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| Report No:  | RFN11-08-18    |
| File No:  |                |
| Date:   | 10 August 2011 |
| <b><i>Information Only – no decision required</i></b> |                |

## REPORT SUMMARY

**Report to:** Corporate Services Committee  
**Meeting Date:** 18 August 2011  
**Report Author:** Murray Staite, Corporate Services Manager  
**Subject:** **Treasury Management – RFN11-08-18**

### EXECUTIVE SUMMARY

This report provides Committee members with an update in the area of finance.

### RECOMMENDATION/S

That the report be received.

### DRAFT RESOLUTION

**THAT the Corporate Services Committee receives the Treasury Management Report – RFN11-08-18.**

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**Report to:** Corporate Services Committee  
**Meeting Date:** August 18, 2011  
**Report Author:** Murray Staite, Corporate Services Manager  
**Subject:** **Treasury Management – RFN11-08-18**

## 1. Treasury: June 2011

### Debt Levels

Council's debt at 30 June 2011 stands at \$133.07 million, with an average interest rate of 5.44%. (June 2010 6.12%).

### 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.

| Swap date      | Notional value | Interest rate | Term    |
|----------------|----------------|---------------|---------|
| 26 October 11  | 4              | 4.77%         | 7 Years |
| 26 November 11 | 4              | 4.78%         | 3 Years |
| 26 December 11 | 4              | 4.78%         | 6 Years |
| 26 January 12  | 4              | 4.73%         | 6 Years |
| 26 February 12 | 4              | 4.67%         | 4 Years |
| 26 March 12    | 4              | 4.67%         | 3 Years |

## Treasury Limits


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

### Fixed Rate Maturity Profile Limit

|              | Minimum | Maximum | Actual: June 2011 | Limit Meet   |
|--------------|---------|---------|-------------------|--|
| 1 – 3 years  | 20%     | 60%     | 28%               |  |
| 3 – 5 years  | 20%     | 60%     | 25%               |  |
| 5 – 10 years | 10%     | 60%     | 48%               |  |




### Fixed/Floating Profile

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

| Minimum | Maximum | Fixed Actual: June 2011 | Limit Meet   |
|---------|---------|-------------------------|--|
| 55%     | 95%     | 72%                     |  |

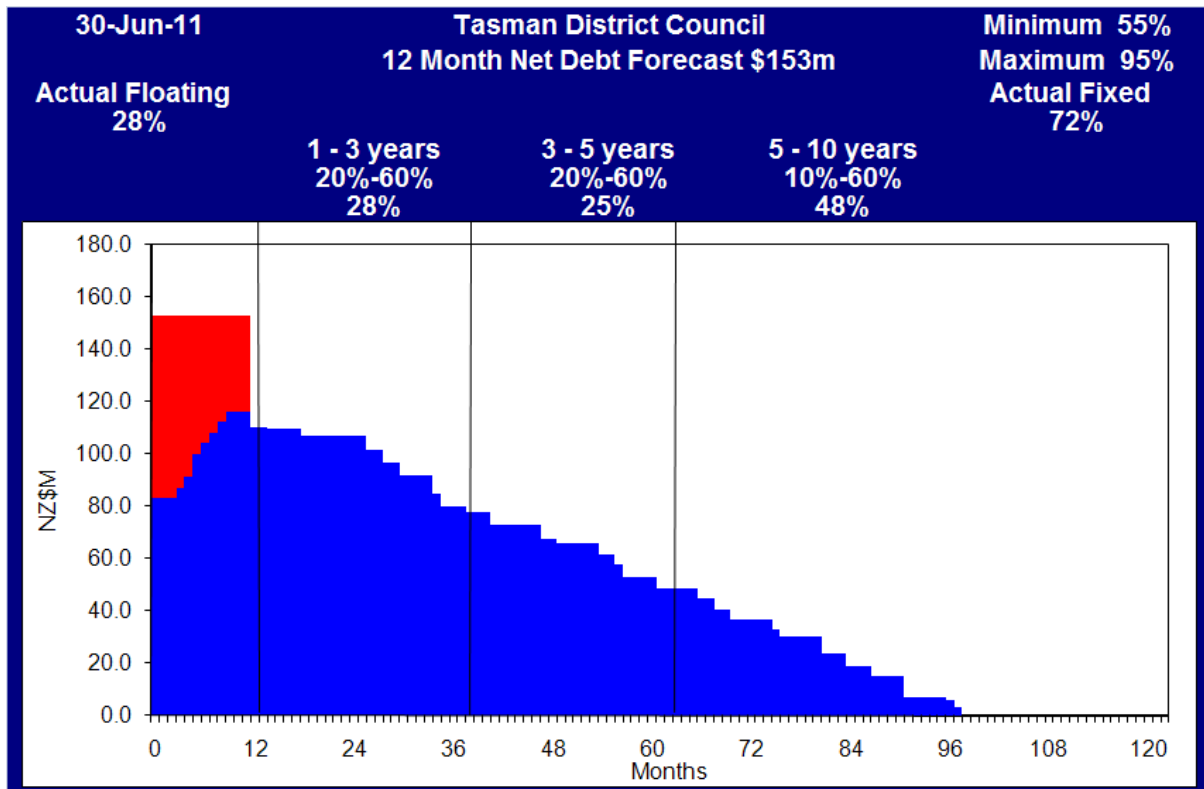
### Facility maturity limit






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

## 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 June 2011 | Within Limits   |
|--|------------------|---|
| Net Debt not to exceed 20% of equity                             | 11.30%           |  |
| Net external debt not to exceed 250% of total operating revenues | 128.8%           |  |
| Net interest as a % of total revenues to be less than 20%        | 7.27%            |  |
| Net interest as a % of total annual rates to be less than 25%    | 13.1%            |  |
| Liquidity over the next 12 months to be at least 110%            | 111%             |  |

## 2. Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.78 million dollars with an average interest rate of 3.18% (July 2010 4.56%).

## 3. 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)   |
| June 2011 | (\$2,316,748) |

The balance of \$2,316,748 indicates that interest rates on Council's current interest rate swap portfolio are higher than can now be obtained in the market. However, due to current market conditions, these valuations are very sensitive to interest rate movements, with a 1% change in interest rates causing a valuation change of +/- \$4 million.

## 5. RECOMMENDATION/S

That the report be received

## 6. DRAFT RESOLUTION

**THAT the Corporate Services Committee receives the Treasury Management Report – RFN11-08-18.**