

## Attachment 4

### 2. COMPLIANCE WITH TREASURY MANAGEMENT POLICY

#### 2.1 Treasury Management Compliance

As at 31 December 2005

Total Council Limit Compliance Analysis			
	Notes	Yes	No
Risk management activities are related to underlying cash flows		✓	
A mixture of undrawn committed lines and liquid investments of no less than \$7.5 million are available for normal operations		✓	
A mixture of undrawn committed lines and liquid financial investments available for self-insured infrastructural assets and contingency reserves		✓	
Hedging of interest rate risk on debt and use of derivatives within allowable parameters			✓
Hedging of interest rate risk on investments within allowable parameters		✓	
Counterparty exposures: (on balance sheet)	ANZ National BNZ Westpac ASB	≤ \$50m ≤ \$15m ≤ \$15m ≤ \$15m	✓ ✓ ✓ ✓
Counterparty credit limits within allowable parameters (> A+ credit rating for banks)		✓	
Consolidated group external borrowing limits compliance		✓	
Core Council external borrowing limits compliance		✓	
Internal borrowing limits compliance			✓

Due to the revaluation of Greater Wellington's forests at 30 June 2005, the Forestry activity has breached its internal debt limit. This is intended to be addressed as part of the Long-term Council Community Plan 2006-16. Greater Wellington's Treasury Management Policy states that for planned external debt between three and six years the minimum hedged is 20%. Projections contained in the Amendment to the Long-term Council Community Plan show that the Council is only projected to be 19% hedged at 30 June 2011. The Council is projected to be very close to this minimum and this will continue to be reviewed on an ongoing basis.

Consolidated Group External Borrowing Limits Compliance			TMP
	Notes	Actual	Limits
Net interest expense to total operating revenue		3%	≤ 12%
Net external debt to total operating revenue		50%	≤ 120%
Note: Group net external debt is total external debt less financial investments			

Core Council External Borrowing Limits Compliance			TMP
Ratio	Notes	Actual	Limits
Interest expense on net external debt to rates and levies		6%	25%
Net external debt to rates and levies		69%	210%
Net external debt per capita		\$126	\$400
Note: Core council net external debt is total council debt less sinking finds			

Internal Borrowing Limits Compliance				TMP	TMP
Activity	Ratio	Notes	Actual	Limits	Targets
Regional Water	Debt to water supply levy		193%	300%	220%
	Financial costs to water supply levy		14%	40%	20%
Flood Protection - Western	Debt to rates		299%	400%	250%
	Financial costs to rates		21%	50%	25%
Flood Protection - Wairarapa	Debt to rates		24%	80%	80%
	Financial costs to rates		2%	10%	10%
Parks & Forests	Debt to rates		32%	50%	50%
	Financial costs to rates		2%	10%	10%
Regional Transport	Debt to rates		11%	400%	n/a
	Financial costs to rates		1%	50%	n/a
Forestry	Debt to forestry market value		72.4%	70%	35%

Further Management Information		
Plantation Forestry	Debt to forestry market value	61%
Reserve Forestry	Debt to forestry market value	97%