

| | |
|--------------------------|-------------|
| Report No: | RFN12-06-08 |
| File No: | |
| Date: | 7 June 2012 |
| Decision required | |

REPORT SUMMARY

Report to: Tasman District Council
Meeting Date: 21 June 2012
Report Author: Murray Staite, Corporate Services Manager
Subject: **Amendment to Liability Management Policy**

EXECUTIVE SUMMARY

To consider a minor amendment to the Liability Management Policy contained in the Long Term Plan (LTP) 2012-2022.

RECOMMENDATION/S

That an additional bullet point be added to the Liability Management Policy contained in the LTP that specifically allows debt to be raised to offset any shortfall of rate funds should a future rate postponement policy be considered by Council.

DRAFT RESOLUTION

THAT the Tasman District Council:

- (a) receives the Liability Management Policy Report RCN12-06-08; and
- (b) agrees to insert a new Bullet Point Four in Section 1.1 of the Liability Management Policy *“Debt to meet the non cash funded portion of any rate postponement policy”*.

| | |
|--------------------------|-------------|
| Report No: | RCN12-06-08 |
| File No: | |
| Report Date: | 7 June 2012 |
| Decision Required | |

Report to: Tasman District Council
Meeting Date: 21 June 2012
Report Author: Murray Staite, Corporate Services Manager
Subject: Liability Management Policy

1. Purpose

- 1.1 To consider a minor amendment to the Liability Management Policy contained in the Long Term Plan 2012-2022.

2. Background/Discussion

- 2.1 Submitters to the draft Long Term Plan 2012-2022 (LTP) have asked that Council consider a rates postponement policy. While Council has not approved such a policy should it do so in the future it is likely that any shortfall of rate funds generated by such a policy would need to be offset by the use of debt.
- 2.2 Section 1.1 of Council's Liability Management Policy (Appendix A) in the LTP allows debt to be raised for the purchase of assets and to fund short term working capital. Short term working capital is generally considered to be for a time period of less than one financial year.
- 2.3 While a rate postponement is an asset of Council and therefore could be funded by way of debt, staff are of the view that this was not the intention of the Liability Management Policy.
- 2.4 In order to allow debt to be raised to cover any future rates postponement policy it is recommended that this be specifically allowed for in Section 1.1 of the Liability Management Policy by the insertion after Bullet Point Three of a new Bullet Point Four.

Bullet Point Four

“Debt to meet the non cash funded portion of any rate postponement policy”.

3. Options

3.1 Option 1

Reject the recommendation and amend the Liability Management Policy only when it considers it appropriate to consider a future rate postponement policy.

While the Local Government Act 2002 allows the Liability Management Policy to be amended at any time via a resolution of Council, staff are of the view that it would be tidier to amend the policy now as part of the LTP.

3.2 Option 2

Amend the Liability Management Policy to allow for debt to be used to fund the non cash funded portion of any rates postponement policy, should a postponement policy be approved in the future.

This is considered the tidier option and is the recommendation of staff.

4. Significance

4.1 After consideration of Council's Significance Policy this matter is not considered significant.

5. Recommendation

5.1 That an additional bullet point be added to the Liability Management Policy contained in the LTP that specifically allows debt to be raised to offset any shortfall of rate funds should a future rate postponement policy be considered by Council.

6. Draft Resolution

THAT the Tasman District Council:

- (a) receives the Liability Management Policy Report RCN12-06-08; and
- (b) agrees to insert a new Bullet Point Four in Section 1.1 of the Liability Management Policy *"Debt to meet the non cash funded portion of any rate postponement policy"*.