

BORROWING AND INVESTMENTS

Council reviewed and updated its borrowing and investment policy as at 1 July 2006. The policy is delegated to and administered by the Chief Executive and Director of Corporate Services, with quarterly reporting to Council. In managing debt borrowing, Council will adhere to the following limits:

| INVESTMENT AND BORROWING RATIOS | Actual Year ended 30-Jun-08 | Actual Year ended 30-Jun-07 | LTCCP Forecast 30-Jun-08 |
|---|-----------------------------|-----------------------------|--------------------------|
| Total interest expense on net public debt will not exceed 10% of annual rates | 5.43% | 5.75% | 6.20% |
| Ratio of net external public debt to annual rate and levies will not exceed 150% | 43.07% | 64.52% | 57.50% |
| External public debt per ratepayer properties will not exceed \$2,500 (properties based on 2006/2007 rateable assessments) | \$1,122.00 | \$1,116.62 | \$1,195.00 |
| External public debt not to exceed 15% of total equity | 3.54% | 4.5% | 5.0% |
| External public debt per ratepayer will not exceed \$1,000 (Ratepayers based on 2001 Provisional Census) | \$462.23 | \$467.65 | \$485.00 |
| External public debt will not exceed 3% of total land value | 1.18% | 1% | 1% |
| External public debt will not exceed 1% of total capital value | 0.42% | 0.43% | 0.46% |
| Quick Ratio - council ability to pay off short term obligations | 1.06:1 | 1.34:1 | 1.2:1 |
| Debt Ratio - Total debt to total assets | 4.76% | 5.9% | 5.8% |
| Average Collection Period in Days - Average length of time Council must wait after making a charge before receiving a payment | 32 days | 28 days | 23 days |

The policy document covers borrowing mechanisms, e.g. stocks, debentures, and direct bank borrowing as well as risk management for liquidity and interest rates. Council will generally operate under the security of its Debenture Trust Deed, although other borrowing can apply subject to the conditions as set down in the Trust Deed. The Trust Deed was signed in November 2000 and provides for security by way of a charge over general rates and rates income, and the deemed special rate under the Deed.

The Council manages a portfolio of investments comprising equity investments, rental property, loans and advances and financial investments.

The Council's philosophy on the management of investments is to optimise returns in the long term while balancing risk and return considerations. The Council recognises that as a responsible public authority any investments that it does hold should be low risk. It also recognises that lower risk generally means lower returns.

The Council does not hold financial investments other than those involving special funds and cash management balances. In its financial investment activity, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparts are acceptable.

The policy document covers rationale for holding investments, disposition of revenue, risk management, reporting and general policies.