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# KAIKOURA DISTRICT COUNCIL

## LIABILITY MANAGEMENT POLICY

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### Objective

**TO ENSURE THAT ALL CURRENT AND TERM LIABILITIES OF THE KAIKOURA DISTRICT COUNCIL ARE MANAGED PRUDENTLY AND EFFECTIVELY.**

### Current Liabilities

Current Liabilities are those liabilities which will be repaid in a short period of time, not exceeding 12 months, and include accounts payable, cash advance facilities, and other short term liabilities. For the purposes of this section of the policy, the current portion of term liabilities do not apply, these are to be considered as term liabilities.

Accounts payable are to be paid in full by the due date wherever possible. Those current liabilities that incur a late payment penalty are to be paid in full by the due date in all cases.

### Term Liabilities

Term Liabilities are those liabilities which are for a term exceeding 12 months, and include Council borrowings, and liabilities associated with the Marlborough Regional Forestry joint venture.

### Interest Rate Exposure

The interest rate exposure table below is Council's guideline for interest rate exposure. This table does not incorporate the liabilities associated with the Marlborough Regional Forestry joint venture.

<b>Term of exposure</b>	<b>Proportion of Debt</b>
0 - 1 year	20% - 27%
1 - 2 years	20% - 27%
2 - 3 years	20% - 27%
3 - 4 years	20% - 27%
4 years +	0% - 20%

### Liquidity

Council will maintain a liquidity ratio of a minimum of 1.1 :1 at all times, subject to the liquidity ratio excluding the current portion of sinking funds and the current portion of term liabilities.

- the use of overdraft facilities is to be budgeted for to meet operating expenses
- Council delegate responsibility for establishing short term debt and overdraft facilities to the Chief Executive Officer.

## **Credit Exposure**

The mix of agencies and financial limits as set out below is to be used by Council to manage its credit exposure.

<b>Approved Counter Party Credit Limits</b>	<b>Limits (percentage of total Investment Portfolio)</b>
1. Government	Unlimited
Banks with AA or better long term rating. These include, but are not limited to BNZ, ASB, NB, ANZ, Westpac Trust, Countrywide.	Up to 100% subject to not more than \$1 million with one issue
Other entities with AA- or better long term rating. These include but are not limited to: Auckland Regional Council Christchurch City Council ■ Auckland City Council ■ Dunedin City Treasury Ltd ■ Electricity Corp ■ Telecom Corp	Up to 50% but no more than \$50,000 with any single issuer

## **Debt Repayment**

Council will not use internal loans to pay external debt nor will it use special funds to repay debt unless the fund has been established specifically for that purpose.

Council will ensure that either a sinking fund is established to repay specific borrowing or it will repay debt from general funds subject to going through the special consultative process.

## **Borrowing Limits**

Councils external borrowing limit for term debt will be set at the following limits:

- the gross interest expense of all external term borrowing's will not exceed 20% of annual rates revenue, or
- the gross interest expense of all external term borrowing's will not exceed 15% of total revenues

## **Security**

Council will not pledge assets as security. Council has in place a Cash Advance and Term Borrowing facility secured by negative pledge.