

Thursday, 26 September 2024

*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*  
**Hastings District Council**  
**Council Meeting**

*Kaupapataka*

# Attachments Vol 1

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*Te Rā Hui:*  
Meeting date: **Thursday, 26 September 2024**

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*Te Wā:*  
Time: **1.00pm**

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*Te Wāhi:*  
Venue: **Council Chamber  
Ground Floor  
Civic Administration Building  
Lyndon Road East  
Hastings**

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Monday, 5 August 2024

*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*

**Hastings District Council: Risk and Assurance Committee Meeting**

*Te Rārangi Take*

# Report to Risk and Assurance Committee

*Nā:*  
**From: Ross Franklin, Finance Special Projects Officer**

*Te Take:*  
**Subject: Treasury Activity and Funding Update**

## 1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

The purpose of this report is to update the Risk and Assurance Committee on treasury activity and funding issues.

- 1.2 Since the last update on 20 May 2024, Council has borrowed a further \$79m. This comprises Floating rate debt of \$39m and fixed rate debt of \$40m. In addition, \$80m of new interest rate swaps have been added. That means Council has hedged interest rates for a further \$120m worth of debt.
- 1.3 Council's total external debt on 12 July 2024 was \$413m, with debt forecasted to rise to \$489m by 30 June 2025. Based on the 2024-25 LTP budgets Council will need to increase the total borrowings by \$96m this financial year.
- 1.4 Council's adopted 2024-34 LTP forecasts peak debt of \$711m by June 2030. This is higher than the forecast in the draft LTP due to council's decision to reduce the 2024/25 rates increase and adopt a 5 year, rather than 3 year, strategy to lift revenue levels. This has necessitated additional borrowing to make up the revenue shortfall. This higher debt forecast requires a heightened level of hedging activity for Council to remain in policy.
- 1.5 Our advisers consider that an interest rate swap at or under 4% will represent good long-term value for Council.
- 1.6 While the recent swaps have been slightly, above the 4% target area they were necessary to ensure Council is closer to being fully within policy based on the projected new debt profile. Council is currently within policy in all areas.
- 1.7 Going forward Officers will target further cover when it becomes financially efficient to do so.

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- 1.8 Council is currently compliant with its existing Treasury Management Policy for the 2024-34 debt profile.
- 1.9 With the appointment of the new CFO effective 15<sup>th</sup> July the delegations in the Treasury policy is required to be updated.
- 1.10 The Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) remains at 5.5% following its last review on 10 July 2024. Its next review is 14 August 2024. The following is a summary of the RBNZ's points.
- Restrictive monetary policy has significantly reduced consumer price inflation.
  - The decline in inflation reflects receding domestic pricing pressures.
  - Current and expected government spending will restrain overall spending in the economy.
  - Some domestically generated price pressures do remain strong.
  - The Committee agreed that monetary policy will need to remain restrictive. The extent of this restraint will be tempered over time consistent with the expected decline in inflation pressures.

## 2.0 Recommendations - Ngā Tūtohunga

- A) That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 5 August 2024.
- B) That the Risk and Assurance Committee recommend Council approve the changes to the delegations as detailed in the Treasury Policy.

## 3.0 Background – Te Horopaki

- 3.1 The Hastings District Council has a Treasury Policy which is a summarised version of the Treasury Management Policy and forms part of the 2024-2034 Long Term Plan. Under these policy documents, responsibility for monitoring treasury activity is delegated to the Risk and Assurance Committee.
- 3.2 Council is provided with independent treasury advice by Bancorp Treasury Services and receives daily and monthly updates on market conditions.
- 3.3 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in-depth treasury reporting is provided for the Risk and Assurance Committee. The Treasury Policy has been updated to reflect the current financial situation and in support of the 2024-34 Long Term Plan.

## 4.0 Discussion – Te Matapakitanga

- 4.1 Current Situation:
- 4.2 Council's total external debt at 30 June 2024 was \$393.7m, of which 206m relates to 3waters. The cash balance as at 30 June was \$13m. In addition, Council has an undrawn bank facility of \$45m.
- 4.3 On 1 July 2024, \$20m of existing debt matured and on 8 July a further \$39m of floating rate debt was raised through the LGFA tender. The total external debt as at 12 July is \$412.7m.

This includes:

Fixed rate debt	\$140.0m
Floating rate debt	\$272.7m

On 12 July, Council held \$247.5m of interest rate hedging instruments, including:







































































































