

# Liability Management Policy

## 1 Liability Management Policy

### 1.1 General Policy

Council borrows as it considers prudent and appropriate and exercises its flexible and diversified funding powers pursuant to the Local Government Act 2002. The Council approves, by resolution, the borrowing requirement for each financial year during the Annual and Long-term Planning process. The arrangement of precise terms and conditions of borrowing is delegated to the Corporate Services Manager.

Council has significant infrastructural assets with long economic lives yielding long-term benefits. Council also has significant strategic investment holding. The use of debt is seen as an appropriate and efficient mechanism for promoting inter-generational equity between current and future ratepayers in relation to the Council's assets and investments. Debt in the context of this policy refers to the Council's net external public debt, which is derived from Council's gross external public debt adjusted for reserves as recorded in the Council's general ledger.

Generally, the Council's capital expenditure projects with their long-term benefits are debt-funded. Council's other District responsibilities have policy and social objectives and are generally revenue funded.

Council raises debt for the following primary purposes:

- Capital to fund development of infrastructural assets.
- Short-term debt to manage timing differences between cash inflows and outflows and to maintain the Council's liquidity.
- Debt associated with specific projects as approved in the Annual Plan or Long Term Plan (LTP). The specific debt can also result from finance, which has been packaged into a particular project.

- In approving new debt, Council considers the impact on its borrowing limits as well as the size and the economic life of the asset that is being funded and its consistency with Council's long-term financial strategy.