



Report 03.327
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Committee Policy, Finance and Strategy
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Borrowing Approval

1. Purpose

To reconfirm approval in relation to Council's internal borrowing arrangements implicit within the LTCCP.

2. Background

2.1 External Debt and Liquidity Management

The Council has both external borrowing facilities and uncommitted money market facilities which are used to fund Council's core borrowing requirements and to help manage Council's variable cashflows.

Council's external borrowing facilities include existing Local Authority stock, Forestry Encouragement loans, the Stadium loan and committed borrowing facilities from banks. Generally Council's core external debt has been trending down, meaning that the Council's existing borrowing facilities have been sufficient to cover Council's needs.

From time to time I have sought approval from the Council to enter into new external borrowing facilities. However, the latest projections of Council debt indicate that new or extended borrowing facilities will not be required for at least 12 months. This excludes any borrowing which may eventuate in respect of Tranz Metro (Wellington).

In addition to Council's core borrowing, the Council's Treasury function utilises uncommitted money market facilities with major banks to help manage Council's short term cashflow. These uncommitted facilities have been used for many years and have enabled Council to borrow or invest cash on an overnight basis, rather than constantly adjusting the Council's core borrowing facilities.

This report is not seeking any change to the Council's core external borrowing facilities or uncommitted money market facilities.

2.2 Internal Borrowing

As the Committee is aware the Council operates an internal Treasury function, whereby Treasury acts as an internal banker to the rest of the Council.

The Council's Treasury Management activity is carried out centrally to maximise the Council's ability to negotiate with financial institutions and to ensure that there is one point of contact with Council's funders.

The Treasury function provides borrowing facilities to those areas of the Council that require debt finance, which allows the true cost of debt funding to be reflected in the appropriate areas.

Interest rate and other risk management activity is carried out by the Treasury function on behalf of all internal customers.

3. Internal Borrowing implicit within the LTCCP

The resolutions below encompass the making, from time to time, of unsecured internal loans by the Council's Treasury function of funds held by it (regardless of the purpose for which funds were raised) to any of the Council departments for the purpose of financing any of the matters set out in its most recent LTCCP or Annual Plan.

4. Communications

Not required.

5. Recommendations

That the Committee recommend that the Council:

- (1) **receive** the report and note its contents.
- (2) **agree** that Council's Treasury function may, from time to time, make internal loans to any department of the Council for the purpose of financing any of the matters set out in its most recent LTCCP or Annual Plan.
- (3) **note** that it has considered the risks and benefits of the internal loans referred to in Resolution 2 and is satisfied that the general terms and conditions of the internal loans will be in accordance with the Treasury Management Policy.

- (4) *agree that the internal loans referred to in Resolution 2 are to be in such form and on such terms as the Chief Financial Officer may determine.*

Report prepared by:

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Chief Financial Officer