

# Funding

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# Funding impact statement

## Revenue and Financing Mechanisms

Council has decided to use the following revenue and financing mechanisms to cover the estimated expenses for each financial year covered by the plan. In relation to each year covered by the plan, there is an indication of the level or amount of funds to be produced by each mechanism.

Description	Ten Year Plan	Ten Year Plan	Annual Plan	Variance
(\$000s)	2009/10	2010/11	2010/11	
<b>Rating Mechanisms</b>				
Rates	21,106	22,191	20,485	(1,706)
Uniform Annual General Charge	13,542	14,016	14,144	128
Less RDC Rates	(820)	(820)	(1,575)	(755)
Water Rates	3,320	3,420	3,321	(99)
Sewerage Rates	9,957	10,256	9,957	(299)
Sewerage Capital Rates	255	226	849	623
Refuse Rates	1,872	2,746	2,042	(704)
Water by Meter	3,419	3,521	3,521	-
Water by Meter Penalty	8	9	8	(0)
Lakes Enhancement Rate	407	419	419	-
Urban Sewerage Development Rate	117	121	57	(64)
Lakes Community Board Rate	50	52	50	(2)
Business and Economic Development Rate	4,239	4,553	4,673	120
Roading Targeted Rate	8,627	8,886	8,914	28
Less Water by Meter	(174)	(178)	(254)	(76)
<b>Total From rating Mechanisms</b>	<b>65,925</b>	<b>69,416</b>	<b>66,612</b>	<b>(2,804)</b>
Development Contributions	2,512	3,244	2,866	(378)
Resource Management Contributions	600	618	618	-
Subsidies & Grants	19,828	29,497	26,298	(3,199)
Investment Revenue	746	609	947	338
Fees & Charges	5,443	5,617	5,687	70
Trading Revenue	15,862	17,665	18,052	387
Profit on Disposal	6	6	6	-
<b>Other Revenue Sources</b>	<b>44,997</b>	<b>57,256</b>	<b>54,474</b>	<b>(2,782)</b>
<b>Total Revenue Funding Mechanisms</b>	<b>110,922</b>	<b>126,672</b>	<b>121,086</b>	<b>(5,586)</b>
<b>Finance Mechanisms</b>				
Debt (Net Funding)	17,070	11,719	11,956	(237)
Sale of Assets	200	206	234	(28)
Net Council and Created Reserves	18,539	10,647	17,019	(6,372)
Working Capital Funding	(1,681)	(3,434)	1,341	(4,775)
<b>Total Funding From Financing Mechanisms</b>	<b>34,128</b>	<b>19,138</b>	<b>30,550</b>	<b>(11,412)</b>
<b>Total Revenue &amp; Financing Mechanisms</b>	<b>145,050</b>	<b>145,810</b>	<b>151,636</b>	<b>(5,826)</b>

# Funding impact statement **cont.**

## Rates set for 2010/11 (GST exclusive)

Council sets the following rates, pursuant to the Local Government (Rating) Act 2002, for the 2010/11 rating year:

- A uniform annual general charge;
- A differential general rate;
- Targeted rate for lakes enhancement;
- Targeted rates for water supply;
- Targeted rates for sewage disposal;
- Targeted rates for capital costs of sewerage schemes (including scheme connection costs);
- Targeted rate for urban sewerage development;
- Targeted rates for refuse collection;
- Targeted uniform fixed rate for part of the roading costs;
- Targeted rate, undifferentiated rate in the dollar on capital value for part of the roading costs;
- Targeted differentiated fixed rate for part of the business and economic development costs;
- Targeted differentiated rate in the dollar on capital value for part of the business and economic development costs.

### Proportion of total rates paid by each sector

	Land Value 2008 Valuations	Capital Value 2008 Valuations	Rates Take 2009/10	Rates Take 2010/11
Farming	39.5%	26.9%	13.11%	13.19%
Business	11.4%	18.2%	24.95%	24.79%
Residential	49.0%	54.9%	61.94%	62.02%

## Uniform Annual General Charge

Council sets a uniform annual general charge for each rating unit (plus GST at the prevailing rate).

The amount to be collected is \$14,144,000

The uniform annual general charge has been set at a fixed amount per rating unit .

2010/2011	\$511.11
2009/2010	\$488.89

## Targeted Rate for Lakes Enhancement

Council sets a lakes enhancement rate by way of a uniform amount for each rating unit that pays a UAGC, excluding those within the Environment Waikato region (plus GST at the prevailing rate).

The amount to be collected is \$418,984.

The lakes enhancement rate is set at:

2010/2011	\$16.00
2009/2010	\$15.56

## General Rates

Council sets a general rate on land value on a differential basis (plus GST at the prevailing rate).

The amount to be collected is \$20,485,094.

The general rate will be collected from nine differential rating categories (three differential rating groups).

	Relative differentials %	Rate per \$ of land value 2009/10	2010/11
<b>Residential rating group</b>			
1 Residential – General – Urban	100%	0.00237	0.00237
2 Residential – General – Rural	76%	0.00180	0.00180
3 Residential – Two Unit – Urban	110%	0.00261	0.00260
4 Residential – Three Unit – Urban	230%	0.00546	0.00543
5 Residential – Four Unit – Urban	300%	0.00712	0.00709
6 Residential – Multi Unit	360%	0.00902	0.00850
<b>Farming rating group</b>			
7 Farming – General	76%	0.00180	0.00180
<b>Business rating group</b>			
8 Business – Urban	360%	0.00902	0.00850
9 Business – Rural	228%	0.00541	0.00539

## Targeted Rates for Roothing

**(Plus GST at the prevailing rate)**      **2009/10**      **2010/11**

Council sets a fixed uniform targeted rate for each rating unit      \$88.89      \$88.89

The amount to be collected is \$2,461,844.

In addition, Council sets an undifferentiated rate in the dollar on the capital value on every rating unit.      0.00045      0.00048

The amount to be collected is \$6,452,000.

## Targeted Rates for Business and Economic Development

	(per rating unit)	
<b>(Plus GST at the prevailing rate)</b>	<b>2009/10</b>	<b>2010/11</b>
Business Urban and Rural	\$177.78	\$177.78
Industrial	\$177.78	\$177.78
Farming	\$44.44	\$44.44

The amount to be collected is \$406,099.

In addition, Council sets a targeted differentiated rate in the dollar on capital value for the following categories of properties:

	(rate in \$ on CV)	
<b>(Plus GST at the prevailing rate)</b>	<b>2009/10</b>	<b>2010/11</b>
Business Urban and Rural	0.00191	0.00219
Industrial	0.00058	0.00056
Farming	0.00004	0.00006

The amount to be collected is \$4,267,000.

# Funding impact statement **cont.**

## Targeted Rates for Water Supply

Council has set targeted rates for water supply to properties within the respective service areas on a differential basis.

For these purposes:

A "rating unit connected" is one to which water is supplied from a Council water supply service.

A "serviceable rating unit" is one to which water is not connected, but the whole, or some part of which is within 100 meters of a Council water supply area.

A "separately used or inhabited part" is any part of a rating unit that is or is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement. Subject to any rating unit used primarily as a residence of one household being deemed to have a single part.

The Targeted Rates for water supply are as follows (plus GST at the prevailing rate):

Urban (Plan number 11015 Sheet 1)	Charging unit	2009/2010	2010/2011
The amount to be collected is \$5,814,165 (plus GST at prevailing rate) (Metered water \$2,580,802; General water rate \$3,308,533)			
A differential targeted rate of:			
<ul style="list-style-type: none"> <li>A fixed amount on each separately used or inhabited part of a rating unit connected (and not metered)</li> </ul>	Annual for rating units connected	\$168.89	\$168.89
<ul style="list-style-type: none"> <li>A fixed amount on each serviceable rating unit capable of connection.</li> </ul>	Annual for rating units capable of connection	\$84.44	\$84.44
<ul style="list-style-type: none"> <li>A fixed amount on each separately used or inhabited part of a rating unit connected (and metered)</li> </ul>	Annual for rating units connected and metered	\$168.89	\$168.89
A targeted rate on each metered separately used or inhabited part of a rating unit of a fixed amount per cubic metre supplied in excess of 56 cubic metres per quarter.	Per cubic metre	\$0.76	\$0.76
<b>Mamaku (Plan number 11015 Sheet 4)</b>			
The amount to be collected is \$81,141 (plus GST at the prevailing rate)			
A targeted rate of a fixed amount per connection on each rating unit connected.	Annual for rating units connected	\$172.44	\$184.89
A targeted rate on each metered rating unit of a fixed charge per cubic metre supplied to the rating unit.	Per cubic metre	\$0.48	\$0.52
<b>Rotoiti (Plan number 11015 Sheet 5)</b>			
The amount to be collected is \$77,753 (plus GST at the prevailing rate)			
A differential targeted rate:			
<ul style="list-style-type: none"> <li>A fixed amount per connection on each rating unit connected.</li> </ul>	Annual for rating units connected	\$124.44	\$129.78
<ul style="list-style-type: none"> <li>A fixed amount on each serviceable rating unit capable of connection.</li> </ul>	Annual for rating units capable of connection	\$62.22	\$64.89
A targeted rate on each metered rating unit of a fixed amount per cubic meter supplied to the rating unit.	Per cubic metre	\$0.42	\$0.44

# Funding impact statement cont.

<b>Rotoma</b> (Plan number 11015 Sheet 6)	<b>Charging unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$52,097 (plus GST at the prevailing rate)			
A differential targeted rate:			
<ul style="list-style-type: none"> <li>A fixed amount per connection on each rating unit connected.</li> </ul>	Annual for rating units connected	\$257.78	\$270.22
<ul style="list-style-type: none"> <li>A fixed amount on each serviceable rating unit capable of connection</li> </ul>	Annual for rating units capable of connection	\$128.89	\$135.11
A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied to the rating unit.	Per cubic metre	\$0.87	\$0.91
<b>Kaharoa</b> (Plan number 11015 Sheet 7)	<b>Charging unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$189,678 (plus GST at the prevailing rate)			
A targeted rate of a fixed amount per connection on each rating unit connected.	Annual for rating units connected	\$272.00	\$277.33
A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied to the rating unit.	Per cubic metre	\$0.27	\$0.28
<b>Reporoa</b> (Plan number 11015 Sheet 8)	<b>Charging unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$447,010 (plus GST at the prevailing rate)			
A differential targeted rate:			
<ul style="list-style-type: none"> <li>A fixed amount per connection on each Domestic/Non-Farming rating unit connected</li> </ul>	Annual for rating units connected	\$117.33	\$122.67
<ul style="list-style-type: none"> <li>A fixed amount per connection on each Farming/Dairy-Factory rating unit connected.</li> </ul>	Annual for rating units connected	\$183.11	\$192.00
A differential targeted rate:			
<ul style="list-style-type: none"> <li>A fixed amount on each metered Domestic/Non-Farming rating unit per cubic metre supplied in excess of the 82 cubic metres per quarter.</li> </ul>	Per cubic metre	\$0.36	\$0.37
<ul style="list-style-type: none"> <li>A fixed amount on each metered Farming/Dairy-Factory rating unit per cubic metre supplied in excess of 208 cubic metres per quarter.</li> </ul>	Per cubic metre	\$0.22	\$0.23
<b>Hamurana</b> (Plan number 11015 Sheet 9)	<b>Charging unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$66,424 (plus GST at the prevailing rate)			
A differential targeted rate:			
<ul style="list-style-type: none"> <li>A fixed amount per connection on each rating unit connected</li> </ul>	Annual for rating units connected	\$103.82	\$108.44
<ul style="list-style-type: none"> <li>A fixed amount on each serviceable rating unit capable of connection</li> </ul>	Annual for rating units capable of connection	\$51.91	\$54.22
A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied.	Per cubic metre	\$0.30	\$0.31

# Funding impact statement cont.

Okareka (Plan number 11015 Sheet 10)	Charging unit	2009/2010	2010/2011
The amount to be collected is \$38,329 (plus GST at the prevailing rate)			
A differential targeted rate:			
<ul style="list-style-type: none"> <li>A fixed amount per connection on each rating unit connected</li> </ul>	Annual for rating units connected	\$77.33	\$80.00
<ul style="list-style-type: none"> <li>A fixed amount (being 50% of the above amount) on each serviceable rating unit.</li> </ul>	Annual for rating units capable of connection	\$38.67	\$40.00
A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied.	Per cubic metre	\$0.25	\$0.26

## Targeted Rates for Sewage Disposal

Council sets the following targeted rate on a differential basis for all rating units from which sewage is collected or are serviceable rating units. For these purposes:

- A "rating unit connected" means a rating unit from which sewage is collected either directly or by private drain to a public sewerage system.
- A "serviceable rating unit" means a rating unit from which sewage is not collected but the rating unit (part) is within 30 metres of Council's sewerage system and could be effectively connected to the sewerage scheme.

Council sets the following targeted rates (plus GST at the prevailing rate):

Urban (Plan number 11163 Sheet 2) and Eastern and Rural (Plan number 11163 Sheets 4, 5 and 14)	Charging Unit	2009/2010	2010/2011
The amount to be collected is \$9,956,889 (plus GST at the prevailing rate)			
<b>1. Residential Property</b>			
A targeted rate on each rating unit connected.	Annual for rating units connected	\$321.33	\$321.33
<b>2. Commercial/Industrial Property as follows:</b>			
Category 1 - means the rating units with 1 to 4 toilets (water closets or urinals)	Uniform charge for each toilet	\$321.33	\$321.33
Category 2 - means the rating units with 5 to 10 toilets (water closets or urinals)	Uniform charge for each toilet	\$273.14	\$273.14
Category 3 - means the rating units with 11 or more toilets (water closets or urinals)	Uniform charge for each toilet	\$257.04	\$257.07
<b>3. Availability</b>			
- means the rating units which are serviceable rating units.	Annual for rating units capable of connection	\$160.67	\$160.67

## Targeted Rates for Urban Sewerage Development

Council sets an urban sewerage development rate by way of a uniform amount for each rating unit in the "Urban Sector" that pays a UAGC (plus GST at the prevailing rate).

The amount to be collected is \$56,987.

The urban sewerage development rate is set at:	2010/2011	\$2.67
	2009/2010	\$5.42

# Funding impact statement **cont.**

## Targeted Rates for Connection to Sewerage Schemes

Council sets targeted rates on a differential basis for connecting properties to the following sewerage schemes (plus GST at the prevailing rate):

<b>Mourea</b> (Plan number 11163, Sheet 4)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$7,306 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	-	\$228.31
<b>Hinemoa Point</b> (Plan number 11608, Sheet 8)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$4,124 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	-	\$137.49

## Targeted Rates for Capital Cost of Sewerage Schemes

Council sets targeted rates on a differential basis for the following sewerage schemes (plus GST at the prevailing rate).

<b>Okawa Bay</b> (Plan number 11163, Sheet 5)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$11,570 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$462.06	\$462.06
<b>Mourea</b> (Plan number 11163, Sheet 4)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$28,004 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$298.48	\$298.48
<b>Marama Point</b> (Plan Number 11163, Sheet 14)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$9,545 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$238.61	\$238.61
<b>Duxton</b> (Plan number 11163, Sheet 5)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$12,535 (plus GST at the prevailing rate)			
A fixed amount	Annually	\$12,535.24	\$12,535.24
<b>Hinemoa Point</b> (Plan Number 11608, Sheet 8)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$35,032 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$529.96	\$529.96
<b>Rotokawa</b> (Plan Number 11608, Sheet 2)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$22,679 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$201.11	\$201.11
<b>Brunswick Stages 4 and 6</b> (Plan Number 11608, Sheet 11)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$12,488 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$313.24	\$313.24
<b>Brunswick</b> (Plan Number 11608, Sheet 10)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$66,780 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$652.18	\$652.18
<b>Lake Okareka/Blue Lake</b> (Plan Number 11608, Sheet 3)	<b>Charging Unit</b>	<b>2009/2010</b>	<b>2010/2011</b>
The amount to be collected is \$266,205 (plus GST at the prevailing rate)			
Okareka	Per HUE Annually	-	\$1,011.23
Blue Lake Camping Ground	Per HUE Annually	-	\$16,179.65
Rotorua District Council (Public Toilets and Amenities)	Per HUE Annually	-	\$19,213.33

# Funding impact statement **cont.**

## Voluntary Lump Sum Capital Contributions

Council sets the following amounts (plus GST at the prevailing rate) for ratepayers who elect to pay a one-off voluntary lump sum capital contribution for the capital cost of these sewerage schemes:

Okareka	Per HUE	\$12,747.00
Blue Lake Camping Ground	Per HUE	\$203,951.84
RDC (Public Toilets and Amenities)	Per HUE	\$242,192.81

## Targeted Rates for Lakes Community Board

Council sets a lakes community board rate by way of a uniform amount for each rating unit that is wholly or partially within the area defined by the 2006 decision of the Local Government Commission, comprising the area delineated on SO Plan No.379278.

The amount to be collected is \$50,000 (plus GST at the prevailing rate).

The lakes community board rate is set at:

2010/2011	\$18.67
2009/2010	\$18.67

## Targeted Rates for Refuse Collection

(Plan number 10196, Sheets 1 and 2)

A "separately used or inhabited part" is any part of a rating unit that is or is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement. Subject to any rating unit used primarily as a residence of one household being deemed to have a single part.

Council set targeted rates for refuse collection from each separately used or inhabited part of a rating unit within the respective service areas on a differential basis for refuse collection in urban and rural areas respectively, where the service is provided, as follows (plus GST at the prevailing rate):

Refuse Collection (Plan numbers 10196-002 [urban] and 10196-001 [rural])	Charging Unit	2009/2010	2010/2011
The total amount to be collected is \$2,042,000 (plus GST at the prevailing rate)			
Urban (weekly collection)	Annual	\$65.33	\$71.10
Urban (CBD twice-weekly collection)	Annual	\$130.67	\$142.20
Rural (weekly collection)	Annual	\$67.56	\$73.35

## Rates Postponement

To cover costs, the following fees and charges are set for the 2010/2011 rating year. All fees and charges for this will be added as either a one-off or annual charge as the case may be, to the approved applicants rate account.

Initial Charges - One-Off (plus GST at the prevailing rate)	Charging Unit	2009/2010	2010/2011
Application Fee	One-Off	\$88.89	\$88.89
Contribution to Counselling	One-Off	\$266.67	\$266.67
Half Year Interest Charges			
Interest calculated on Councils marginal borrowing rate 6 monthly on all amounts outstanding			
Annual Charges (plus GST at the prevailing rate)			
Annual Account Fee	Annual	\$44.44	\$44.44
Administration Fee	Annual	1.00%	1.00%
Reserve Fund Fee	Annual	0.25%	0.25%
Property Insurance *	Annual	TBA	TBA

\* Property Insurance: A ratepayer must submit a current insurance certificate annually. If the ratepayer cannot afford separate cover Council will arrange cover.



# Funding impact statement **cont.**

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## Due dates for payment of rates

All rates excluding targeted rates for metered water supply charged quarterly) will be payable in four instalments by the due dates, as follows:

Instalment	Due Date
Instalment Number 1	25 August 2010
Instalment Number 2	25 November 2010
Instalment Number 3	25 February 2011
Instalment Number 4	25 May 2011

Targeted rates for metered water supply charged quarterly (separately) will be payable within 30 days of invoice.

## Discount for Prompt Payment

A discount, at a rate set annually, is allowed to any ratepayer who pays the total rates, charges, and levies as specified on the rates assessment (excluding targeted rates for water supply charged quarterly), by the due date for the first instalment. The discount for 2010/2011 is 2.00%.

## Penalties on unpaid rates

- **Current overdue rates instalments:**  
A penalty will be added to any part of an instalment that remains unpaid after the due date for payment of the instalment. The penalty will be 10% of the unpaid instalment.

- **Arrears of rates (including past instalments):**

- A further penalty of 10% will be added on rates assessed in any previous financial year and which remain unpaid on 12 July 2010.
- A further penalty of 10% will be added on rates assessed in any previous financial year, plus any previous further penalty, and which remain unpaid on 12 January 2011.

- **Postponed rates:**

Penalties will not be applied to any postponed rates

## Penalties on unpaid water invoices

- **Current overdue invoices for water supply charged quarterly:**

A penalty will be added to any part of an invoice that remains unpaid after the due date for payment of the invoice. The penalty will be 10% of the unpaid invoice.

- **Arrears of water rates (including past instalments):**

A further penalty will be added to unpaid water invoices (including penalties) at the beginning of the next financial year. The penalty will be 10% of the unpaid amount.

A further penalty will be added on water invoices still owing six months after the above further penalty was added. The penalty will be 10% of the unpaid amount.

# Treasury policy

## Introduction

Council's Treasury Policy establishes borrowing limits that are realistic in the current and anticipated future financial climate. The policy also ensures inter-generational equity and enables prudent financial management for ratepayers of the district.

## Philosophy

Council has treasury risks arising from raising loans, investments and associated interest rate management activity.

Council carries out its borrowing and investments (in total referred to in this document as treasury activity) within its finance function. Council's broad objectives in relation to treasury activity are as follows:

- to comply with the Local Government Act 2002, amendments, and other relevant local authority legislation
- to develop and maintain professional relationships with the financial markets
- to manage all of Council's investments within its strategic objectives; invest surplus cash in liquid and
- credit worthy investments
- to raise appropriate finance, in terms of both maturity
- and interest rate
- to manage the overall cash position of Council's operations

Council's treasury policy is managed by the Treasury Management Group (TMG), being officers of Council with delegated authority.

## Liability Management Policy

### Borrowing Policy

Council borrows as it considers appropriate. Council exercises its flexible and diversified borrowing powers within the Local Government Act 2002. Council approves borrowing by resolution arising from the Annual and Ten Year Planning processes. Projected debt levels are ascertained from cashflow forecasts prepared during the Long Term Council Community Plan and Annual planning processes.

Council raises borrowing for the following primary purposes:

- General debt to fund Council's Balance Sheet, including borrowing to fund Council-Controlled Organisations (CCOs).
- Specific debt associated with "special one-off" projects and capital expenditure.
- To fund assets with inter-generational qualities.

Council is able to borrow through a variety of market mechanisms including the issue of stock and debentures and direct bank borrowing or by accessing the capital markets directly.

In evaluating new borrowings (in relation to source, term, size and pricing) the TMG will take into account the following:

- The size and the economic life of the project as appropriate.
- The impact of the new debt on borrowing limits.
- Relevant margins under each borrowing source.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates relative to term for both stock issuance and bank borrowing, and management's view of future interest rate movements.
- Available term from bank and stock issuance.
- Implied finance terms within any specific debt (e.g. project finance) to ensure these are at least as favourable as Council could achieve in its own right.
- Legal documentation and financial covenants.

### Borrowing Limits, Liquidity and Credit Risk Management

In managing borrowing, Council determines appropriate control limits based on the following covenants:

- The gross interest expense of all borrowings will not exceed 15% of total annual revenue.
- Net cashflows from operating activities are to exceed gross annual interest expense by a multiple of at least 2.
- Maximum debt not to exceed 20% of total assets.

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 Council's control, Council ensures debt maturity is spread over a band of maturities. Council manages this specifically by ensuring that:

- No more than \$60 million or 50% of existing external borrowing (whichever is the greater) is subject to refinancing in any financial year.

### Interest Rate Risk Management

Council's borrowing gives rise to direct exposure to interest rate movements. Table 1 overleaf outlines the maximum unhedged or floating rate exposure requirements allocated into various time bands. The actual percentage will be determined and reviewed on a regular basis, by the TMG.

# Treasury policy **cont.**

**Table 1: Percentage of Fixed Rate Borrowing**

These hedging percentages relate to total existing and forecast debt identified as “Core” debt by the TMG after reference to the current Ten Year Plan and Annual Plans. The level of Core debt used in determining policy compliance will be reviewed as appropriate, but at least on an annual basis.

Term of Exposure	Minimum Fixed Rate Exposure	Maximum Fixed Rate Exposure
0 – 1 year	60%	100%
1 – 2 years	40%	90%
3 – 5 years	20%	60%
5 – 10 years	0%	50%
10 years and over	Any hedging must be approved by Council	

The TMG sets interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on its fixed rate borrowing, and managing these risks using approved risk management instruments.

## Security

In general Council will secure its borrowings against its rate revenue. In unusual circumstances, with prior Council approval, a charge over one or more of the Council’s assets may be offered.

## Contingent Liabilities

Council from time to time provides financial guarantees to recreation and service organisations pursuant to Council policy for such guarantees.

## Investment Policy

Council maintains investments in the following financial assets:

- Equity investments, including shareholdings and loan advances, to trading and service enterprises, charitable trusts, and incorporated societies (e.g. sporting and community organisations), and for residential and rural housing purposes, which are consistent with Council’s normal course of business.
- Investments in land and buildings (property) and from time to time commercial mortgages and deferred payment licenses.
- Treasury instruments for cash flow management.

## Equity Investments and Loan Advances

Investments may include shareholdings in and advances to CCOs, charitable trusts, incorporated societies, residential and rural housing, and other long term investments which are consistent with Council’s strategic plan and subject to legislation requirements.

## Property Investments

Council’s overall objective is to only own property that is necessary to achieve its strategic objectives.

Council reviews the performance of its property investments on a regular basis.

## Treasury Investments

Council maintains treasury investments:

- to invest amounts allocated to special funds, sinking funds and reserves
- for short term investment of proceeds from the sale of assets
- to invest surplus cash, and working capital funds

## Liquidity Management

The TMG sets overall investment strategy, but in general terms Council will use surplus funds to decrease its overall level of borrowings by proactive management of its bank facilities.

- Liquidity risk management is implemented by ensuring that cash investments are capable of being liquidated and in any case are for a term of less than twelve months. Committed bank facilities are also held to assist in the management of short term funding requirements as well as contributing to the funding of core debt.

# Treasury policy cont.

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## Interest Rate Risk Management

The TMG sets interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook, and determining the interest rate profile to adopt for investments.

## Foreign Exchange Policy

Council may have foreign exchange exposure through the occasional purchase of foreign exchange denominated plant and equipment.

Significant commitments in excess of NZD50,000 are defined as an exposure. Foreign exchange dealings are hedged using foreign exchange contracts, once expenditure is approved by management and/or Council.

## Cash Management

Council maintains rolling daily, monthly and yearly cashflows. These cashflows determine Council's borrowing requirements and surpluses for investment. Cash investments are generally covered by Section 3 of this policy.

## Performance Measurement

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of treasury management information including the development of Key Performance Indicators (KPIs) by agreement with the Chief Executive.

## Delegated Authorities and Key Internal Controls

### Delegated Authorities

Delegated authorities are in place as per the Delegated Authority Manual.

### Key Internal Controls

Sound treasury procedures with appropriate controls are in place to minimise risks the Council may experience through unauthorised treasury activity or unintentional error, and such controls are outlined in the relevant treasury procedures documentation.