



Financial instruments

The Local Government Act 1974 requires the Council to prepare four financial accountability documents. These are the:

Long-Term Financial Strategy

Outlines the expenditure plans of Council for the next ten years, together with the methods by which the Council will manage its finances over that period. The *Long-Term Financial Strategy* is to be prepared in accordance with the principles of financial management specified by the Act. The funding of expenditure is determined in accordance with the principles of the Funding Policy.

Funding Policy

Examines and determines the funding sources and mechanisms to be used to fund the Council's activities.

Investment Policy

Outlines the procedures by which the inherent risks in the Council's portfolio of financial and non-financial investments are to be managed. The Council currently has investments in land, shares and financial instruments.

Borrowing Policy

Outlines the procedures by which the Council's debt portfolio is to be effectively and efficiently managed. The Council's current debt portfolio is nil. This is anticipated to continue over at least the next ten years.

The Council has combined the investment policy and the borrowing policy into one document: *Treasury Management Policy*.

There are no material inconsistencies between the *Long-Term Financial Strategy* and the *Funding* and *Treasury Management* policies.

Copies of these policy documents are available upon request and are free of charge.

The following pages outline the Council's actual performance in comparison to the measures and targets established in the various financial instruments.



Long-term financial strategy

Overall performance

There are no significant adverse variations between the *Long-Term Financial Strategy*, the *2001/2002 Annual Plan* and the Council's actual financial performance and financial position. For further analysis of the variances between budget and actual operating surpluses, refer to note 3 on page 58.

As demonstrated in the *Significant activities*, the Council has substantially achieved the level of non-financial performance established in the *Long-Term Financial Strategy* and the *2001/2002 Annual Plan*.

The assumptions used in the development of the *Long-Term Financial Strategy* remain valid.

Specific performance

A comparison of the Council's achievements in respect of some of the key targets established in the *Long-Term Financial Strategy* and the *2001/02 Annual Plan* follows.

	Long-Term Financial Strategy	2001/02 Annual Plan	Actual Performance
Total expenditure	18,534,082	18,534,082	18,878,548
General rates	3,119,812	3,119,812	2,869,812
Dividends	2,550,000	2,550,000	3,200,000
Direct charges	1,425,800	1,425,800	1,975,635
Operating surplus/(deficit)	(8,724,000)	(8,724,000)	(7,745,184)
Total assets	56,020,682	56,020,682	55,819,470
Total liabilities	1,700,000	1,700,000	1,819,290
Total equity	54,320,682	54,320,682	54,000,180

Funding policy

Overall performance

The Council applied the funding principles adopted in the *Funding Policy* in the development of the *2001/02 Annual Plan*. As outlined in each significant activity, except for *Recreation, culture and heritage*, the Council achieved the planned mix of funding mechanisms during 2001/02. Due to the late enactment of the *Taranaki Regional Council Empowering Act 2001*, the rating proposed in the *2001/02 Annual Plan* for the multi-events stadium and the regional gardens was not struck. These rates were struck for the first time in 2002/03. There were no significant adverse variations or variances.

Specific performance

Each significant activity has an outline of the adopted funding principles and the actual results.



Treasury management policy

Overall performance

There were no variations or departures from the Council's *Treasury Management Policy* (incorporating both the investment policy and borrowing policy).

Investment policy

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

Specifically, the Council minimises its credit exposure by:

Programmes and performance measures

Ensuring all investment, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that have a very strong credit rating.

Limiting total exposure to prescribed amounts and set percentages of total cash investments as set out below.

Monitoring compliance against set limits.

The following table summarises credit requirements and limits:

Institution	Total Exposure Limits	
	\$ Value	% of Total Cash Investments
Government stock and treasury bills	Unlimited	Unlimited
Registered Banks	\$6 million	40%

Actual performance

The Council has identified the following registered banks that can be used for cash management activities:

Bank of New Zealand
 ANZ Banking Group (NZ)
 National Bank of New Zealand
 WestpacTrust Bank
 ASB Bank
 TSB Bank

No cash management activities were undertaken with any other financial institution.

The Council complied with the prescribed amounts and set percentages (refer to table below) during 2001/02.

The Council's compliance with the *Treasury Management Policy* and the set limits was reported to the Council, through the Executive Committee, on a monthly basis.

Borrowing policy

The Council held no public debt during 2001/02 or as at 30 June 2002. Consequently, the borrowing provisions of the *Treasury Management Policy* were not utilised.