

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Corporate Services Manager
DATE: 7 September 2010
SUBJECT: Corporate Services Manager's Report – RFN10-09-02

1. Summarised Income/Expenditure Statement

June 2010 financial information is not yet available so prior year information has not been included. With the completion of the 2010 Annual Report, the next meeting of this Committee can expect to see this information included.

	Actual: July 2010 (\$000's) (Preliminary)	Budget: Full Year June 2011 (\$000's)
Operating revenue	6,873	88,409
Operating expenses	6,846	86,017
Operating surplus (Deficit)	27	2,392

Summarised Financial Position – July 2010

	Actual: July 2010 (\$000s) (Preliminary)	Budget: Full Year June 2011 (\$000s)
Current assets	15,448	17,075
Current liabilities	23,788	24,948
Working capital	(8,339)	(7,873)
Non current assets	1,193,539	1,266,670
Non current liabilities	109,805	133,701
Total net assets	1,075,395	1,125,096

2. Treasury: July 2010

Debt Levels

Council's debt at 30 July 2010 stands at \$114.9 million: July 2009 \$102.00 million with an average interest rate of 6.07% (July 2009 6.08%).

New Swap Transactions

The Corporate Services Manager has delegated authority to enter into interest rate swaps on behalf of Council on the proviso that it is reported back to this Committee. The following swaps have been entered into since my last report:

Swap Date	Notional value	Interest rate	Term
19 July 2010	2.0%	4.77%	5 Years

Treasury Limits


The following are details of Council's compliance with Treasury limits.

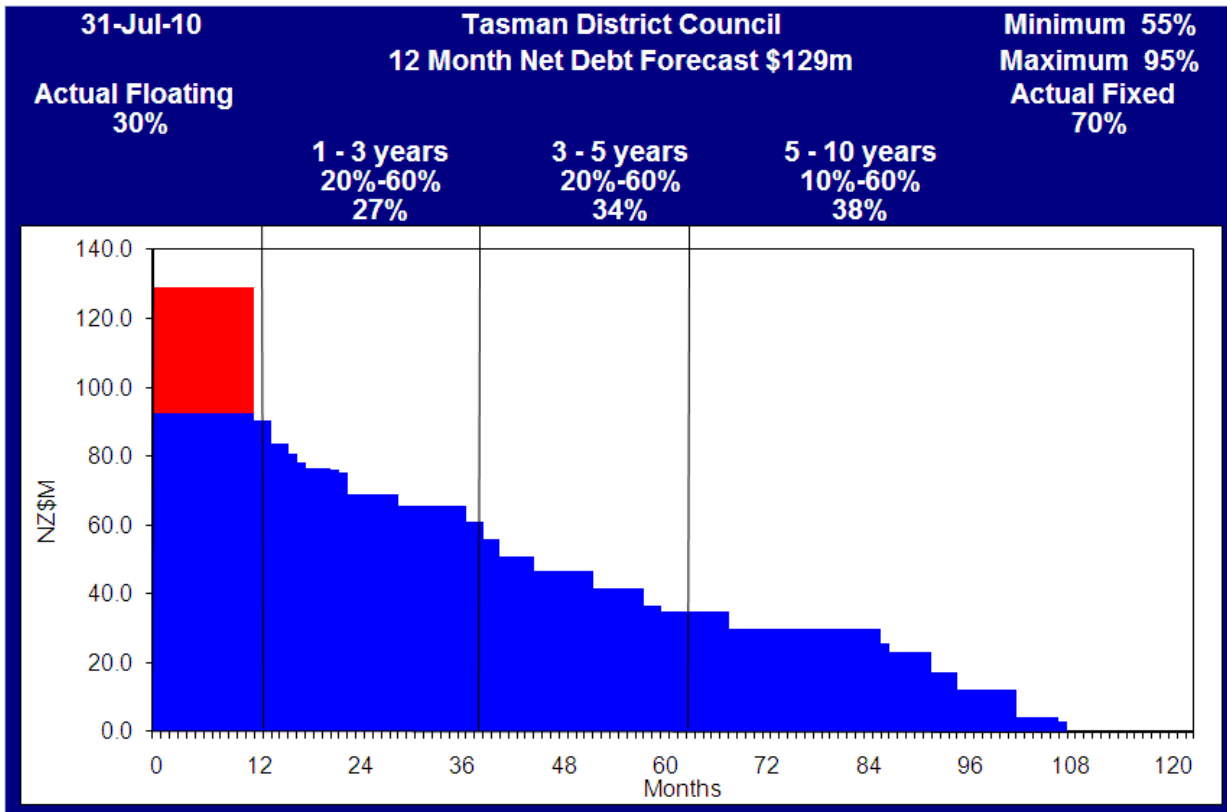
Fixed Rate Maturity Profile Limit

	Minimum	Maximum	Actual: July 2010	Limit Meet
1 – 3 years	20%	60%	27%	
3 – 5 years	20%	60%	34%	
5 – 10 years	10%	60%	38%	

Fixed/Floating Profile




(A maturity greater than 1 year is defined as fixed)

Minimum	Maximum	Fixed Actual: July 2010	Limit Meet
55%	95%	70%	








Facility Maturity Limit

To minimise the risks of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond Council's control, delegated debt maturities are generally spread widely over a band of maturities.

	Minimum	Maximum	Actual: July 2010	Limit Meet
1 – 3 years	20%	60%	100%	
3 – 5 years	20%	60%	-	
5 – 10 years	10%	60%	-	

Treasury Management Policy Limits

Treasury Limits	Actual July 2010	Within Limits
Net Debt not to exceed 20% of equity	10.31%	
Net external debt not to exceed 250% of total operating revenues	125.40%	
Net interest as a % of total revenues to be less than 20%	7.62%	
Net interest as a % of total annual rates to be less than 25%	11.94%	
Liquidity over the next 12 months to be at least 110%	105%	

3. Investments

Council investments which include disaster funds, self insurance funds and general investments, total \$4.744 million with an average interest rate of 4.56% (June 2010 4.71%).

4. Local Government Debt Vehicle

The Local Government Debt vehicle is progressing at a fast pace and has attracted central Government support. I have copied below an extract from a recent Local Government newsletter on the subject:

“Local government debt vehicle update (LGDV)

We are making good progress towards the establishment of the LGDV, with the councils funding the research meeting last Tuesday. The decision to establish the vehicle by statute may potentially add time to the process but we are fully engaged with government departments on that process.

Issues relating to the joint and several guarantee, capital structure and ownership are now largely resolved between the Steering Committee and the funding councils. This is an excellent opportunity for all parts of the sector to reduce their cost of debt, with potential savings for unrated councils of around 70 basis points. More importantly, the sector can take significantly greater control over its debt raising activity and improve access to debt markets through a collective approach.”

(Source:LGNZ fortnightly update)

5. ANZ/National Bank Facility

At the previous meeting of this Committee, a confidential report on the proposed ANZ/National Bank facility was presented. Negotiations around this new \$45 million four year facility have now been concluded to the satisfaction of both Council and bank staff. This new facility means that Council is much closer to being in compliance with its treasury management policy.

RECOMMENDATION

THAT the Corporate Services Committee receives the Corporate Services Manager's Report REP10-09-02.

Murray Staite
Corporate Services Manager