

Report No:	RFN11-07-02
File No:	A501
Date:	28 June 2011
<i>Information Only – no decision required</i>	

REPORT SUMMARY

Report to: Corporate Services Committee
Meeting Date: 7 July 2011
Report Author: Murray Staite, Corporate Services Manager
Subject: **Corporate Services Managers Report**

EXECUTIVE SUMMARY

The Corporate Services Manager's report provides an update in the areas of finance, risk and governance.

RECOMMENDATION/S

That the report be received.

DRAFT RESOLUTION

THAT the Corporate Services Committee receives the Corporate Services Manager's Report (RFN11-07-02)

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1. May 2011 Interim Financials

Actual: Full Year June 2010 (\$000's)		Actual: May 2011 (\$000's)	Budget: Full Year June 2011 (\$000's)
87,441	Operating revenue	82,492	88,409
85,819	Operating expenses	77,915	86,017
1,622	Operating surplus (Deficit)	4,577	2,392
Actual: Full Year June 2010 (\$000's)		Actual: May 2011 (\$000's)	Budget: Full Year June 2011 (\$000's)
16,608	Current assets	25,584	17,075
83,980	Current liabilities	23,107	24,948
(67,372)	Working capital	2,477	(7,873)
1,192,360	Non current assets	1,206,111	1,266,670
49,598	Non current liabilities	128,616	133,701
1,075,390	Total net assets	1,079,972	1,125,096

Key points of interest are

1. Year to date Income at 93% of Annual Budget
2. Year to date Expenditure at 91% of Annual Budget
3. Financial Contributions revenues are at 112% of budget.
4. Significant emergency works resulting from the December flood event have increased both maintenance costs and Transfund revenues
5. Wages and Staff costs are below the year to date budget
6. Consultants costs on; Elections, Amalgamation, Engineering, Lee Valley Dam review , and the Government funding agency, have pushed this expense to 99% of budget.
7. Refuse Income levels remain behind budget for the year

For a more detailed analysis please refer to Appendix A

2. Debt Levels

Council's debt at 31 May 2011 stands at \$130.3 million, with an average interest rate of 5.64%. (June 2010 6.12%).




3. 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. No new swaps have been entered into since the last report however several swaps were entered into during the month of June 2011 with the details being reported at the next meeting of this committee.

4. Treasury Limits


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

a) Fixed Rate Maturity Profile Limit

	Minimum	Maximum	Actual: May 2011	Limit Meet
1 – 3 years	20%	60%	40%	
3 – 5 years	20%	60%	21%	
5 – 10 years	10%	60%	40%	




b) Fixed/Floating Profile

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

Minimum	Maximum	Fixed Actual: May 2011	Limit Meet
55%	95%	62%	

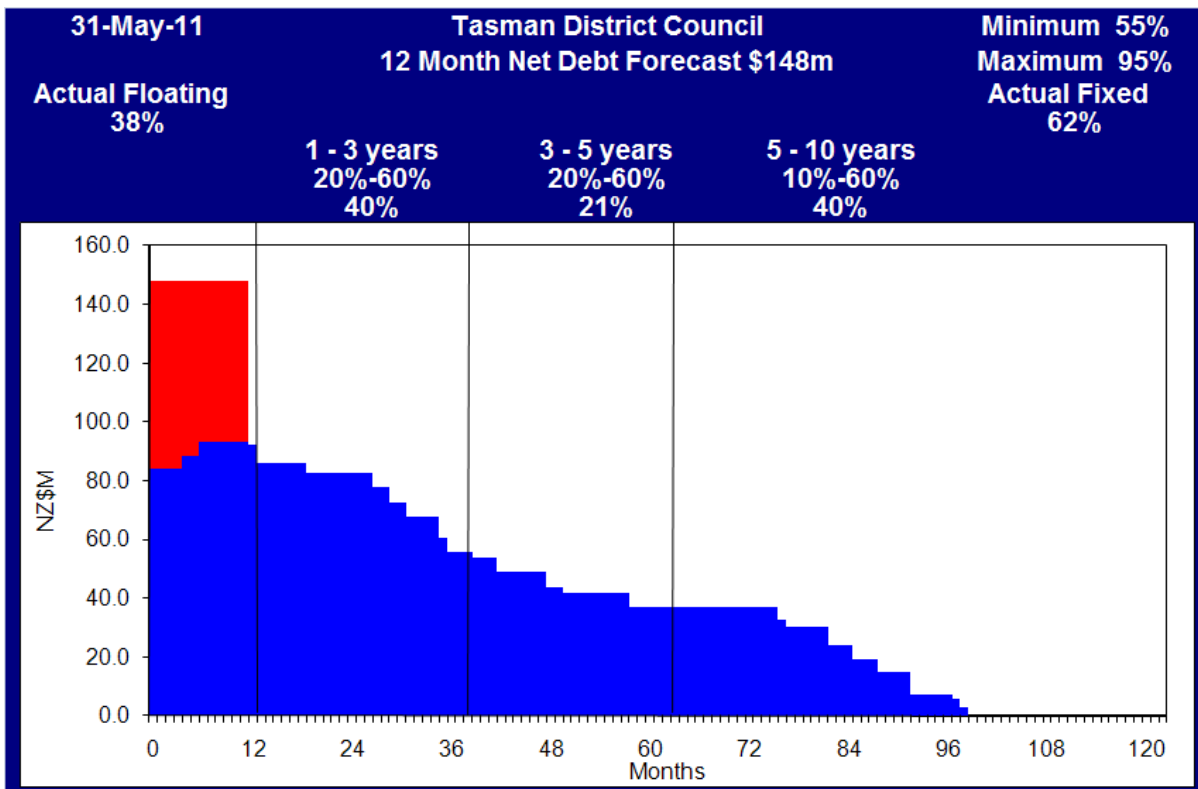
c) Facility maturity limit






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: May 2011	Limit Meet
1 – 3 years	20%	60%	62%	
3 – 5 years	20%	60%	38%	
5 – 10 years	10%	60%	-	

d) Treasury Management Policy Limits

Since the last report the debt maturity profile has increased in the 5 to 10 year bucket providing additional security should interest rates rise in the near future.



Treasury Limits	Actual May 2011	Within Limits
Net Debt not to exceed 20% of equity	10.73%	
Net external debt not to exceed 250% of total operating revenues	131.1%	
Net interest as a % of total revenues to be less than 20%	7.41%	
Net interest as a % of total annual rates to be less than 25%	12.68%	
Liquidity over the next 12 months to be at least 110%	116%	

5. Insurance matters

As Councillors will be aware, the Local Authority Protection Programme (LAPP fund) has run into difficulty as a result of the recent earthquakes in Christchurch. For the months of May and June 2011, LAPP has not been in a position to provide insurance cover to Council. From July 1 2011 LAPP has arranged insurance cover albeit at a reduced cover and increased insurance premium.

Staff are currently undertaking work in the areas of insurance as to what levels of self insurance funds Council needs to carry, particularly as a result of Christchurch events and the current reinsurance market. Councillors will be kept up to date with progress from that review.

Staff have received the Risk Pool annual report for 2010. If any Councillor wishes to see a copy of that report, please contact me.

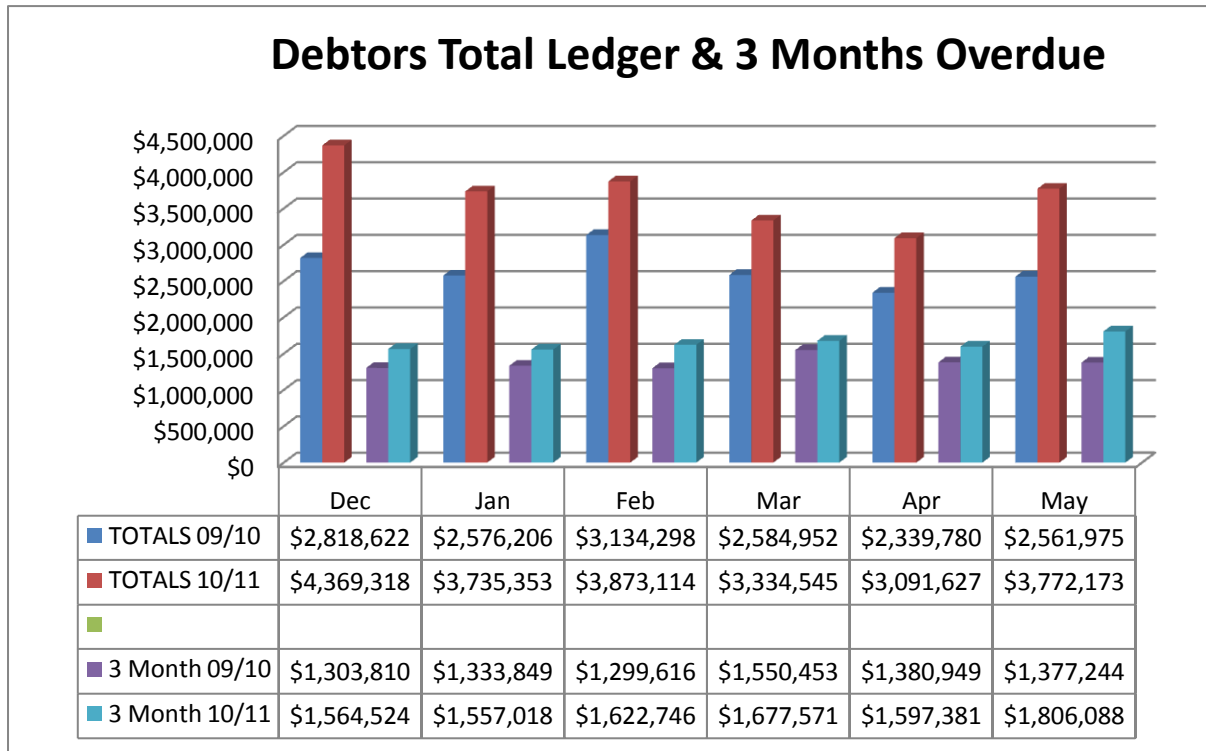
6. Expense Reimbursements

Councillors are reminded as we start the new financial year that receipts are required on all expense claims. Staff understand it can at times be difficult to obtain receipts, but it is an important part of our internal controls that these receipts are attached to relevant claims.

Staff are currently working through issues with the Remuneration Authority in relation to the expense allowances that can be claimed by elected members.

Councillors previous expense allowances policy was rejected in the area of mileage reimbursement and also reimbursement for fax, computers and broadband. You will be advised once this matter has been resolved.

7. Debtors



The issuing of some large invoices in May has seen the ledger increase significantly as at the months end. These amounts include; the payment from CLM towards the ASB fitness Centre, Ministry of Economic Development for the Cycle Trial, costs to be recovered from the Recovery Centre some and large Development Contributions.

8. Capital Works Update

The capital spend for the Year to mid May 2011 is 68% (May 2010 79%) against a budget of 91%.

9. Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.905 million dollars with an average interest rate of 3.2% (July 2010 4.56%).

10. Valuation of Financial Instruments

Council's treasury management policy requires that the value of financial instruments be reported to this Committee on a regular basis. The value of these financial instruments is as follows:-

June 2010	(\$706,499)
September 2010	\$1,263,077
December 2010	\$581,073
March 2010	\$1,032,432

The balance of \$1,032,432 indicates that interest rates on Council's current interest rate swap portfolio are lower than can now be obtained in the market. This is a positive sign.

11. Richmond Pool Charitable Trust

The matter of the Richmond Pool charitable trust was considered "in committee" at a meeting of 24 February 2011. This committee agreed that the matter be left to lie on the table until further work is prepared by staff. There is currently no capacity within the finance team to advance this matter at present. Once resources become available the appropriate work will be prepared.

12. Local Government Funding Agency

This matter is progressing well with many councils indicating they wish to become members, albeit at in some cases a smaller contribution to the \$2m to \$2.5m sought. It was pleasing that councils are showing enthusiasm and an appetite for this new funding agency which bodes well for the future. The first reading of legislation has occurred and it is expected legislation may be passed during the term of the current government.

13. Motueka Clock Tower Trust

The Motueka Clock Tower Trust financials for 28 February 2010 have been received by Council and a copy is attached for your information.

14. 2011 Annual Audit Update

Council's 2011 audit is expected to commence on 12th September 2011 and is due to be completed early October. The Annual Report has to be adopted by 31 October 2011. This allows sufficient time for the 30 June 2011 financial information to be incorporated in the Council's LTP.

5. RECOMMENDATION

That the report be received

6. DRAFT RESOLUTION

THAT the Corporate Services Committee receives the Corporate Services Manager's Report (RFN11-07-02)