

## 2. COMPLIANCE WITH TREASURY MANAGEMENT POLICY

For the year ended 30 June 2003

Total Council Limit Compliance Analysis				Notes	Yes	No
Risk management activities are related to the Council's underlying cashflows					✓	
Access to undrawn committed lines and liquid investments of no less than \$7.5m for normal operations.					✓	
Access to undrawn committed lines and liquid financial investments of no less than \$42m for Council's self insured infrastructural asset risks and contingency reserves.					✓	
Hedging of interest rate risk on debt within allowable parameters					✓	
Hedging of interest rate risk on investments within allowable parameters					✓	
Counterparty exposures:	ANZ	< \$10m	>A+ Credit Rating		✓	
	NBNZ	< \$50m	>A+ Credit Rating			✓
	BNZ	< \$10m	>A+ Credit Rating		✓	
	Westpac	< \$10m	>A+ Credit Rating		✓	
	ASB	< \$10m	>A+ Credit Rating		✓	
Core Council External Borrowing Limits Compliance					✓	
Consolidated Group External Borrowing Limits Compliance					✓	
Internal Borrowing Limits Compliance					✓	

### Notes

The Local Government Act 2002 came into force in December 2002 but the transitional provisions mean that it is appropriate to report against the 1974 Act for the year ended 30 June 2003.

The Council adopted a new Treasury Management Policy on 30 June 2003 as part of the Council's Long Term Council Community Plan. Compliance by the Council against the new policy will be reported on in the 2003/04 financial year.

The major changes in policy limits include:

- Increasing the Counterparty exposure limit of Registered Banks to \$15 million and a minimum credit rating of A.
- Increasing the Internal Borrowing limit for Forestry to 70% Debt to Market Value.

Core Council External Borrowing Limits Compliance			TMP
Ratio	Notes	Actual	Limits
Interest Expense on Net External Debt to Rates and Levies		7%	20%
Net External Debt to Rates and Levies		88%	175%
Net External Debt per Capita		\$149	\$300

Internal Borrowing Limits Compliance				TMP	TMP
Activity	Ratio	Notes	Actual	Limits	Targets
Regional Water Supply	Debt to Water Supply Levy		211%	300%	220%
	Financial Costs to Water Supply Levy		17%	40%	20%
Flood Protection - Western	Debt to Rates		313%	400%	250%
	Financial Costs to Rates		27%	50%	25%
Flood Protection - Wairarapa	Debt to Rates		25%	80%	80%
	Financial Costs to Rates		2%	10%	10%
Parks & Forests	Debt to Rates		39%	50%	50%
	Financial Costs to Rates		3%	10%	10%
Forestry	Debt to Forestry Market Value		57%	60%	35%

### Breach of Treasury Management Policy limits

On 17th June 2003 Standard and Poor's dropped the credit rating on NBNZ from AA- to A+. As a consequence the Council was in breach of its Policy from 17th June 2003 to 30 June 2003.