

MEETING OF THE FINANCE AND AUDIT COMMITTEE

TO THE CHAIRPERSON AND MEMBERS OF THE COMMITTEE

MEMBERSHIP OF THE COMMITTEE

Cr N J Wagner (Chairperson)

Cr R A Budd
Cr R H M Johnston
Cr R M Kirk

Cr A G Neill
Cr T K Burke (ex officio)

A meeting of the Committee will be held on
Tuesday, 14 February 2006 at 8.00 a.m.

VENUE: Council Chamber
First Floor
Pegasus Building
58 Kilmore Street
CHRISTCHURCH

BUSINESS: As per Order Paper attached.

Dr Bryan Jenkins
CHIEF EXECUTIVE

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE TAKEN
AS COUNCIL POLICY UNTIL ADOPTED BY THE COUNCIL**

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COMPLIANCE WITH LOCAL GOVERNMENT ACT 2002 DECISION-MAKING REQUIREMENTS

Except as below, a statement of compliance and a completed decision checklist is required for any agenda item on a council committee or the council recommending that a decision be made. This will be the responsibility of the person signing off the agenda item.

The compliance statement and checklist will not be used for:

- Recommendations that information be received or that the Council make a decision.
- Decisions taken under the Resource Management Act 1991 or the Biosecurity Act 1993 in relation to resource consents, decisions required when following the procedures set out in Schedule 1 of the Resource Management Act 1991, other permissions, submissions on plans, or references to the Environment Court.
- Decisions taken to proceed with enforcement procedures under various primary or secondary legislation or regulations, including procedures under the Resource Management Act 1991, the Biosecurity Act 1993, the Local Government Act 2002, and Environment Canterbury Bylaws.
- Administrative and personnel decisions that are entirely internal to Environment Canterbury.
- Other decisions where the procedures to be followed are set out in Legislation.

COMPLIANCE STATEMENT

The council committee (or the council) must formally certify that:

- (a) It is satisfied that it has sufficient information about the options and their benefits and costs, in terms of the region's social, economic, environmental and cultural well-being and the effects on community outcomes, bearing in mind the significance of the decisions.
- (b) It is satisfied that it knows enough about and has given adequate consideration to the views and preferences of affected and interested parties bearing in mind the significance of the decision.

INFORMATION CHECKLIST

(a)	A Statement of the Proposed Decision
(b)	A Statement of the Objective of the Proposed Decision and the Issue or Problem being addressed
(c)	A list of all reasonably practicable options, (including doing nothing).
(d)	For each option in (c): An evaluation of the Benefits and Costs, in terms of the region's social, economic, environmental and cultural well-being.
(e)	For each option in (c): A statement of the extent to which community outcomes would be promoted or achieved in an integrated and efficient manner.
(f)	For each option in (c): A statement of the Impact, if any, on Environment Canterbury's capacity to undertake its statutory responsibilities
(g)	If the Proposed Decision is a significant decision in relation to land or a body of water, a statement of how Maori values have been taken into account
(h)	A Statement of significant inconsistencies, if any, with any Existing Policy, Plan or Legislation arising from the Proposed Decision.
(i)	A statement how the views and preferences of affected or interested persons have been given adequate consideration during the definition of the problem or issue, the objective, the assessment of options and the development of the proposed decision, including the particular contribution of Maori to the decision-making process.

Notes:

The significance of proposals and decisions determines how much time, money and effort is put into exploring and evaluating options and obtaining the views of affected and interested parties. The significance of proposals and decisions is determined through reference to criteria contained in the policy on significance.

The policy on significance together with Section 76 of the Local Government Act 2002 set out the Council's requirements in relation to decisions. Some decisions can only be made through the Long-Term Council Community Plan, or after the Special Consultative Procedures set out in the Act have been used, (refer to the policy on significance and the Act).

All decisions of Environment Canterbury are subject to the decision-making requirements of section 76 of the Act unless inconsistent with specific requirements of other legislation.

ENVIRONMENT CANTERBURY
FINANCE AND AUDIT COMMITTEE

ORDER PAPER

1. APOLOGIES
2. MINUTES OF MEETINGS - 6 DECEMBER AND 22 DECEMBER 2005

MATTERS FOR RECOMMENDATION TO COUNCIL

3. UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS
4. AMENDMENTS TO COUNCIL POLICIES

MATTERS FOR COMMITTEE DECISION

5. MEETING WITH PUBLIC EXCLUDED
 - 5.1 MINUTES OF 6 DECEMBER 2005 MEETING
 - 5.2 MINUTES OF 22 DECEMBER 2005 MEETING
 - 5.3 ELECTRICITY CORPORATION OF NEW ZEALAND RATES
 - 5.4 COUNCIL INVESTMENT ADVISOR
 - 5.5 TARGET PEST ENTERPRISES LIMITED
6. NEXT MEETING – 2 MARCH 2006
7. CLOSURE

ENVIRONMENT CANTERBURY
FINANCE AND AUDIT COMMITTEE

MINUTES OF THE MEETING HELD IN THE COUNCIL CHAMBER, FIRST FLOOR,
PEGASUS BUILDING, ENVIRONMENT CANTERBURY, 58 KILMORE STREET,
CHRISTCHURCH ON TUESDAY, 6 DECEMBER 2005 AT 8.10 A.M.

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1. APOLOGIES – CR WAGNER
2. MINUTES OF MEETING – 11 OCTOBER 2005
3. MATTERS ARISING
4. DEPUTATIONS AND PETITIONS

MATTERS FOR COMMITTEE DECISION

5. PUBLIC EXCLUDED
 - 5.1 MINUTES OF 11 OCTOBER 2005 MEETING
 - 5.2 TARGET PEST ENTERPRISES LIMITED
 - 5.3 ENVIRONMENT CANTERBURY PROPERTY

MATTER FOR RECOMMENDATION

6. TRI-ANNUAL REPORT JULY 2005 – OCTOBER 2005

MATTERS FOR COMMITTEE DECISION

7. REPORT TO COUNCIL & MANAGEMENT ON THE AUDIT FOR THE YEAR ENDED 30 JUNE 2005
8. FINANCE AND AUDIT COMMITTEE – 2006 MEETING SCHEDULE AND WORK PROGRAMME
9. NOTICES OF MOTION
10. EXTRAORDINARY AND URGENT BUSINESS
11. QUESTIONS
12. NEXT MEETING – 14 FEBRUARY 2006
13. CLOSURE

PRESENT

Crs A G Neill (Acting Chair), R A Budd, T K Burke, R H M Johnston, and R M Kirk.

IN ATTENDANCE

Cr Woods.

MANAGEMENT PRESENT

B R Jenkins (Chief Executive), I W Thomas (Director Finance and Corporate Services) and Jude Pani (Manager Secretariat).

W Falconer (Manager External Relations, G A G Griffiths (Director Investigations and Monitoring), K G Lawn (Director Operations), and J D Talbot (Director Policy and Planning) were in attendance for part of the meeting and report authors were in attendance to present their reports.

Target Pest Enterprises Limited (TPE) representatives: Martin Hadlee (Board Chairman), Paul Ash (General Manager) and Ian Fullerton (Business Analyst), were in attendance for discussion on Item 5.2.

1. APOLOGIES

Cr Wagner. Cr Johnston for lateness

2. MINUTES OF MEETING – 11 OCTOBER 2005

Resolved

That the minutes of the meeting held on 11 October 2005, as circulated, be confirmed as a true and accurate record.

Cr Budd / Cr Kirk

3. MATTERS ARISING

Nil.

4. DEPUTATIONS AND PETITIONS

Nil.

MATTERS FOR COMMITTEE DECISION

5. MEETING WITH PUBLIC EXCLUDED

The meeting moved into Public Excluded at 8.13 a.m.

Resolved

That the public be excluded from the following part of the proceedings of this meeting, namely:

- 5.1 *Public Excluded Minutes – 11 October 2005*
- 5.2 *Target Pest Enterprises Limited Report*
- 5.3 *Environment Canterbury Property*

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
5.1 Confirmation of Minutes	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)
5.2 Target Pest Enterprises Limited Report	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)
5.3 Environment Canterbury Property	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 7 of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

5.1 *Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the council-controlled organisation which supplied or which is the subject of the information – section 7(2)(b)(ii).*

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – section 7(2)(h).

5.2 *Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the council-controlled organisation which supplied or which is the subject of the information – section 7(2)(b)(ii).*

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – section 7(2)(h).

5.3 *Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – section 7(2)(h).*

It was further resolved that Target Pest Enterprises representatives (Martin Hadlee and Paul Ash) and Business Analyst, Ian Fullerton, be permitted to remain at the meeting following the exclusion of the public to allow them to brief the Committee in relation to item 5.2.

Cr Budd / Cr Burke.

Cr Johnston joined the meeting at 8.28 a.m.

The meeting resumed in Open Meeting at 10.00 a.m.

Resolved

That the meeting resume in open meeting.

Cr Kirk / Cr Johnston

MATTER FOR RECOMMENDATION TO COUNCIL

6. TRI-ANNUAL REPORT JULY 2005 – OCTOBER 2005

Wayne Thomas briefed the Committee on the process for receiving the Tri-Annual Report July – October 2005. Neil Pilbrow (Portfolio Manager, Finance and Corporate Services) presented the information page by page on internal and external project output progress during the four-month period with recommendations on amendments to project outputs.

Directors and some Section Managers responsible for the various projects provided supporting information and responded to questions by the Committee.

Recommendation

(a) *That the report "Tri-annual Report of Progress on Internal and External Project Outputs 1 July 2005 to 31 October 2005" be received.*

(b) *That the Council approves the recommendations in the Tri-annual report.*

Cr Burke / Cr Johnston

MATTERS FOR COMMITTEE DECISION

7. REPORT TO COUNCIL & MANAGEMENT ON THE AUDIT FOR THE YEAR ENDED 30 JUNE 2005

Wayne Thomas presented the Audit New Zealand final report to Council and Management for the year ended 30 June 2005. He commented the report (incorporating the management response) was presented for information and for the Committee to receive the management response to the points raised by Audit New Zealand.

Resolved

That the information be received relating to Audit New Zealand's Draft Final Report to Council and Management, incorporating management's response, for the year ended 30 June 2005.

Cr Burke / Cr Johnston

8. FINANCE AND AUDIT COMMITTEE – 2006 MEETING SCHEDULE AND WORK PROGRAMME

The Manager Secretariat presented this item and highlighted to the Committee the impacts of the Committee scheduling 22 meetings for 2006, both on resourcing and the process for reporting to Council. The Committee discussed briefly its 2006 work programme and the impacts on resourcing and also the reporting process through to Council of the meeting scheduled at 8.00 a.m. of Council day.

9. NOTICES OF MOTION

Nil.

10. EXTRAORDINARY AND URGENT BUSINESS

Nil.

11. QUESTIONS

Nil.

12. NEXT MEETING

2 February 2006, 8.00 a.m. – Target Pest Enterprises Limited Reporting

The meeting closed at 10.30 a.m.

CONFIRMED

DATE ----- CHAIRPERSON

ENVIRONMENT CANTERBURY
FINANCE AND AUDIT COMMITTEE

MINUTES OF THE MEETING HELD IN THE COUNCIL CHAMBER, FIRST FLOOR,
PEGASUS BUILDING, ENVIRONMENT CANTERBURY, 58 KILMORE STREET,
CHRISTCHURCH ON THURSDAY, 22 DECEMBER 2005, 11.05 A.M.

PRESENT

Crs N J Wagner (Chair), R H M Johnson, R M Kirk, A G Neill, T K Burke (ex officio).

STAFF

B R Jenkins (Chief Executive), I W Thomas (Director Finance and Corporate Services) and J C Pani (Manager Secretariat).

1. APOLOGIES

Cr R A Budd

The meeting moved into public excluded from 11.07 to 11.45 a.m.

2. MEETING WITH PUBLIC EXCLUDED

Resolved

That the public be excluded from the following part of the proceedings of this meeting, namely:

ECNZ Rates

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<i>General subject of each matter to be considered</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>Consideration of Legal Advice</i>	<i>That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.</i>	<i>Section 48(1)(a)</i>

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 7 of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – section 7(2)(i).

Maintain legal professional privilege – Section 7(2)(g).

That Andrew Young, Wynn Williams be invited to remain for the public excluded proceedings to provide legal advice to the Committee.

Cr Wagner / Cr Johnston

IN OPEN MEETING

Resolved

That the meeting resume in Open Meeting.

Cr Wagner / Cr Kirk

3. NEXT MEETING

The next meeting is to be held on 14 February 2006.

4. CLOSURE

The meeting closed at 11.48 a.m.

CONFIRMED

DATE _____ CHAIRPERSON _____

AGENDA ITEM NO: 3	SUBJECT MATTER: UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS
REPORT: Finance & Audit Committee	DATE OF MEETING: 14 February 2006
FILE REFERENCES:	PORTFOLIO: PROJECT: OUTPUT:
REPORT BY: Helen Sellwood Finance Manager	ENDORSED BY: Wayne Thomas Director Finance and Corporate Services

PURPOSE

To report to the Committee on progress with the implementation of International Financial Reporting Standards (IFRS) and issues arising from that process.

BACKGROUND

Following the draft report from Deloitte in August 2005, the Finance Section has been working on identifying the implications for the Council and in particular the impact on the Long Term Council Community Plan (LTCCP).

Set out below are the details of how these issues will be addressed and their implications for the Council and ratepayers.

INFRASTRUCTURAL ASSETS

Under IFRS some infrastructural assets will now have to be depreciated. Our initial analysis indicates that the additional depreciation charge will be in the region of \$340,000 per annum. The most significant component of this relates to tracks and fences (flood protection infrastructure) which are to be depreciated over 25 years – this rate is being reviewed to ensure it accurately reflects pattern of the economic benefit received.

The method of funding will likely be a targeted rate on the individual catchment districts – this will ensure that when the asset comes to be replaced funds will be available to do so.

CLEAN HEAT LOAN SCHEME

Discussions are underway at present with Audit New Zealand as to whether we are required to discount the Clean Heat loans to their net present value. As the loans are interest free under IFRS we are required to recognise that the value of the stream of payments received over ten years is less than if we had the same amount as cash in the bank on which we would earn interest.

If we are required to discount the loans the effect would be to recognise an expense in the profit and loss account in the first year representing the interest cost to be “earned” over the next ten years. In each of the ten years of the loan, a portion of the interest would be recorded as income until at the end of the ten years they had balanced each other out.

No additional funding will be required from Council or ratepayers.

FORESTRY ASSETS

The Council's forestry assets will require an annual valuation with the resulting increase or decrease in value taken to the profit and loss statement, previously movements could be taken direct to the revaluation reserve to the extent of any previous increases. Currently the forests are valued at \$4.34 million with previous revaluations amounting to \$1.37 million still in the revaluation reserve.

We are proposing not to include revaluations of forestry assets in the LTCCP because of the uncertainty surrounding movements in forestry prices however this is under discussion with Audit New Zealand.

In the event that forestry assets actually devalue and the loss is recognised in the profit and loss statement of the annual report, we are proposing not to seek additional funding from ratepayers.

OTHER IFRS WITH IMPLICATIONS FOR ENVIRONMENT CANTERBURY

Employee Benefits: Environment Canterbury is required to recognise any residual liability for employees entitled to defined benefit superannuation – the implications for Environment Canterbury have been calculated and are estimated at less than \$50,000.

Related Party Disclosures: The definition of a related party has been widened to include senior management. Related parties will now include Councillors, Directors and their immediate family members.

Impairment of Assets: An annual high level review of all fixed and infrastructural assets will be required to determine whether there has been any impairment which could affect the value at which they are carried in the ledger.

Target Pest Enterprises Limited (TPEL): The effect of IFRS on TPEL's financial statements has yet to be determined however an initial high level review has determined that it will not be material to Environment Canterbury's LTCCP or Annual Report.

Presentation and Disclosure: There are a number of presentation and disclosure amendments which will be addressed in April 2006 as part of the preparation for the Annual Report (IFRS are to be adopted for the year ended 30 June 2007 however comparatives will be required for the year ended 30 June 2006).

RECOMMENDATION

That the report on the implications of International Financial Reporting Standards for Environment Canterbury is noted.

That, subject to agreement of the outstanding issue relating to the Clean Heat Loan Scheme with Audit New Zealand, the proposed approach is approved for inclusion in Environment Canterbury's draft LTCCP.

AGENDA ITEM NO: 4	SUBJECT MATTER: AMENDMENTS TO COUNCIL POLICIES
REPORT: Finance & Audit Committee	DATE OF MEETING: 14 February 2006
FILE REFERENCES:	PORTFOLIO: PROJECT: OUTPUT:
REPORT BY: Helen Sellwood Finance Manager	ENDORSED BY: Wayne Thomas Director Finance and Corporate Services

PURPOSE

To report to the Committee and request approval of updates to the following policies:

- Investment Policy
- Liability Management Policy

ATTACHMENTS

Revised Investment & Liability Management Policies

BACKGROUND

As part of the preparation of the LTCCP for 2006-16, the policies contained in Part B have been reviewed and updated as necessary. Changes have been required to the policies noted above. The following policies remain unchanged:

- Rates Remission Policy
- Rates Postponement Policy
- Rating Policy
- Policy on Development Contributions or Financial Contributions
- Policy on Partnerships with Private Sector
- Policy on Significance

In addition, the Revenue and Financing Policies are being revised and aligned with the new legislation and to bring them into line with current and proposed Environment Canterbury projects. These policies will be part of the presentation to the 3 March 2006 meeting of the Council on the Draft LTCCP 2006-16.

INVESTMENT POLICY

Other than updating descriptions of job titles and investment & rating figures to reflect the current position, the following key changes have been made:

- Bank reconciliations are now prepared by the rating officer instead of the senior accounts clerk
- Forests will now be revalued annually instead of every three years
- Sinking Funds are no longer required following the repeal of the Local Authorities Loans Act 1956 and the section on their use has been deleted
- Details of the Clean Heat Loan Scheme have been added to section 6.1 Non Commercial Investments

- Reports & Meetings have been updated to reflect the establishment of the Finance & Audit Committee and changes in Finance & Corporate Services directorate.
- Section 10.1 on Key Internal Controls has been updated to allow staff with dealing responsibilities to act as a cheque signatory providing they cannot act as sole cheque signatory

LIABILITY MANAGEMENT POLICY

Changes to this policy are limited to updating position descriptions and deleting references to sinking funds.

We have reviewed the liability management policy with regard to the Clean Heat Loan Scheme and conclude that no amendment to accommodate the scheme will be necessary.

RECOMMENDATION

That the revised Investment Policy and Liability Management Policy are recommended to the Council for approval.

Environment Canterbury Community Plan 2004 / 2014

Investment policy

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Investment policy

1. Introduction

The Council's investment activities are carried out within the requirements of the Local Government Act 2002.

This document provides the policy framework for all of the Council's treasury activities and defines key responsibilities and the operating parameters within which investment activity is to be carried out.

NOTE: Policy statements have been displayed in bold.

1.1 Investments

The Council has a portfolio of investments comprising equity investments, forestry, property, term deposits and special funds.

The Council's investment policy is discussed in Section 3.

After the expiry of the initial contract the contracts for the funds manager and custodian shall be reviewed annually by the Finance & Audit Committee and as a result of that review the contract may be extended or retendered at the discretion of that committee.

The funds manager shall invest within the guidelines set out within this Investment Policy document.

1.2 Philosophy

The Council is a risk adverse entity and acknowledges that there are various financial risks such as interest rate risk, liquidity risk and credit risk arising from borrowing and investment activities and wishes to minimise its exposure to such risk through prudent treasury activities.

The Council will not undertake any treasury activity that is purely speculative or is not related to its cashflows or general operations.

1.3 Policy setting and management

The Council approves policy parameters in relation to its investment activities.

The Director Finance & Corporate Services (DFCS) has overall financial management responsibility for the Council's investments.

Operational management of the Council's investments in forestry and property is provided by the Council's Property and Reserves section.

The Council will establish a Treasury Oversight Committee (TOC) to oversee, manage and monitor the risks arising from its treasury activities to ensure consistency with the Council's long-term financial strategy and to evaluate treasury activity effectiveness in achieving its objectives.

This Committee will be responsible for approving strategy and for monitoring compliance and performance of the Council's treasury activities.

The Committee will be made up of the following positions:

- Director Finance & Corporate Services (DFCS) (Chairman)
- Finance Manager
- Financial Planning Accountant
- Manager Property and Reserves
- The Council's Appointed Funds Manager (as required)

The Committee has the power to second other members, both employees and external consultants/experts, as required.

The Committee shall meet monthly.

The Council's borrowing, investments and cash management activities are managed centrally through its Finance Section which is broadly charged with the following responsibilities:

To:

- Raise appropriate borrowing, in terms of both maturity and interest rate and manage the Council's borrowing programme to ensure funds are readily available at margins and costs favourable to the Council.
- Develop and maintain professional relationships with financial markets in general and the Council's Bankers, funds manager and custodian in particular.
- Manage the Council's investments within its strategic objectives and ensure that surplus cash is invested in liquid and creditworthy instruments as approved by TOC.
- Realise the economies of scale from operating as a centralised function on behalf of Council's operating divisions and business units.
- Manage the overall cash and liquidity position of the Council's operations.
- Provide timely and accurate reporting of treasury activity and performance.
- Manage the Council's internal debt portfolio and administer costs for debt incurred by operating divisions.
- Act as a "banker" for projects funded from reserves.

2. Structure

2.1 Treasury organisational structure

Council

- Approve treasury policy.
- Evaluate and approve amendments to policy.
- Review treasury activity through annual reporting, supplemented by exception reporting.
- Approve annual borrowing programme contained in the Long Term Council Community Plan (LTCCP) or Annual Plan.
- Approve budgets and high level performance reporting.
- Approve interest rate risk management instruments contained in Appendix IV and all subsequent additions/deletions.

Finance & Audit Committee

- Appoint and review the funds manager and custodian performance and contract.
- Review investment performance annually.

Chief Executive

- In conjunction with the DFCS, approve the opening/closing of bank accounts and new banking facilities.
- Review, and if required change, the composition of the TOC.
- In conjunction with the DFCS, approve register of cheque and electronic banking signatories.

Director Finance & Corporate Services (DFCS)

- Overall responsibility for treasury function.
- Secondary responsibility for managing relationships with financial institutions.
- Negotiate borrowing facilities.
- Approve new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Authorise the use of Council-approved interest rate risk management instruments within discretionary authority.
- Recommend policy changes to Council for approval.

Treasury Oversight Committee (TOC)

- Recommend policy changes to the DFCS as Chairman of the TOC.
- Evaluate and approve borrowing, investment and risk management strategies.
- Review borrowing and investment management activity through regular meetings and monthly reporting.

- Recommend performance measurement criteria for all borrowing and investment and risk management activity.
- Monitor monthly performance against benchmarks.
- Ongoing risk assessment of treasury activity.

Finance Manager (FM)

- Day to day responsibility for treasury function.
- Primary responsibility for managing relationships with financial institutions.
- Assist in the negotiation of borrowing facilities.
- Review funding requirements, develop borrowing and risk management strategy, and provide recommendations to the TOC.
- Review cashflow requirements, develop financial investment strategy with the funds manager (including performance measures) and provide recommendations to the TOC.
- Peruse market quotes for all treasury transactions (except cash management transactions) prior to execution.
- Approve all treasury transactions executed by the Financial Planning Accountant (FPA).
- Secondary responsibility for executing treasury management transactions in the absence of the FPA.
- Review month end variance analysis to ensure reasonableness of treasury accounts at least monthly.
- Responsible for maintaining operational and accounting systems to record and report treasury activity.
- Review and approve treasury system/spreadsheet reconciliation to general ledger.
- Approve all amendments to the Council's records arising from checks to counterpart confirmations.

Financial Planning Accountant (FPA)

- Report treasury activity to the TOC.
- Primary responsibility for managing relationships with financial institutions.
- Prepare cashflow forecasts and undertake cash management activity within policy guidelines.
- Assist in developing borrowing, investment and interest rate risk management strategies for recommendation to the TOC.
- Execute approved borrowing, investment, and interest rate risk management strategies.
- Complete deal tickets for treasury transactions.
- Update treasury system/spreadsheets for all new, re-negotiated or maturing transactions.

Management Accountant

- Reconcile treasury system/spreadsheets to general ledger.
- Reconcile confirmations from bank to deal tickets and/or treasury spreadsheet.
- Inform Finance Manager of unresolved discrepancies between bank confirmations and internal deal records.
- Maintain duplicate record of treasury spreadsheets relating to interest rate risk management instruments.

Investment policy

- Update credit standing of issuers on a three-monthly basis.
- Review and approve bank reconciliations.
- Maintain loan repayment records.

Rating Officer

- Prepare bank reconciliations.

Accounts Payable

- Create batch for treasury settlements and arrange for approval by authorised signatories (as per delegations in section 10 of this document and the Council's approved delegation levels).

Independent Audit

- Verify accuracy of outstanding treasury transactions by undertaking independent confirmation checks.
- On-going review of treasury procedures and controls.

3. Investment policy

3.1 General policy

The Council's philosophy regarding managing investments is to optimise returns in the long-term while balancing risk and return considerations. The Council recognises that as a responsible public authority any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns. The Council also recognises that being a non-tax entity improves the return through fixed interest investment.

The Council will not hold financial investments other than those involving special funds, sinking funds and cash management investments with the exception of forestry and property as discussed in 3.4 and 3.5. The Council's primary objective when investing is the protection of its investment. Accordingly, only credit worthy counterparties will be acceptable. The Council's policy on managing credit risk is contained in Section 6.

Approved financial investment instruments are approved by Council on the recommendation of the TOC. Each new recommendation must specify the maximum exposure and must not have a Standard and Poors rating less than that required for Issues by NZ Corporates outlined in Section 6.

Within the credit constraints contained in Section 6, the Council also seeks to:

- Optimise investment return
- Ensure investments are liquid
- Manage potential capital losses due to interest rate movements if investments need to be liquidated prior to maturity

- **Preserve the capital invested and where possible promote capital growth.**

3.2 Investment mix

The Council has a significant portfolio of investments comprising:

- equity investments (covered in Section 3.3)
- forestry investments (covered in Section 3.4)
- property investments (covered in Section 3.5)
- special and surplus funds (covered in Section 3.7)

3.3 Equity investments

3.3.1 Local Government Insurance Corporation

Nature of investment and rationale for holding

The shares in Local Government Insurance Corporation (LGIC) were acquired by virtue of the Council being a local authority. The shares in LGIC continue to be held as the shares are not readily transferable. The amount involved is not material relative to the Council's total investment holdings.

Disposition of revenue

Revenue earned from the shares in LGIC is minimal and will be recognised as other income to the Council.

Risk management

Risks associated with the Council's investment in LGIC are low.

Management/Reporting Procedures

Annual Reports are received and reviewed by the Council. Election of Directors takes place at the Corporation's AGM held at the time of the Local Government New Zealand annual conference. The Council votes by proxy.

The value of the shares are adjusted each year to reflect any changes.

Specific Policy

Due to the limited transferability of shares and limited risks, the Council's policy is to retain shares in LGIC.

3.3.2 Target Pest Enterprises Limited*Nature of investment and rationale for holding*

The Canterbury Regional Council holds 100% of the shares of Target Pest Enterprises Limited. Target Pest Enterprises also holds 100% of the shares of its subsidiary Target Pest Contracting Limited. The rationale of holding shares in the company was to give what was previously the Pest Business Unit the opportunity to access the market outside the Canterbury region and to operate on a commercial basis.

The Canterbury Regional Council will receive any income distribution in the form of dividends. The proportion of the Net Profit After Tax that is distributed is set in the Statement of Intent and is currently 40%.

Target Pest Enterprises Limited is a limited liability company with a paid up share capital of \$1,200,000 following the issue of 654,000 shares during the 2005/06 financial year. As the Canterbury Regional Council is the only shareholder, the Council's financial risk is \$1,200,000 in relation to share capital less a provision made of \$216,000.

The Canterbury Regional Council has given Target Pest Enterprises Limited a term loan facility secured by a debenture. This loan has a maximum of \$600,000 and this is the maximum financial risk to the Council.

Overall the Canterbury Regional Council's financial risk in relation to Target Pest Enterprises Limited is \$1,584,000.

As the only shareholder, the Canterbury Regional Council is entitled to appoint all the directors.

Target Pest Enterprises Limited has a Statement of Corporate Intent which places upon it certain objectives and restraints. The Statement of Intent was endorsed by the Canterbury Regional Council as part of the Establishment Plan process.

Disposition of revenue

Revenue earned from Target Pest Enterprises Limited will be treated as interest income and will be distributed in accordance with the Council's policy on Distribution of Interest Income.

Risk management

Risks are managed through Council's policy on the appointment of Directors to Council Controlled organisations, reporting to Council twice yearly, and other reporting as required.

Management and Reporting Procedures

Target Pest Enterprises Limited is required to report to its shareholder (Canterbury Regional Council) on a half yearly and annual basis, as per the Statement of Intent.

Specific policy

The Council is committed to the success of Target Pest Enterprises Limited and protecting its investments. The Council's policy is to retain its shareholding in Target Pest Enterprises Limited.

3.4 Forestry*Nature of investment*

The Council and its predecessor organisations have been involved in forestry for many years. The forests were developed for flood protection purposes and the Council currently holds 2,600 hectares of forests.

Rationale for holding investment

Forestry has been undertaken primarily in response to flood protection requirements. As a result, forestry should not be considered to be a pure investment in which profit maximisation is paramount. However, the Council is the owner of a significant forestry resource with ongoing logging potential which needs to be prudently managed to maximise returns.

The overall investment policy of the Council with regard to forestry is to maximise profit while meeting flood protection needs. This policy assumes that harvesting will be on a sustainable yield basis and, once mature, will be maintained without any demand on regional rates. This policy also assumes that planting costs and identified new planting sites are related solely to flood protection and costs are covered by rating for that work.

The Council periodically reviews its rationale for holding its forestry investment and will need to take account of the following:

- Wood product prices have exhibited a long-term real annual increase of approximately 1.5% - 2.0% over the past 85 years.
- Under current legislation, the Council is not a taxpayer on its forestry operation.
- The impact of any short-term decline in prices can be mitigated through a delay in harvesting.
- Commercial Plantation Forestry is not a primary role of Local Government and the return on investment should be calculated allowing for the value of the flood protection work.
- Investment Risk Management could be achieved by pre-sale of harvesting rights, if necessary.

Investment policy

Disposition of revenue

The majority of the Council's forests have been planted on endowment land for flood protection purposes.

The vesting of that land and the use of separate rates to fund the cost of planting requires that any revenue generated through those forests be returned to that particular rating district for further flood protection work or the reduction of rates in that district.

This applies to Rakaia, Waimakariri, Ashley and Kaikoura. (Marlborough Forestry Corporation).

For other forest plantations not subject to such restrictions the net revenue will be used for the benefit generally of the region or a particular part of the region, either to fund further works and services or to reduce rates.

Risk management

The most significant risk management issues relate to revenue flows. The first key risk is the product price returns achieved from forestry which are dependent on world markets. This risk needs to be kept in perspective when considering that prices have exhibited long-term real growth of 1.5% - 2.0% for the past 85 years.

The other key risk area impacting the Council's returns is pulp and paper prices which are essentially a \$US driven commodity. Accordingly, while the Council is selling its logs, either domestically or to an exporter in New Zealand dollars, the underlying price is still heavily influenced by United States newsprint and pulp prices and the NZD/USD exchange rate. The Council potentially faces the same risks as a direct exporter of goods priced in USD. There are currently no robust and proven commodity hedging solutions for newsprint and pulp prices. Furthermore, the Council is prohibited by law from entering into any incidental arrangements in foreign currency.

Investment Risk Management could be achieved by pre-sale of harvesting rights, if necessary.

Management/Reporting Procedures

The Council uses a combination of in-house contracting expertise and external consultants to manage the forestry investment. The management of the forests is outlined in the Forestry Asset Management Plan which is reviewed annually, and all forestry management including logging is contracted out. All maintenance costs relating to the forest are expensed in the year incurred.

Previously the forests were revalued at least every three years however following the introduction of International Financial Reporting Standards (IFRS) they will now be revalued annually.

Specific policy

The Council will invest in forestry for the primary purposes of flood protection and soil conservation. Within these constraints, these stands will be managed in a commercial manner, in order to optimise the return on investment.

3.5 Property investments

3.5.1 Kilmore Street and Timaru Offices

Nature of investment

The Council owns properties at 58 Kilmore Street (the Environment Canterbury Centre), Christchurch and 75 Church Street, Timaru.

At 58 Kilmore Street (the Environment Canterbury Centre) and 75 Church Street, Timaru, the Council is the sole occupier.

Rationale for holding investment

The Council regularly reviews the viability of maintaining these buildings.

The Council seeks independent appraisal of the value of the buildings every three years. The Council will also consider and evaluate any offers made during that time while not actively seeking to sell.

Disposition of revenue

Costs are charged out at market rentals to occupiers and any internal profits are consolidated out at Annual Report time and are allocated to the General Reserve.

Risk management

As the Council is the sole occupier, any tenancy risk is removed. Risks relating to the holding of the assets are evaluated with the reports from the property consultants. Risks relating to devaluation or usage are minimised by operating a regular maintenance and capital improvements programme.

Management/Reporting Procedures

The value of these properties are adjusted three-yearly to reflect latest valuation in accordance with FRS 3. Under IFRS this will remain unchanged.

Policies for investment

The following policies will be applied by the Council in the management of its investment in these properties.

Decisions on future ownership will be driven by the requirement to maximise ratepayer benefit and will be reviewed at valuation time by the TOC who will make recommendations to Council.

The Council will continue to exercise governance over these properties to ensure the value of these assets is protected through planned maintenance.

The Council will continue to rely on the advice of its property consultants with respect to all property matters relating to these properties.

The Council will evaluate offers of purchase in light of its requirement and maximising ratepayer benefit.

3.5.2 Other properties

Nature of investment

The Council owns several houses and sites throughout the region. Those that are not used for Council business are rented out generating rental income for the Council

Rationale for holding investments

The Council resolved on a review of housing and depot properties to sell those properties excess to requirements.

The investment will be maintained until sale is possible at an acceptable price.

Disposition of revenue

Rentals earned are treated as other income of the Property Section and hence Council. Maintenance and other costs are matched against the income.

Risk management

Tenants are screened and reference checked. The properties are regularly maintained and insured.

Management/Property Procedures

The value of these properties are adjusted three-yearly to reflect latest valuation in accordance with FRS 3. Under IFRS this will remain unchanged.

Rental income is reported under other income. Operating expenditure under other expenditure.

The processes required to be undertaken to allow sale of the properties are being addressed.

Policies for investment

The properties will be maintained pending sale.

Those properties retained for Council use will be assessed as to appropriateness on an annual basis to maximise ratepayer benefit.

3.6 Special and surplus funds

Nature of investment

The Council has special funds for specific purposes and from time to time, for whatever reason, holds cash greater than its planned operating requirements. All such cash is invested to obtain best return on investment while meeting the cash management requirements of the Council. Investment guidelines are as for Sections 4 through 6 of this document.

The Council's only special reserve at this time is the Kainga Land Purchase Reserve.

Rationale for holding investment

The Council has cash reserves, and by the bulk nature of its funding, has periods during the year where the cash available at any one time exceeds the expenditure requirements. Those funds are, therefore, invested to obtain maximum return and ratepayer benefit.

Special funds must be maintained for the specific purpose and income from those funds retained for that purpose, under the Council's investment guidelines in 3.1 to maintain the capital these funds are invested as per guidelines in sections 4 through 6.

Disposition of income

As per Council's policy resolution on Distribution of Interest Income.

Income from special funds is retained for the purpose of that fund and added to the invested balance.

Risk management

Risk is managed through investing with institutions of high quality as outlined in Section 6.

Interest risk is managed by use of hedging instruments as outlined in appendix III. Investments are monitored monthly by the TOC and, where a clear benefit is seen to break an investment and reinvest, then that decision will be taken, thus minimising losses due to interest risk.

Investment policy

Management/Reporting Procedures

Managed as part of the overall Treasury function. Performance is monitored monthly by the TOC and reported as per the reports schedule in Section 8.1.

Interest income is reported as other income and apportioned across projects as per the Council policy on Distribution of Income.

Policy

The Council must invest special and surplus funds in order to optimise returns within the guidelines contained in Sections 4 to 6 of this policy.

4. Cash management

The Finance Section is responsible for managing the Council's cash surpluses and/or deficits.

The Council maintains rolling daily, monthly and annual cashflow projections which form the basis of its cash management activity. The Council maintains one main bank account for its operating cashflows as well as other bank accounts for specialist activities such as borrowing and sinking funds. Individual sections within the Council do not maintain separate bank accounts.

The Council manages its working capital balances by matching expenditure closely to its revenue streams, and managing cashflow timing differences to its favour while maintaining a high credit rating appropriate for a local Government authority. Daily bank balances are extracted by the Financial Planning Accountant. Daily cash requirements are determined by reference to the Daily Cashflow Position Report and appropriate adjustments are made to money market balances.

Cashflow surpluses from timing differences will be invested at best possible rate on the short-term money market.

Cash management activities must be undertaken within the following parameters:

Cashflow surpluses will be invested in approved financial investment instruments as per appendix V, amounts invested must be within limits specified in Section 6.

An optimal daily range of \$0 to + 1,300,000 is targeted for in the Council's main bank account, with amounts realised from the Council's money market lines if required.

The Council will not maintain an overdraft facility at this stage.

The use of interest rate risk management on cash management balances is not permitted.

The following table summarises credit requirements and limits:

Prudential Limits

The Council will maintain committed lines of \$6 million for emergency disaster requirements. The appropriateness of this level will be reviewed annually as part of the review of the Asset Management Plans.

5. Foreign exchange management

Under the requirements of the Local Government Amendment Act 2002 Section 113, the Council will not borrow in other than New Zealand currency.

6. Treasury counterparty exposure limits

The Council ensures that all investment and interest rate risk management activity is undertaken, through a funds manager, with institutions that are of high quality credit to ensure amounts owing to the Council are paid fully on due date.

The Council will:

- Ensure that all investment, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that have a very strong Standard and Poors (S&P) credit rating.
- Limit total exposure to prescribed amounts.
- Rigorously monitor compliance against set prudential limits.

Equity investments have been excluded at this stage as having too great a risk in terms of return on investment and capital protection. This does not however preclude the future inclusion of equity investments that meet predetermined credit rating levels.

Also excluded have been first mortgages over commercial or residential property.

DEFINITIONS

“Local Authority” means any City, District or Regional Council or wholly owned subsidiary of such a body and the NZ Fire Services Commission.

“Registered Bank” means as defined in Section 2 of the Reserve Bank of New Zealand Act 1989 and is rated A1 by S & P - Australian Ratings or the equivalent rating by a recognised rating agency.

If any counterparty's credit rating falls below the minimum specified in the above table then all practical steps are taken to reduce the credit exposure to that counterparty to zero as soon as possible. A current list of S&P rated issuers is included in Appendix VI.

Investment policy

		Max % of Total Fund with Single Issuer	Max % of Total Fund with this Class of Issuer	S & P Short Term	S & P Long Term
1.	NZ Government Securities	100	100	-	-
2.	New Zealand Govt. Guaranteed Securities	100	100	-	-
3.	NZ Local Body Securities (provided has ability to rate)	20*	50	-	-
4.	Issues by NZ SOEs	20	50	A-2	A
5.	Issues by NZ Corporates	20	50	A-2	A
6.	Deposits and securities issued by Registered NZ Bank	50	100	A-2	A
7.	Forsyth Barr Cash Management Fund	25	25	AAm	
8.	Hedging Instruments**	Not exceeding value of the underlying asset			
9.	Specific Authorisations	As approved by the Council			

* The maximum percentage of the Fund which may be invested in a single Local Authority issuer which has a minimum credit rating of A-2 short-term or A- long-term is 20%.

** Refer Appendix III for approved hedging instruments.

Investment policy

6.1 Non-commercial investments

These take the form of Loans and Guarantees to Community Organisations and may occur where there are clearly defined social benefits to the community as a consequence of making such a loan or providing a guarantee. Because this is a departure from normal investment policy the following criteria should be applied.

The Council must be satisfied that the potential for capital loss is minimal. This is to be achieved by:

- where possible, securing a charge over collateral security realisable on default
- ensuring the organisation is financially stable and the ongoing cashflow is sufficient to service the loan
- ensuring that the return on capital is market related
- the total value of Non-Commercial Loans and guarantees shall not exceed 2% of the Council's investment portfolio.

Council approved the Clean Heat Loan Scheme as an amendment to the 2004-14 Long Term Council Community Plan. The scheme is limited to the Christchurch area and the social benefits identified include improved air quality. The potential for capital loss has been minimized as follows:

- The loans are to be repaid over a ten year period by way of a targeted rate on the individual properties or repaid in full on the sale of the property
- Credit checks will be performed on applicants prior to approving a loan
- The loans are interest free as an alternative to paying a subsidy to the applicant
- Clean Heat Loans will be funded from Clean Heat reserves initially, once all reserves have been utilized funding from external sources will be investigated to allow Council to maintain existing investment ratios.

7. Banking relationships

The Council's preference in the treasury management area is to deal with preferred suppliers. The Council's choice of relationship banks is determined by its desire to benefit from long-term relationships rather than seeking the best returns in the short-term.

Each financial institution must be capable of providing the Council with:

- comprehensive treasury services in NZD products
- proven expertise and a track record in arranging local capital markets facilities
- a desire to accommodate the Council with funding without additional security requirements.

The Council's cash management and interest rate risk management activities are undertaken with its relationship banks.

The Council 's banking relationships will be reviewed at least every three years.

8. Reports and meetings

8.1 Reports

The following reports will be produced:

Report Name	Frequency	Prepared by	Reviewed by	Recipient
Daily Cash Position	Daily	Financial Planning Accountant	Finance Manager	Finance Manager
Treasury Exceptions Report	Daily	Financial Planning Accountant	Finance Manager	Director Finance & Corporate Services (DFCS) TOC
Treasury Report (investments/debt with maturity dates)	Monthly	Financial Planning Accountant	Finance Manager	Director Finance & Corporate Services (DFCS) TOC
Treasury Report (Funds Manager)	Monthly	Financial Planning Accountant	Finance Manager	Director Finance & Corporate Services (DFCS) TOC
Limits Report (Borrowing/Debt)	Daily, reported on an exceptions basis	Management Accountant	Finance Manager	Director Finance & Corporate Services (DFCS)
Debt Maturity Profile	Quarterly	Financial Planning Accountant	Director Finance & Corporate Services (DFCS) TOC Council	Director Finance & Corporate Services (DFCS) TOC Council
Statement of Council Public Debt	Quarterly	Financial Planning Accountant	Director Finance & Corporate Services (DFCS) TOC Council	Director Finance & Corporate Services (DFCS) TOC Council
Treasury Performance	Quarterly	Funds Manager	Finance Manager Director Finance & Corporate Services (DFCS)	Finance & Audit Committee

8.2 Meetings

A monthly meeting of the TOC is held to discuss the activity for the previous month together with likely activity for the coming months. The approved quarterly borrowing, investment and risk management strategies are reviewed at this meeting and amended if appropriate. Tactics for the following months are agreed with operating guidelines provided to Finance Manager for implementation. The Financial Planning Accountant is responsible for preparing the agenda for the monthly meeting as well as documenting the actions required by the TOC.

9. Delegated authorities

Activity	Delegated to:
Approve policy document	Council (by resolution)
Alter policy document	Council (by resolution)
Open/close bank accounts	Chief Executive, Director Finance & Corporate Services (DFCS)
Approval and appointment of funds manager and custodian	Audit Advisory Committee
Acquire and dispose of investments other than financial investments	Council (by resolution)
Approve borrowing programme for the year	Council (by resolution)
Approve charging assets as security over borrowing	Council (by resolution)
Approve new loans in accordance with Council resolution	Chief Executive, Director Finance & Corporate Services (DFCS)
Negotiate debt in relation to interest rate, term and maturity date	Director Finance & Corporate Services (DFCS)
Approve cheque signatories	Chief Executive, Director Finance & Corporate Services (DFCS)
Approve Electronic Banking funds transfer signatories	Chief Executive, Director Finance & Corporate Services (DFCS)
Manage borrowing strategy	Director Finance & Corporate Services (DFCS) (Approve strategy as Chairman of TOC) TOC (recommend strategy) Finance Manager/Financial Planning Accountant (Execute approved strategy, daily management)
Approve interest rate risk management instruments contained in the Risk Management Tool Kit in Appendix IV, and subsequent additions and deletions	Council (by resolution)
Authorise use of the Council approved interest rate risk management instruments	Director Finance & Corporate Services (DFCS)
Manage the Council cash requirements	Finance Manager

Investment policy

10. Key internal controls

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

1. Adequate segregation of duties among the core treasury functions of deal, confirmation, settling and accounting/reporting. There are a small number of people involved in the Finance Section. Accordingly, strict segregation of duties is not always achievable. Refer to section 2.1 for more detailed treasury responsibilities. The risk from this will be minimised by the following processes:
 - The use of a funds manager.
 - The use of a custodian.
 - A documented discretionary approval process for treasury activity.
 - Regular management reporting.
 - Regular operational risk control reviews.
2. Organisational, systems, procedural and reconciliation controls to ensure:
 - All treasury activity is bona fide and properly authorised.
 - Checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely.
 - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity.

More specifically, key internal controls are as follows:

10.1 General

Organisational controls

The DFCS has responsibility for establishing appropriate structures, procedures and controls to support treasury activity.

All borrowing, investment, cash management and risk management activity is undertaken in accordance with approved delegations authorised by the Council.

Personnel with dealing responsibilities cannot perform bank reconciliations or act as sole cheque signatory.

Cheque/Electronic Banking Signatories

Positions approved by the Chief Executive on recommendation of Director Finance & Corporate Services (DFCS).

Dual signatures are required for all cheques and electronic transfers.

Authorised personnel

All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

Recording of deals

All deals are recorded on properly formatted deal tickets by the financial planning accountant and approved by the finance manager. Market quotes for deals (other than cash management transactions and those managed by the funds manager) are perused by the finance manager before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions are maintained and updated promptly following completion of transaction.

Confirmations

Same-day faxed confirmations are requested from banks and checked by the Financial Planning Accountant.

All inward letter confirmations including registry confirmations are received and checked by the management accountant against completed deal tickets and summary spreadsheet records to ensure accuracy.

Deals, once confirmed, are filed (deal ticket and attached confirmation) in deal date order.

Any discrepancies arising during deal confirmation checks which require amendment to the Council records are signed off by the Finance Manager.

Settlement

Payment batches for treasury payments are set up on desk bank by the financial planning accountant and checked by a second signatory to ensure settlement details are correct. Payment details are authorised by two approved signatories as per delegations.

Reconciliations

Bank reconciliations are performed daily by the Rating Officer and checked by the management accountant. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's records are signed off by the finance manager.

A monthly reconciliation of the treasury system/spreadsheets spreadsheets to the general ledger is carried out by the management accountant and approved by the finance manager.

10.2 Investments

In addition to the controls listed in Section 10.1, the following controls apply to investments:

Investment activity is undertaken within limits specified in Section 6 of this policy.

All deliverable certificates of investment, (for example, bank bills) are held in safe custody with the Council's fireproof vault or with the originating bank, or with the Council's appointed custodian.

NZ Government stock, Treasury bills, local authority stock and debentures are registered with the RBNZ or the Council's appointed custodian. The Council receives notice of the stocks transferred into its name from the RBNZ. This notice is checked to the Council's treasury system/spreadsheets.

10.3 Incidental arrangements

In addition to the controls listed under Section 10.1, the following controls apply to incidental arrangements:

The use of incidental arrangements is confined to managing interest rate risk of the Council borrowings and is to be within the confines of the parameters and instruments specified in Section 3 of this policy.

The use of incidental arrangements requires formal prior approval of the Director Finance & Corporate Services (DFCS).

Standard master agreements for incidental arrangements are completed by the Council with its relationship banks.

Appendix 1

Policy Cross-Reference to Local Government Amendment Act 2002

Act Section Reference	Brief Description of Requirement	Investment Policy Section Reference
S101	Principles of financial management - prudent debt levels	Sections 1,3
S104	Short-term borrowing, reserves	Sections 3.1, 3.4
S105	General policy on investments	Section 3.1
S105 (b)	Mix of investments	Section 3.2
S105 (c)	Acquisition of new investments	Section 3.1
S105 (d)	Outline of procedures for management and reporting of investments	Sections 3.3 - 3.6, 4, 5, 6, 7, 8
S105 (e)	Management of risks associated with investments	Sections 3.3 - 3.6, 4, 5, 6, 10

Investment policy

Appendix II

Treasury Oversight Committee (TOC) - Composition

The composition of the TOC is approved by the Chief Executive. The following table details the positions within the Council that form part of the TOC, as well as the input they are expected to add:

Position	Input Value
Director Finance & Corporate Services (DFCS)	Overall responsibility for treasury functions. Chairman of TOC.
Manager Property Section	Perspective from the Council's largest asset manager.
Finance Manager	Management of treasury function. Development of strategy. Analysis of treasury performance.
Financial Planning Accountant	Operational responsibility. Assist in developing strategy. Feedback on previous activity.
External Risk Funds Manager	Technical expertise, outlook on market movements, new investment tools.

Appendix III

The Risk Management Tool Kit

1. **Approved Interest Rate Risk Management Instruments**
2. **Interest Rate Risk Management Instruments - definitions**

1. **Approved Interest Rate Risk Management Instruments**

- A. **Interest rate risk management instruments approved for use, consistent with the policy contained in the Liability Management Policy, Section 2.5 are:**

- Fixing through physical borrowing instruments - loan stock, debentures, medium term notes, bank term loan.
- Floating through physical borrowing instruments - short-term revolving stock, bank borrowing, promissory note programme.

- B. **The following interest rate risk management instruments, among others, are available for interest rate risk management activity, but are to be specifically approved by the Council in the future:**

Note: Interest Risk Instruments are only used to hedge an underlying asset or borrowing.

- Forward rate agreements.
- Interest rate swaps.
- Purchase of interest rate options products including caps, floors, bond options and swaptions.
- Interest rate collar-type option strategies.

- C. **The following interest rate risk management instruments are not permitted for use:**

- Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.
- Structured or leveraged interest rate option strategies where there is any possibility of the Council's total interest expense increasing in a declining interest rate market or where the Council's total interest cost is increasing faster than the general market rate.
- Interest rate futures contracts, mainly for administrative ease.

2. Interest Rate Risk Management Instruments and Terms - Definitions

BKBM

The bank bill mid-market settlement rate as determined at 10.45am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate caps and collars.

Bond Options

The Council when purchasing a bond option, has the right but not the obligation to buy or sell a specified Government stock maturity on an agreed date and time and at an agreed rate.

Forward Rate Agreement

An agreement between the Council and a counterparty (usually a bank) protecting the Council against a future adverse interest rate movement for a specified period of time. The Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM).

Interest Rate Collar Strategy

The combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

Interest Rate Options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest (described as a floor) at a future date for a specified period. The Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). Interest rate option products include caps, floors, bond options and swaptions.

Interest Rate Swap

An Interest Rate Swap is an agreement between the Council and a counterparty (usually a bank) whereby the Council pays (or receives) a fixed interest rate and receives (or pays) a floating interest rate. The parties to the contract agree notional principal, start date of the contract, duration of the contract, fixed interest rate and the benchmark rates (usually BKBM).

Swaption

The purchase of a swaption gives the Council the right but not the obligation to enter into an interest rate swap, at a future date, at a specific interest rate.

Repurchase Agreements

A simultaneous sale and repurchase of a fixed interest security for different settlement dates. Also known as Lending.

Appendix IV

Schedule of Council's Current Investments

Description	Actual 30/6/05	Estimated 30/6/05
	\$000	\$000
Shares NZLGIA	146	146
Marlborough Forestry Corp	266	266
Forests	5,433	5,433
Cash and Bank	12,279	12,279
Bonds – Forsyth Barr	8,533	8,533
Target Pest Enterprises - Share Capital	330	984
Target Pest Enterprises - Cash Facility	-	600

Investment policy

Appendix V

1. **Approved Financial Investment Instruments - Definitions and Description**
2. **Standard and Poors definitions and current listing**

1. **Approved Financial Investment Instruments**

Investment instruments available in the market (excluding equities and property) can generally be discussed under four broad categories relating to the issuer of these instruments.

(a) *New Zealand Government*

- Treasury bills are registered securities issued by the Reserve Bank of New Zealand (RBNZ) on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 90-day or 180-day terms. They are discounted instruments, and are readily negotiable in the secondary market.
- Government stock are registered securities issued by the RBNZ on behalf of the Government. They are available for terms ranging from one year to twelve-year maturities. Government stock have fixed coupon payments payable by the RBNZ every six months. They are priced on a semi-annual yield basis and are issued at a discount to face value. They are readily negotiable in the secondary market.

(b) *Local Authorities*

- Local Authority stock are registered securities issued by a wide range of local Government bodies. They are usually available for maturities ranging from one to ten years. A fixed coupon payment is made semi-annually to the holder of the security. They are negotiable and usually can be bought and sold in the secondary market.

(c) *Registered Banks*

- Call and term deposits are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest formula. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can often involve penalty costs.
- Certificates of deposits are securities issued by banks for their funding needs or to meet investor demand. Transferable certificates of deposits (TCDs) are non-bearer securities in that the name of the investor, face value and maturity date are recorded on the certificate. They are able to be transferred by registered transfer only. Negotiable certificates of deposits (NCDs) on the other hand, are bearer securities and are able to be transferred immediately. Both TCDs and NCDs are priced on a yield rate basis and issued at a discount to face value.

They are generally preferred over term deposits because investors can sell them prior to maturity.

- Bank bills are bills of exchange drawn or issued, usually by a corporate borrower and accepted or endorsed by a bank. The investor is exposed to bank credit risk when investing in such instruments. Bank bills are readily available for any maturity up to 180 days, although 30 to 90 day terms are more common. They are priced on a yield basis and issued at a discount to face value. Investors in bank bills can sell the bills prior to maturity date.
- Paperless security which is registered with the RBNZ. They are quoted on a yield basis using the discounted formula. Now preferred over term deposits due to their ease of negotiability.

(d) *Corporates*

- Corporate bonds are generally issued by companies with good credit ratings. These bonds can be registered securities or bearer instruments. A fixed coupon payment is made semi-annually to the holder of the security. They are priced on a semi-annual yield basis and are issued at a discount to face value. Corporate bonds are negotiable and can be bought and sold in the secondary market.
- Promissory notes are issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the notes to be issued without endorsement or acceptance by a bank. The notes are usually underwritten by financial institutions to ensure that the borrower obtains the desired amount of funds. Promissory notes are issued with maturities ranging from seven days to over one year. The common maturities are for 30 to 90 days. The face value of the note is repaid in full to the bearer on maturity.

2. **Standard and Poor Definitions and Current Listing**

S & P Australian Ratings Rating Code

AAA rated corporations, financial institutions, Governments or asset-backed financing structures (entities) have an extremely strong capacity to pay interest and repay principal in a timely manner.

AA rated entities have a very strong capacity to pay interest and repay principal in a timely manner and differ from the highest rated entities only in small degree.

Rated entities have a strong capacity to pay interest and repay principal in a timely manner although they may be somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher rating categories.

BBB rated entities have a satisfactory or adequate capacity to pay interest and repay principal in a timely manner. Protection levels are more likely to be weakened by adverse changes in circumstances and economic conditions than for borrowers in higher rating categories.

BB rated entities face ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to a less adequate capacity to meet timely debt service commitments.

B rated entities are more vulnerable to adverse business, financial or economic conditions than entities in higher rating categories. This vulnerability is likely to impair the borrower's capacity or willingness to meet timely debt service commitments.

CCC rated entities have a currently identifiable vulnerability to default and are dependent upon favourable business, financial and economic conditions to meet timely debt service commitments. In the event of adverse business, financial or economic conditions, they are not likely to have the capacity to pay interest and repay principal.

CC is typically applied to debt subordinated to senior debt that is assigned an actual or implied "**CCC**" rating.

Entities rated "**BB**", "**B**", "**CC**" and "**C**" are regarded as having predominantly speculative characteristics with respect to the capacity to pay interest and repay principal. "**BB**" indicates the least degree of speculation and "**C**" the highest. While such entities will likely have some quality and protective characteristics these are outweighed by large uncertainties or major exposures to adverse conditions.

C rated entities have a high risk of default or are reliant on arrangements with third parties to prevent defaults.

D rated entities are in default. The rating is assigned when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired. The "**D**" rating is also used upon the filing of insolvency petition or a request to appoint a receiver if debt service payments are jeopardised.

Plus(+) or Minus(-):

The ratings from "**AA**" to "**CCC**" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Credit Watch highlights an emerging situation which may materially affect the profile of a rated corporation.

SHORT TERM RATINGS INCLUDING COMMERCIAL PAPER (UP TO 12 MONTHS)

A.1 rated entities possess a strong degree of safety regarding timely payment. Those entities determined to possess extremely strong safety characteristics are denoted with an "**A.1+**" designation.

A.2 rated entities have a satisfactory capacity for timely payment. However, the relative degree of safety is not as high as for those rated "**A.1**".

A.3 rated entities have an adequate capacity for timely repayment. They are more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

Entities receiving a "**B**" rating have only a speculative capacity for timely payment. Those with a "**B.1**" have a greater capacity to meet obligations and are somewhat less likely to be weakened by adverse changes in the environment and economic conditions than those rated "**B.2**".

C.1 rated entities possess a doubtful capacity for payment.

D.1 rated entities are in default.

Ratings of **BBB-** (Long Term) or **A.3** (Short Term) and above are investment grade.

Liability management policy

Introduction

The Local Government Act 2002 requires local authorities to adopt a Liability Management Policy and an Investment Policy.

The Liability Management Policy is designed to provide a framework for prudent debt management, and its preparation determines how Council wishes to use debt as a funding mechanism.

The Investment Policy is designed to ensure that the financial resources of the Council are managed in an efficient and effective way. Its preparation determines how Council wishes to utilise funds from the sale of assets, what should be done with the investment income and so on.

Council has set up a structure of responsibilities and reporting lines to ensure the appropriate management and accountability of the liability and investing activities.

1. Introduction

Canterbury Regional Council (“the Council”) undertakes its liability management activities within the requirements of the Local Government Act 2002

This document provides the policy framework for all of the Council's liability management activities and defines key responsibilities and the operating parameters within which liability management activity is to be carried out.

It is envisaged that any Council liability management activity will be mainly driven by the capital works programme related to regional flood protection, forestry activities and major asset acquisition or essential emergency response. The Council's liability management policy is discussed in Section 2.

The only other exposure to liability management is in the lease of operating assets which are deemed to be a Financial Lease or Hire Purchase arrangements for similar operating assets.

NOTE: Policy statements are displayed in bold.

2. Liability management policy

2.1 General Policy

The Council borrows as it considers appropriate and exercises its flexible and diversified funding powers pursuant to the Local Government Act 2002. Liability management

requirements for each financial year are approved by the Council, by resolution, during the community planning process. The arrangement of precise terms and conditions of liability management is delegated to the Director Finance & Corporate Services (DFCS).

The Council has large infrastructural assets with long economic lives yielding long-term benefits. The Council also has significant strategic investments. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to the Council's assets and investments. Debt is defined as the Council's net external public debt, calculated as the Council's gross public debt less any sinking funds or reserves, for the specific purpose of repayment of debt, as per the Council's general ledger.

Generally, only large value intergenerational assets would be funded by debt. The Council's other regional responsibilities have largely policy and social objectives and would be mainly revenue funded.

The Council may raise debt for the following primary purposes:

- **General debt to fund Council's capital or reinstatement expenditure requirements.**
- **Short-term debt to manage timing differences between cash inflows and outflows and to maintain the Council's liquidity.**
- **Specific debt associated with one-off projects.**
- **Other purposes authorised by Council resolution.**

In approving new debt the Council considers the impact on its liability management limits (refer Section 2.2) as well as the size and economic life of the asset that is being funded and its consistency with Council's long-term financial strategy.

2.2 Borrowing limits

In managing debt, the Council will adhere to the following limits (based on the Council's latest financial statements).

Total interest expense (after interest rate risk management costs/benefits) on net external public debt will not exceed 20% of total annual rates and levies.

Ratio of net external public debt to annual rates and levies should not exceed 175%.

Net external public debt per capita will not exceed \$300 across the region.

The Council will not borrow externally for projects or assets, with the exception of specific financing leases or hire purchase plans, where the total required is less than \$500,000 and/or the average effect on the relevant rate per \$100,000 is less than \$5.

2.3 Borrowing mechanisms

Due to the current healthy status of the Council's Balance Sheet the only debts are finance leases and a contingency loan agreement with ASB Bank. It is envisaged that within the next 10 years the Council could avoid the cost of setting up a trust deed and rely on banks as a source of funding. However, if it becomes apparent that large sums are required, for example for the Clean Heat Loan Scheme, then this assumption should be revisited.

Other acceptable borrowing mechanisms available to the Council at this stage are: bank loans including mortgages, financing leases and hire purchase agreements.

Financing leases and hire purchase agreements will be used for specific operating assets only, not for infrastructural assets. No one arrangement will be more than \$500,000 unless approved by Council.

In evaluating strategy for new borrowing (in relation to source, term, size and pricing), the Treasury Oversight Committee (TOC) takes into account the following:

- Current approved liability management mechanisms.
- Available terms from banks, capital markets and loan stock issuance.
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for both loan stock issuance, capital markets and bank borrowing.
- The market's outlook on future interest rate movements.
- Ensuring that the implied finance terms within the specific debt (e.g. project finance) are at least as favourable as the Council could achieve in its own right.
- Legal documentation and financial covenants.

The Council may use a mixture of short-term facilities (which generally have lower credit margins) as well as longer term facilities to achieve an effective borrowing mix, balancing the requirements of liquidity and cost.

2.4 Liquidity risk management

Liquidity risk management refers to the timely availability of funds to the Council when needed, without incurring penalty costs.

The Council minimises its liquidity risk by:

- Matching expenditure closely to its revenue streams and managing cashflow timing differences to its favour.
- Ensuring, where sinking funds are maintained to repay borrowing, that these investments will be held for maturities not exceeding borrowing repayment date.
- Avoiding concentration of debt maturity dates (refer (i) below).
- Maintaining a mixture of committed and uncommitted credit lines with its relationship banks (refer below (ii)).

(i) To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council's control, the Council ensures debt maturity is spread widely over a band of maturities

(ii) The Council will maintain:

- Access to committed lines of not less than \$6,000,000.
- Access to uncommitted lines of not less than nil.

2.5 Interest rate risk management

Interest rate risk refers to the impact that movements in interest rates can have on the Council's cash flows. Borrowing gives rise to exposure to interest rate movements. Given:

- the Council's desire to have predictable, certain interest costs.
- the need to avoid large adverse impacts on annual rates arising from interest rate rises.
- and the long-term nature of the Council's assets and intergenerational factors.

The Council would tend towards a high percentage of fixed rate or hedged borrowing. Notwithstanding the above, it may be appropriate from time to time for some borrowings to have a floating rate profile (any debt or interest rate risk management instrument where interest rates are being reset on a frequency less than 180 days), or with a capped interest movement range.

The Council will manage this specifically using the following operating parameter.

The DFCS will be able to approve (following recommendation from the TOC) up to 40% of the total debt to having a floating rate profile.

Overall, the TOC sets interest rate risk management strategy by monitoring interest rate markets on a regular basis and evaluating the outlook for short-term rates in comparison to the rates payable on its fixed rate borrowing.

An appropriate hedged/floating rate mix is recommended by the TOC every quarter and approved by the DFCS as chairman of the TOC.

The Council may also be exposed to interest rate repricing risk on the maturity of existing fixed rate debt that will be refinanced, as well as issue yield risk on planned new debt. The Council will manage these exposures using the following operational parameter.

The DFCS will be able to approve, following recommendation from TOC, hedging up to 100%, repricing risk on existing fixed rate debt and issue yield on planned new debt within the next 18-month period.

Management may implement interest rate risk management strategy through the use of the following mechanisms:

- Adjusting the average maturity of its borrowings. Interest rate risk is, therefore, managed within the confines of liquidity and there may be a trade-off between the two.
- Using interest rate risk management instruments (refer (i) below) to convert fixed rate borrowing into floating rate or hedged borrowing and floating rate borrowing into fixed or hedged borrowing.
- Using interest rate risk management instruments to hedge repricing risk on existing fixed rate debt and issue yield on planned borrowing.

(i) The use of interest rate risk management instruments is approved by the Council only to facilitate and maintain interest costs within budget parameters.

A current list of approved interest rate risk management instruments with appropriate definitions is included in the Risk Management Tool Kit in Appendix III of the Investment Policy. Additions to, and deletions from, this list are recommended by the TOC and approved by the Council. The DFCS as chairman of the TOC has delegated authority to authorise the use of Council approved interest rate risk management instruments on a case-by-case basis.

2.6 Security

The Council in general will not offer assets other than special rates as security for general liability management programmes without a separate Council resolution, other than for Financing Leases or Hire Purchase arrangements.

2.7 Repayment

The Council may repay borrowings from rates, surplus funds, proceeds from the sale of investments and assets, or from specific sinking funds.

Proceeds from the sales of assets shall be used to finance replacement assets via the Asset Replacement Reserve.

2.8 Internal debt management

Internal debt management

The Finance Section is responsible for administering the Council's internal and external debt portfolio. Loans are set up within the debt portfolio based on planned loan funded capital expenditure, and allocated to the area incurring the capital expenditure. The following operational parameters apply to the management of the Council's debt portfolio.

Where debt is incurred for general capital works:

- Capital expenditure details are extracted by the management accountant each month end.

- A notional internal loan is set up for all new capital expenditure and allocated in the debt portfolio to the area incurring the expenditure.
- Interest is charged by financial services to areas on month-end loan balances at an agreed rate.
- The interest rate, where the external debt has not been specifically raised for that project, will be based on the Council's expected weighted average cost of funds, and takes into account factors such as the Council's long-term cost of funds, anticipated cost of new debt over the next 18 months, recovery of financial services operational costs, and a margin which provides for certainty in the charging rate and avoids frequent adjustments. The rate is reviewed by the TOC and is set for the next financial year in the Community Plan and Annual Plan.

Where debt is raised for a specific asset/project:

- The interest rate when the external debt has been raised specifically for that project will be the rate of that external debt plus an allowance to recover financial services operating costs. All costs related to incurring that debt, including interest, are charged to the project.
- The Finance Section uses the debt portfolio as an input into determining its external debt requirements.
- For calculating effect on rating requirements the Council will use the repayment and interest costs for the year. The management accountant will, for every loan, maintain a record of its repayments, identifying principle and interest portions, this will be used for rating calculations and cashflow across the life of the loan.

Where possible, the Council's reserves are used to reduce external debt, effectively reducing the Council's net interest cost. Where reserves are used the area using the funds will still be charged an interest charge reflecting the opportunity cost to the Council of those funds, this rate will be the 90-day deposit rate. The appropriateness of this rate will be reviewed annually by the TOC. A payment schedule as for any other term loan will be developed and this will be used to determine rating requirements if necessary.

2.9 Reserves

Reserves may be used to reduce external borrowings in order to avoid the negative spread on interest rates between borrowed and invested money.

Where cash has been provided from another reserve an appropriate interest rate will be paid back to that reserve and a provision for an appropriate credit facility will be created to allow access to that level of funds in case of an emergency. The costs of servicing and repayment of such internal loans will be recovered in the rating or other cost recovery mechanisms of the project.

The Council currently holds liquid assets to support those reserves. In the future, the Council may need to maintain committed lines sufficient to cover the sum of the Council's contingency reserves, as they are used or extinguished.

2.10 Credit risk management

While the Council will only borrow from reputable financial institutions, there is no minimum credit rating requirements imposed by the Council on its lenders. Also, there is no limit on the level of borrowing to which the Council may commit from any one lender.

AGENDA ITEM NO: 5	SUBJECT MATTER: PUBLIC EXCLUDED
REPORT: Council	DATE OF MEETING: 14 February 2006
FILE REFERENCES:	PORTFOLIO: PROJECT: OUTPUT:
REPORT BY: Jude Pani Manager Secretariat	ENDORSED BY: Wayne Thomas Director Finance and Corporate Services

MEETING WITH PUBLIC EXCLUDED

That the public be excluded from the following part of the proceedings of this meeting, namely:

- 5.1 Public Excluded Minutes - 6 December 2006
- 5.2 Public Excluded Minutes - 22 December 2006
- 5.3 Electricity Corporation of New Zealand Rates
- 5.4 Council Investment Advisor
- 5.5 Target Pest Enterprises Limited

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
5.1 Confirmation of Minutes	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)
5.2 Confirmation of Minutes	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)
5.3 Electricity Corporation of New Zealand Rates	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)
5.4 Council Investment Advisor	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)
5.5 Target Pest Enterprises Limited	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 7 of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

- 5.1 Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the council-controlled organisation which supplied or which is the subject of the information - section 7(2)(b)(ii).

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities - section 7(2)(h).

- 5.2 Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) - section 7(2)(h).

Maintain legal professional privilege – Section 7(2)(i).

- 5.3 Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i).

- 5.4 That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect the privacy of natural persons.

- 5.5 Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the council-controlled organisation which supplied or which is the subject of the information - section 7(2)(b)(ii).

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities - section 7(2)(h).