

overview

- The Council maintains a 20 year financial model which takes account of all plans and financial arrangements. The Model enables the impact of projects and borrowing to be evaluated and monitored to ensure these are sustainable in the long term.
- The Financial Summary tracks revenues and expenditures, borrowings and debt levels up to the year 2010/11.
- At the heart of the Long Term Financial Strategy (LTFS) are four ratios. These ratios provide financial limits which the Council is committed to operating within over a 20 year time frame.
- The four key ratios and the maximum limits are:

Term Debt as a percentage of			
Total Assets	- Maximum	12%	
Term Debt as a percentage of			
Realisable Assets	- Maximum	33%	

Net Interest as a percentage of			
Operating Revenue	- Maximum	8%	
Net Debt in relation to			
funds flow	- Maximum	5 times	

- The graphs on page 27 clearly illustrate that the projected ratios are within the maximum levels.
- A fundamental principle of the LTFS is to reduce the degree of dependence on borrowing.
- The LTFS has built into it provision for inflation at the rate of 2% per annum.
- The LTFS includes a project contingency in year 2 of \$2m and \$4m thereafter.
- Confirming the strength of the Council's overall financial position is the current AA international credit rating. This was first given by Standard and Poor's in 1993 and reconfirmed in 2000.



introduction

The Local Government Act requires Councils to prepare at three yearly intervals a Long Term Financial Strategy disclosing the intentions over the next 10 years. It is required to address:

- the estimated expenses, cashflows, asset creation funding and borrowings
- the reasons why the Council engages in each activity
- the forecasting assumptions and potential effects

The purpose of the Act is to promote prudent, effective and efficient financial management by local authorities. In essence, its provisions require the Council's decisions on financial matters to take account of some basic principles which include:

- prudent management

- sustainability
- other options
- funding
- maintenance of debt at prudent levels in accordance with policy
- balancing of the books

There is a clear intention under the Act that the Long Term Financial Strategy (LTFS) will reflect the assumptions, objectives and anticipated outcomes set down in the Investment Management Policy, the Borrowing Management Policy, and the Funding Policy. These policies are also included in this Strategic Statement booklet.