



Report 05.222
Date 10 May 2005
File CFO/31/04/02

Committee Planning and Monitoring Sub Committee
Author Kerry Saywell Treasury and Planning Manager

Treasury Compliance

1. Purpose

To report on compliance against the Treasury Management Policy for the nine months ended 31 March 2005.

2. Significance of the Decision

The matters in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

The Treasury Management Policy was approved in June 2003 as part of Greater Wellington's *Long-term Council Community Plan 2013-13*. It provides the policy framework for all of Greater Wellington's treasury activities and defines key responsibilities and operating parameters within which borrowing, investment and risk management activities are carried out.

Changes to the Policy are proposed as part of the *Amendment to the Long-term Council Community Plan 2003-13*. The main change would increase external borrowing limits to give more capacity to borrow to fund passenger rail rolling stock. Other adjustments are proposed to give more flexibility in hedging external debt.

The 'Compliance with Treasury Management Report', (**see attachment 1**) is prepared each quarter and records compliance with key policy measures for the year to date.

4. Comment

As at 31 March 2005, all Treasury Management Policy limits have been complied with, with one exception, refer to **Attachment 1**.

Greater Wellington's forestry management activity has an actual debt to forestry market value ratio of 73.4% compared to the Policy limit of 70%.

This is mainly due to the reduction in value of forests at 30 June 2004. The valuation of forests was carried out by independent valuers Allan Bell & Associates and resulted in the reduction in the market value of forestry assets (including land, roads and fencing) from \$34.3m to \$30.1m. In addition, forestry debt has increased by \$1,031,000 in the year to date.

The breach of this internal limit while not serious in itself, indicates the need to more fully review the Council's forestry activities. The appropriate time to review this is as part of the next LTCCP

5. Communications

No communication is necessary.

6. Recommendations

That the Committee recommend that Council:

(1) receive the report and note its content.

(2) review funding of forestry and the forestry internal debt structure and limits as part of the next LTCCP.

Report prepared by:

Report approved by:

Kerry Saywell
Treasurer

Barry Turfrey
Chief Financial Officer

Attachment 1: Compliance with Treasury Management Report