rating	Interest rate risk management instrument maximum per counterparty ($m)
NZ Registered Bank (per bank)	A+/ A-1+	10.0

In determining the usage of the above gross limits, the following weightings will be used:

- Interest rate risk management (eg. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%; and
- Foreign Exchange – Transactional Principal Amount x the square root of the Maturity (years) x 15%.

To avoid undue concentration of exposures, financial instruments must be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities should also be well spread. The approval process to allow the use of individual financial instruments must take into account the liquidity of the market the instrument is traded in and re-priced from.

11. Borrowing for Cash Management

This section applies to what might be described as borrowing to manage day-to-day fluctuations in cash flow.

For cash management purposes the Council maintains a committed bank funding facility and/or liquid financial investments not exceeding a limit of $5,000,000, primarily for the urgent financing of emergency-related works and services. This facility may also be used for unexpected short-term fluctuations in operating cash flow. In day to day cash management the target is to maintain operating cash balances as close as possible to zero to minimise bank costs and maximise deposit rates, while meeting obligations to staff and suppliers.

12. Incidental Arrangements

The Council may, on terms and conditions as considered appropriate, enter into and perform any contract or arrangement that is referred to as an "incidental arrangement" (known as financial risk management instruments). Incidental arrangements are further defined in Section 112 of the Local Government Act 2002 as:

a. A contract or arrangement for the management, reduction, sharing, limiting, assumption, offset, or hedging of financial risks and liabilities in relation to any investment or investments or any loan or loans or other incidental arrangement, whether or not that contract or arrangement involves:

i. the expenditure, borrowing, or lending of money; or
ii. the local authority undertaking to make payments in exchange for another person undertaking to make payments to the local authority; or
iii. the creation or acquisition or disposal of any property or right; or

b. A contract or arrangement with any bank, financial institution, or other person providing for any person to act as underwriter, broker, indemnifier, guarantor, accommodation party, manager, dealer, trustee, registrar, or paying fiscal, or other agent for, or in connection with, any loan or investment including the creation of a charge.

Agents

Where it is considered necessary for the efficient management of the Liability Management Policy, and to assist in compliance with the Council's legislative requirements, the Council will appoint only reputable persons or companies to fulfil the following roles:

- Financial/Investment Advisors;
- Registrars/Paying Agents;
- Brokers; and
- Trustees.

Foreign Exchange

Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated goods and services.

Generally, all significant commitments for foreign exchange are hedged, using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts can be used by the Council.

By legislative restriction, the Council cannot borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

Other

Other forms of incidental arrangement may be entered into only with specific resolution of the Council, and in accordance with the Long-term Plan.

13. Internal Controls

The Council's systems of internal controls over treasury activity include:

- Adequate segregation of duties among the core treasury functions of deal execution, confirmation, settling and accounting/reporting. There are a small number of people involved in treasury activity. Accordingly strict segregation of duties is not always achievable. The risk from this is minimised by the following processes:
  - A documented discretionary approval process for treasury activity;
  - Regular management reporting;
  - Regular operational risk control reviews by an independent audit function; and
  - Organisational, systems, procedural and reconciliation controls to ensure:
    - All treasury activity is bona fide and properly authorised; and
    - Checks are in place to ensure Council's accounts and records are updated promptly, accurately and completely.

14. Legal Risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation.

While legal risks are more relevant for banks, Council may be exposed to such risks. In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation.

The Council will seek to minimise this risk by adopting policies regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, and contacts for disputed transactions) to be sent to counterparties;
- The matching of third party confirmations and the immediate follow-up of anomalies; and
- The use of expert advice for any non-standardised transactions.

Agreements

- Financial instruments can only be entered into with banks that have in place an executed ISDA[1] Master Agreement with the Council. All ISDA Master Agreements for financial instruments must be signed under seal by the Council.
- The Council's appointed legal counsel must sign off on all documentation for new loan borrowings, re-financings and investment structures.

Financial Covenants and Other Obligations

- The Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.
- The Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

15. Accounting Treatment of Financial Instruments

Financial instruments will be valued as set out by the Council's Statement of Accounting Policies. If instruments are valued at a fair value under these policies, the following underlying rates are to be used to value the financial instruments:

- Official daily market rates for short-term financial instruments (eg. FRA settlement rates calculated by Reuters from price maker quotations as displayed on the BKBM page);
- Relevant market mid-rates provided by the Council's bankers at the end of the business day (5.00pm) for other over-the-counter financial instruments, eg. swaps; and
- For markets that are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the chief executive.

[1] International Swaps and Derivatives Association

Attachment 5

August 2015

Name
Organisation
Address 1
Address 2

Dear (name)

Application for a Community Initiatives Fund grant

Your application for funding towards the (insert project name) was considered by the Finance/Performance Committee at its meeting on 27 August 2015. An amount of $20,000 was available for distribution. (Number) applications were received to a total value of $(state value).

I am pleased to advise you that the Committee has approved a grant of $(state value) to your group. You will receive payment by direct credit within the next month.

Please note the following conditions of the grant:

- The Rangitikei District Council requires acknowledgement of this grant in any promotional material used in this project. A copy of the promotional material with acknowledgement of the Rangitikei District Council's support needs to be provided with the Project Report Form.
- A report back to Council using the enclosed Project Report form is required within three months of the completion of the project.
- You must use the three targets set in your application as the basis of your reporting back on the community benefits of this event.
- If this form is not completed and returned to me at the end of the project, your group will not be eligible for any further funding.

I would like to take this opportunity to wish you and your organisation well in your endeavours.

Yours sincerely

Priscilla Jeffrey
Governance Administrator

PROJECT REPORT FORM – COMMUNITY INITIATIVES FUND 2015/16

Please return to: **Grants Administrator**
By mail : Rangitikei District Council, Private Bag 1102, Marton 4741
Or hand deliver to: Rangitikei District Council Office, 46 High Street, Marton; or
Taihape Service Centre, Hautapu Street, Taihape
Or by Email to: priscilla.jeffrey@rangitikei.govt.nz

NO LATER THAN THREE MONTHS AFTER THE COMPLETION OF THE EVENT, TO BE ACCOMPANIED BY AN INCOME AND EXPENDITURE REPORT

If you do not complete and return this form this will affect your eligibility for future funding.

1 Name of applicant: ____________________

2 Name of project: ____________________

3 Date and location of project: ____________________

4 Amount received from the Community Initiatives Fund: $ ____________________

Please answer the following questions and use additional sheets if necessary

How many people benefited from your project/programme?____________________

Was this number:

- ☐ More than you expected?
- ☐ What you expected?
- ☐ Less than you expected?

Describe the main findings in your evaluation of the project and how it benefited the community:

....

....

....

What worked really well? ....

....

....

....

What didn't work so well/could be improved?...

....

……

Please report on your success at achieving the three targets you identified in your application (attach another sheet if necessary)

Target 1: ……

……

……

Target 2: ……

……

……

Target 3: ……

……

……

Please describe how you promoted the support of the Rangitikei District Council for your project/programme (attach examples of leaflets or publicity if appropriate)

……

……

……

……

……

Please complete the attached income and expenditure statement for your event, showing all income and expenditure associated with the event.

Surplus/(deficit) $……………………………………………

Income and expenditure statement
(Please list all income and expenditure associated with the event)

Income	**Amount**	
Donated material	$	
Cash in hand towards project	$	
Intended fundraising (provide an estimate)	$	
Ticket sales	$	
Other sponsorship/grants (please specify source/s below)		
	$	
	$	
	$	
	$	
	$	
	$	
Total income (GST inclusive / exclusive. Please delete one)	$	
Expenditure	**Amount**	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
Total expenditure (GST inclusive / exclusive. Please delete one)	$	
Surplus / (deficit) (GST inclusive / exclusive. Please delete one)	**$**	

Signature ____________________________________ **Date** ____________________

PRINT NAME ____________________________________

August 2015

Name
Organisation
Address 1
Address 2

Dear (name)

Application for Events Sponsorship

Your application for sponsorship of the (insert event name) was considered by the Finance/Performance Committee at its meeting on 27 August 2015. An amount of $18,000 was available for distribution. (Number) applications were received to a total value of $(state value).

I am pleased to advise you that the Committee has approved sponsorship of $(insert value) to your group. You will receive payment by direct credit once you have signed and returned the attached Terms of Agreement.

A pro-forma for the Final Written Report is also enclosed. This must be returned within three months of the date of your event. If this form is not completed and returned to me at the end of the event, your group will not be eligible for any further sponsorship.

I would like to take this opportunity to wish you and your organisation well in your endeavours.

Yours sincerely

Priscilla Jeffrey
Governance Administrator

EVENTS SPONSORSHIP SCHEME 2015/16
RANGITIKEI DISTRICT COUNCIL
TERMS OF AGREEMENT

In accepting the offer of sponsorship g of $________, I/we (name of applicant)______________________ on behalf of (name of organisation)__________________________________ agree to the following conditions:

1. I/we will carry out the event within the indicated time frame in the application.
2. I/we agree that the grant money will be used for (state project funding was given for)

   ____

   And I/we agree that it will not be used for any other purpose. I/we understand that failure to do so may result in steps being taken to recover the grant in part or full.
3. I/we will return a final written report (as attached) and an income/expenditure report no later than three months after the completion of the project and that I/we consent to copies being made available to the Grants/Sponsorship Funding Scheme Panel.
4. Should the event not go ahead, I/we shall immediately return any money received to the Rangitikei District Council Events Sponsorship Scheme.
5. I/we accept that the names of grant recipients and the amounts of grants will be made public.
6. I/we will notify the Rangitikei District Council's Administrator in writing of any change of address, office holders of the organisation or other contact details should this occur before I/we return the final report.
7. The support of the Rangitikei District Council will be acknowledged in all publicity, publications and signage associated with the event (copies of the logo may be obtained from the Rangitikei District Council's Administrator).
8. I/we will collect Rangitikei District Council's signage for use at our event. I/we will return it intact and undamaged within 3 days of the event.
9. The grant will be paid to the organisation by Rangitikei District Council by direct credit as stipulated on the application form.
10. I/we accept that the Rangitikei District Council may conduct random audits on our event i.e feedback survey form.
11. I/we understand the information given in the final written report will be used as information if further funding is applied for, for the same event.

Signature ____ **Date** ______________________

Please return the Terms of Agreement to:	Grants Administrator
By mail :	Rangitikei District Council, Private Bag 1102, Marton 4741
Or hand deliver to:	Rangitikei District Council Office, 46 High Street, Marton; or Taihape Service Centre, Hautapu Street, Taihape
Or by Email to:	priscilla.jeffrey@rangitikei.govt.nz

EVENTS SPONSORSHIP SCHEME 2015/16
RANGITIKEI DISTRICT COUNCIL
FINAL WRITTEN REPORT

Please return to:	**Grants Administrator**
By mail :	Rangitikei District Council, Private Bag 1102, Marton 4741
Or hand deliver to:	Rangitikei District Council Office, 46 High Street, Marton; or Taihape Service Centre, Hautapu Street, Taihape
Or by Email to:	priscilla.jeffrey@rangitikei.govt.nz

NO LATER THAN THREE MONTHS AFTER THE COMPLETION OF THE EVENT, TO BE ACCOMPANIED BY AN INCOME AND EXPENDITURE REPORT

Name of organisation undertaking event: (to be completed by Rangitikei District Council)

....

Name(s) of contact person(s): ....

Name of event: ....Date of event ....

Type of event:

☐ High profile event
☐ Community event
☐ High profile, community event

☐ One-off event
☐ New recurring event
☐ Established recurring event

Date sponsorship was granted: .... Amount of sponsorship: ....

Please answer the following questions and use additional sheets if necessary

Who attended the event (estimated numbers and description)?

Resident in Rangitikei District?		Visitors from neighbouring Districts[1]?	
Visitors from the rest of New Zealand?		Overseas visitors?	

Total	

Was this attendance

☐ More than you expected?
☐ What you expected?
☐ Less than you expected?

[1] Horowhenua, Manawatu, Ruapehu, Palmerston North, Tararua and Whanganui.

Did the event go as you had planned?

....

....

....

What worked well/was successful?

....

....

What didn't work so well/could be improved?

....

....

....

Please describe how you promoted the support of the Rangitikei District Council for your event (attach examples of leaflets or publicity if appropriate).

....

....

Please complete the attached income and expenditure statement for your event, showing all income and expenditure associated with the event.

Surplus/(deficit) $...

Do you intend to hold this event again next year?

If so, please outline your strategy to increase income generation for this event next year.

....

....

....

....

Income and expenditure statement

(Please list all income and expenditure associated with the event)

Income	**Amount**	
Donated material	$	
Cash in hand towards project	$	
Intended fundraising (provide an estimate)	$	
Ticket sales	$	
Other sponsorship/grants (please specify source/s below)		
	$	
	$	
	$	
	$	
	$	
	$	
Total income (GST inclusive / exclusive. Please delete one)	$	
Expenditure	**Amount**	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
	$	
Total expenditure (GST inclusive / exclusive. Please delete one)	$	
Surplus / (deficit) (GST inclusive / exclusive. Please delete one)	**$**	

Signature ______________________________ **Date** ____________________

PRINT NAME ______________________________