

Notice is given that an ordinary meeting of the Corporate Services Committee will be held on:

Date: Thursday 11 February 2016
Time: 9.30am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Corporate Services Committee

AGENDA

MEMBERSHIP

Chairperson	Cr T B King	
Deputy Chairperson	Cr M J Higgins	
Members	Mayor R G Kempthorne	Cr M L Bouillir
	Cr J L Edgar	Cr B W Ensor
	Cr Z S Mirfin	Cr T E Norriss
	Cr B F Dowler	Cr M J Greening
	Cr P L Canton	Cr J L Inglis
	Cr P F Sangster	Cr S G Bryant

(Quorum 7 members)

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AGENDA

- 1 OPENING, WELCOME**
- 2 APOLOGIES AND LEAVE OF ABSENCE**

Recommendation

That apologies be accepted.

- 3 PUBLIC FORUM**
- 4 DECLARATIONS OF INTEREST**
- 5 LATE ITEMS**
- 6 CONFIRMATION OF MINUTES**

That the minutes of the Corporate Services Committee meeting held on Thursday, 26 November 2015, be confirmed as a true and correct record of the meeting.

7 REPORTS OF COMMITTEE

Nil

8 PRESENTATIONS

Nil

9 REPORTS

- | | |
|--------------------------------------|-----|
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| 9.2 Treasury Report..... | 155 |

9 REPORTS

9.1 CORPORATE SERVICES MANAGER

Decision Required

Report To:	Corporate Services Committee
Meeting Date:	11 February 2016
Report Author:	Mike Drummond, Corporate Services Manager
Report Number:	RFN16-02-01

1 Summary

- 1.1 Departmental Financial Update – Overall the department is ahead of budget year-to-date, with additional income from dividend and interest. The over budget expenditure for maintenance and operating costs is primarily timing in nature and will correct by year end
- 1.2 Finance Section Update – The finance team is fully engaged on a range of initiatives. The new Payroll Officer has commenced.
- 1.3 Property Services Update – The property services work programme continues with good progress. There will however be some delays as we recruit a new Property Manager.
- 1.4 Information Services Update – We have provided NCC with access to our submission system software. The focus outside of business-as-usual is on developing the Information Systems Strategic Plan. Councillors will be involved in this work. The Council's project/ programme management systems are being reviewed.
- 1.5 Nelson Marlborough Seafood Cluster Inc – We have been requested to support the dissolution of this society. As a member, Council made a minor financial contribution on the establishment of the cluster.
- 1.6 Nelson Airport Ltd – Council has been advised of a change to the airport's performance target around airport noise due to the very low number of complaints.
- 1.7 Riskpool – The Riskpool 2015 Annual Report is available to Councillors on request.
- 1.8 LGFA – We are working with other LGFA shareholder councils on the 2016 letter of expectations. This will be in line with previous years.
- 1.9 Corporate Services Service requests – These are being managed well, with an emphasis on customer service. There are peaks in requests that align with the rates invoice cycle.
- 1.10 Taxteam and PwC - Taxteam, Council's specialist tax advisors, have been absorbed into PwC. This should have no impact on service levels to Council.
- 1.11 Commercial property – The commercial activities are operating well. The highlight for December 2015 was the opening of Shed 4 in Mapua.

2 Draft Resolution

That the Corporate Services Committee:

- 1. receives the Corporate Services Manager report (RFN16-02-01); and**
- 2. authorises the Corporate Services Manager to exercise Council’s member vote in support of the motion to dissolve Nelson Marlborough Seafood Cluster Incorporated; and to transfer remaining assets of \$10,253 in cash to the NZ Fisheries Museum and Marine Education Centre Trust.**

3 Department Financial Update

Corporate Services Department

Overhead Expenditure Statement

For the year to December 2015

Actual Dec 14		Actual Dec 15	Budget Dec 15	Variance YTD	Variance YTD %	Budget Full Year	Budget Full Year %
OVERHEAD EXPENSES							
1,526,701	Wage Related Expenses	1,492,263	1,471,595	(20,668)	-1%	2,959,003	50%
439,139	Maintenance	574,345	442,731	(131,614)	-30%	878,462	65%
699,240	General Operating Costs	630,969	581,773	(49,196)	-8%	1,274,184	50%
282,306	Professional Fees	245,011	275,349	30,338	11%	680,240	36%
19,969	Operations	15,904	14,000	(1,904)	-14%	88,779	18%
69,854	Employee Benefits	68,048	72,165	4,117	6%	146,054	47%
43,566	Employment Related Expenses	28,564	45,548	16,984	37%	113,643	25%
268,078	Overheads	239,349	237,705	(1,644)	-1%	478,694	50%
(6,425)	Loan Interest	(116,175)	(123,823)	(7,648)	-6%	206,779	-56%
38,919	Financial Expenses	24,700	47,019	22,319	47%	108,507	23%
33,220	Depreciation	424,335	453,069	28,734	6%	983,092	43%
3,414,566	TOTAL OVERHEAD EXPENSES	3,627,313	3,517,131	(110,182)	-3%	7,917,437	46%
89,375	Capex Additions	295,490	669,698	374,208	56%	1,827,508	16%
3,503,942	TOTAL OVERHEAD EXPENDITURE	3,922,803	4,186,829	264,026	6%	9,744,945	40%
OTHER ITEMS							
(3,055,856)	Overhead Recoveries	(3,073,692)	(3,098,973)	(25,281)	-1%	(6,196,896)	50%
(863,650)	Income	(1,147,886)	(950,029)	197,857	21%	(1,908,831)	60%
(415,564)	OVERHEAD ACCOUNT BALANCE	(298,775)	137,827	436,602	317%	1,639,218	-18%

3.1 Maintenance and General Operating Costs

The year-to-date variance relates to a timing issue around the phasing of the IT section spend. The full year budget will not be exceeded. The favourable variance in income arises from higher LGFA dividends, additional interest received, NCC for software, and sundry infringements.

3.2 Financial Expenses

Bank charges are under budget after the first six months.

Capital expenditure is significantly under budget. A major contributor to this is the delay in, and lower cost of, earthquake strengthening work.

4 Finance Section Update

4.1 The holidays seem a distant past now, as the team fully engages on a number of initiatives right from the beginning of the year. These include:

- finalising the 2016/17 Annual Plan financials and draft rates;
- the December 2015 Monthly and Half Yearly financial reports;
- the second reforecast of Year End financials;
- preparation for the third rates instalment in February; and
- working through the contiguous property amalgamation project with QV.

It is interesting to note that the last few months of the year reported a 52% increase in property sales activity over the previous year – no wonder the rates team were under considerable pressure.

- 4.2 Helen Hazeldine commenced work with the Council as the Finance Officer – Payroll position on 18 January 2016. Helen brings a strong payroll experience to the role and will provide substantial support to the rest of the team.

5 Property Services Update

5.1 Human Resources

The Property Manager Jim Frater retires on 10 February 2016. There will be a delay as we work through the appointment process for the new Property Manager. In the interim it is intended to use contract services for key property projects.

5.2 Best Island Access

The work to analyse a hypothetical subdivision of the Ashton Family land, as part of the consideration to determine the highest and best value of the land sought by Council for road has taken longer than anticipated. It is expected to be completed and the valuation analysis completed by this meeting date. We now anticipate the discussion between the valuers to occur during February 2016, with a report to Council to follow that.

5.3 Seismic Repairs

The Bainham Hall strengthening works have been let to John Lavers of Aorere Construction. The work commenced in January 2016. The three strengthening projects (Richmond Town Hall, Motueka Memorial Hall and Bainham Hall) have come in under budget, due to the change in requirement to repair buildings to at least 34% of new building standards, rather than 67%. Instructions have been issued to undertake initial engineering assessments for the Motueka Service Centre, Motueka Community House, Golden Bay Community Centre, Onekaka Hall, Golden Bay Museum, Collingwood Museum, Pakawau Hall, old Wakefield Library, Dovedale Church, St Arnaud Fire Station, Stanley Brook Hall, Waimea West Hall, Kotinga Hall and Brightwater Fire Station. Instructions have also been issued to commence design and consenting process for Riwaka Hall and Motueka Museum.

5.4 Takaka Service Centre

The design for the Takaka Service Centre strengthening and refurbishment has commenced. The building consent application should be made in February 2016 when it is anticipated the job will go to tender. A budget review is being undertaken to confirm project cost. There are indications that this will be an appropriate time to address some issues with the building not included in the original budget.

5.5 Waimea Community Dam

The Property Group Ltd is continuing in discussions with private landowners for the land requirements for the Waimea Community Dam in the Lee Valley. Current focus is on the provision of alternative legal and practical access to the properties.

5.6 Golden Bay Community Facility

This project has occupied a substantial amount of staff time. The project information memorandum has been issued and the design of the facility is being finalised. The Golden Bay Agricultural and Pastoral Association has donated land for new netball courts. A demolition plan for the produce booth has been approved and this work was to be undertaken in late January 2016.

5.7 Motueka Aerodrome

A meeting of the Motueka Aerodrome Advisory Group was held in late November 2015. The next meeting is in February 2016 where it is proposed to review the Aerodrome Management Plan. A quotation has been accepted to seal the entrance to the aerodrome off College Street, through to the hangars on the southern side of the aerodrome. Quotations have been sought for the re-marking of lines on the sealed runway. Discussions have been held with Nelmac regarding the rehabilitation of the grassed runway and it is proposed to complete this work during Autumn 2016. Discussions are also to be held with contractors regarding the improvement of the unused areas of the aerodrome for haymaking. A request has been received to erect an additional aircraft hangar for fixed wing aircraft at the southern end of the aerodrome. This application is being processed.

5.8 Mapua Causeway

This subject has generated substantial interest from members of the Mapua community. The consultation process has been mapped and may have commenced by the date of this meeting.

5.9 Operational Property

The small extension to the Motueka Library is well underway and should be completed during February 2016. Orders have been issued to install additional security cameras at the Main Office and Richmond Library.

5.10 New Carpet

Carpet tiles have been installed in the Council Chamber and a new hearing loop has also been installed.

5.11 Documents signed under Delegated Authority

The following documents have been signed under delegated authority:

Tasman Ltd, Stringer Road water scheme licence to occupy

Quail Valley Free Range Ltd, agreement to grant easement for cycle trail project

Yarrall and Manera, 442 Lower Queen Street, Richmond Licence to occupy

BP Oxford Street Road, Richmond Stopping Agreement, taxation form and Authority and Instruction for an electronic transaction

Compensation agreement Flett Road, Chorus

Compensation agreement Flett Road, D C & G H Gane

Compensation agreement Appleby Village Development Ltd McShane Road, Richmond

6 Information Services Update**6.1 Information Services Strategic Plan Update, 2016-2019**

The Information Services Strategic Plan will be updated in the first half of 2016. Workshops for staff and Councillors will take place in March 2016. The updated plan will cover the period 2016-2019 and will integrate with the wider organisational strategy. It will focus on using technology and digitisation to improve functions and processes, providing improved service options and a better customer experience with Council.

6.2 Provision of Council submissions systems for Nelson City Council (NCC)

As part of our commitment to shared services between the councils, we have signed a Memorandum of Understanding (MoU) with Nelson City Council on their access to and use of our internally developed submissions system. Nelson were impressed with the TDC system and without any internal capability for development of their own, wished to take advantage of our close working relationship to run their submissions on our system. Configuration and testing of the system is taking place in February 2016, with their Annual Plan consultation expected to go live in March 2016. Any costs associated with system configuration and ongoing support will be recovered from NCC as part of the MoU.

6.3 Project/Programme Management Systems

Three Project/Programme Management (PPM) Systems are being evaluated in February 2016 with a view to improving the management of our portfolio of projects related to capital expenditure and the Long Term Plan. A PPM system will improve visibility and lower risks associated with managing a large programme of Council projects. Each of the systems is a cloud-based service available on a per user basis so no capital expenditure is required. A decision on the successful system will be made in early March 2016.

7 Nelson Marlborough Seafood Cluster

7.1 In 2003 an Incorporated Society called the Nelson Marlborough Seafood Cluster was formed, to look at establishing an operational cluster centre for local seafood and related organisations.

7.2 Cawthron managed the administrative workload, including collecting contributions and making disbursements. The last activity was in December 2009 and Cawthron has carried a surplus balance of \$10,253 since. There were 14 foundation members, 10 of whom made cash contributions.

7.3 Tasman District Council is a member of the Incorporated Society and contributed \$5,000 on its formation. This represented a minor 1.9% share of the funds raised.

7.4 Council has received information on a proposal to dissolve the cluster, and for this to occur a majority of members must support the proposal. We have been requested to advise if Council has any objection to the following motion. This would be put to a Special meeting of the Society.

“To dissolve Nelson Marlborough Seafood Cluster Incorporated.”

“To transfer remaining assets of \$10,253 in cash to the NZ Fisheries Museum and Marine Education Centre Trust.”

7.5 The staff have considered the proposal and recommend that Councillors support the motions.

7.6 The Corporate Services Manager will advise Councillors at the next Corporate Services Committee meeting of the final decision.

8 Nelson Airport – SOI Target Update – Noise Committee

8.1 Council has been advised of the following significant change relating to a specific target in Nelson Airport Ltd’s Statement of Intent. This is in line with our no surprises approach between shareholders and the company.

- 8.2 In the Key Activities, Milestones and Performance Targets section, under the Environment and Operations section (page 8) are targets relating to the Airport's facilitation of the Nelson Airport Noise Environment Advisory Committee (NANEAC) and responses to complaints.
- 8.3 One of the targets is to:
"Facilitate at least four Nelson Airport Noise Environment Advisory Committee meetings per year."
- 8.4 At the November 2015 Board meeting, the Nelson Airport Board endorsed a management recommendation to reduce the meeting frequency for NANEAC to twice per year. The Airport has had difficulty in getting a quorum for the meetings due to low public interest. In addition, the level of noise complaints is extremely low.
- 8.5 The proposed change requires formal ratification by the Nelson Airport Noise Environment Advisory Committee when it next meets.

9 Riskpool

- 9.1 The 2015 Annual Report for Riskpool has been received.
- 9.2 If you would like to read a copy, please contact Valerie Gribble, Executive Assistant – Corporate.

10 LGFA

- 10.1 We are currently working with other LGFA Shareholder Council's members to prepare this year's Letter of Expectations for the LGFA which will include similar expectations as last year, including timely engagement with shareholders, performance targets etc. I will be supporting a proposed change to the dividend policy. It will be the average borrowing rate *on all outstanding debt* plus 2%, whilst currently it is only on the debt issued in the dividend year. This will be an advantage to councils like TDC as the older debt was issued at higher interest rates.

11 Corporate Services Service Requests

- 11.1 The majority of service requests lodged for Corporate Services relate to the rates function. I have reviewed the pattern of requests and there are, as expected, four peaks each year which coincide with the quarterly rates invoicing. The largest peak is following the first rates installment in August. At that time 4-500 requests received for the month. Service requests are actively managed with few requests going over due. At the time of writing there were only 18 active service requests. This reflects the team's strong focus on customer service.

12 TaxTeam and PwC

- 12.1 Tax team provide specialist tax advice to Council. Advice has been received that TaxTeam has joined PwC. TaxTeam's priority when considering its change of ownership was to ensure it maintained a local, niche approach to client service. This was reflected in key matters agreed and documented between TaxTeam and PwC to ensure that their clients will continue to receive the same high quality service.

13 Commercial Property Update

8.1 Commercial Property:**8.1.1 Mapua:**

- The Shed 4 development was handed over to tenants on 11 November 2015. All have been open during the Christmas period and recorded strong trading. The landscaping concept for the commercial precinct compliments the waterfront park and major works were completed prior to Christmas. Finishing touches to landscaping will occur over the coming month for stage 1. The level of support and acceptance from the wider community is extremely positive.
- Golden Bear (Shed 5) continue to discuss impacts of recent wharf precinct changes to them and are reassessing how they will move forward during 2016.
- Council has received a number of positive comments from the community about the wharf precinct vehicle closure. We continue to have some education for repeat offenders, however the majority of parties are supporting the wharf changes.
- Delays with the parking project remain. Current advice from engineering looks timed for a mid-2016 delivery.

8.2 Forestry:

The Forestry Management Contract tender process commenced on 1 October 2015. The Request for Qualifications part of the process concluded on 31 October 2015. There were four applications received and these were ranked. Three of the four applicants were invited to submit a full tender.

The full tender process was delayed slightly, and closed on 22 January 2016. The forestry tender assessment panel met in late January and the recommended outcome will be referred to Council's formal tender panel.

Co-sharing of space for recreational and commercial activities in forestry areas continues to create a level of conflict. Health and Safety incidents have risen and a Council-wide approach continues. Separation, security, enforcement and communication (website, direct contact and signage) are the key focus areas for improvement.

8.3 Campgrounds:**8.3.1 Motueka:**

The repurchase of assets has been completed. The public process for the granting of a replacement lease has been completed and a recommendation to Council is underway.

All development last year was completed and fully functional over the Christmas peak period.

8.3.2 Pohara:

The repurchase negotiations remain scheduled for early 2016. A hot water boiler system failed in late November and has now been replaced with gas. There are no other issues with this site and everything is running smoothly.

8.3.3 Collingwood:

The campground continues to operate and repairs to the infrastructure have been made. Some small failures continue and are being addressed on a case by case basis. There are continuing negotiations with land interests which need to be settled before any development can be considered. The access to non-council owned land is critical to achieving an economic and efficient campground layout.

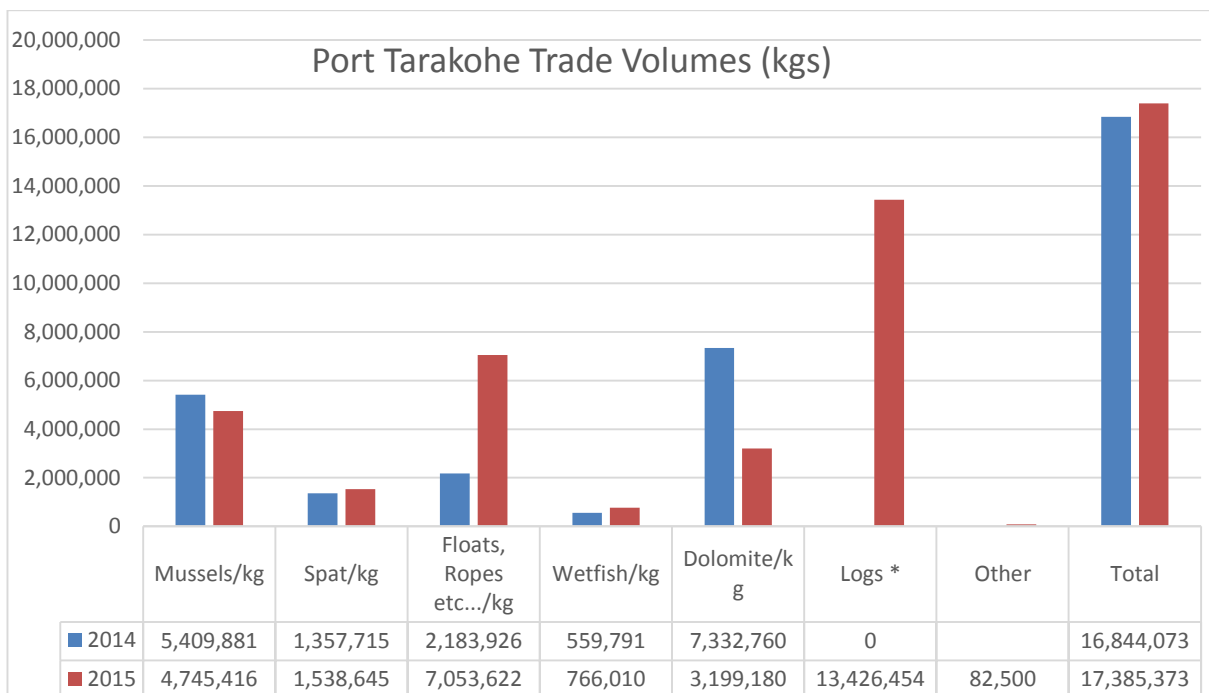
8.3.4 Murchison:

Operators have continued to upgrade the property since taking over in 2013. There have been a number of smaller items failing, the costs of which have been refunded to the operators. No other issues exist.

8.4 Port Tarakohe:

8.4.1 Trade volumes

Freight volumes at Tarakohe can for the first time be compared with some accuracy over the past 2 years.



With an El Nino year expected, we expect to see volumes increase above last year.

Mussels are marginally down on 2014.

Spat and general freight is considerably up which reflects impact of growing activity.

The impact of the dairy industry downturn is reflected in Dolomite levels.

8.4.2 Operational Health/Safety Issues

We are continuing to work through the issues raised in our external audit. Our work plan continues to be developed and is being implemented. There were no serious health and safety incidences reported in the past quarter.

8.4.3 Occupancy

Occupancy has been stable since the last report at an average occupancy of 73%:

8.4.4 Overnight camping

An area of the local purpose reserve has been set aside for the purposes of better controlling the campervan activity. The Council concluded discussions and implemented change in November with a temporary solution designed to address the issue over this summer. A long term solution will be incorporated into the Port Strategy. This strategy will be open for public feed-back before being finalised by Council.

8.4.5 Strategic Plan:

Progress on this work will start once the external work currently underway regarding the Port pricing model that is subject to Commerce Commission enquiry is completed.

14 Attachments

Nil

9.2 TREASURY REPORT**Information Only - No Decision Required**

Report To:	Corporate Services Committee
Meeting Date:	11 February 2016
Report Author:	Bryce Grammer, Financial Accountant
Report Number:	RFN16-02-02
File Reference:	B059

1 Summary

- 1.1 This report updates Committee members on compliance with the Council's Treasury Management Policy as at 21 January 2016.
- 1.2 The Council is complying with its Treasury Management Policy, as well as with treasury policy limits.
- 1.3 The Council borrowings at 21 January 2016 totalled \$142 million. The weighted average interest rate on borrowings is 5.261%. The Council's cost of funds including interest rate swaps, bank margins and line fees being taken into account is 5.307%, compared to a budget of 5.70%. Staff continue to closely monitor the markets in order to capitalise on any opportunities to reduce the Council's borrowing costs.
- 1.4 The Reserve Bank is expected to keep the OCR at 2.5%. Currently markets are pricing in a 25 basis points cut in either March or June 2016.
- 1.5 In accordance with the resolution from the Full Council meeting on 17 December 2015, the ASB five-year facility and the Westpac three-year facility offers have been accepted. The ANZ bank debt has been refinanced and the facility has been cancelled.
- 1.6 The Treasury cost centre which operates as the Council's internal bank, is operating as per the Treasury Risk Management Policy, with internal interest rates being set quarterly. From 1 January 2016, interest has been charged at 5.4%, and paid on credit balances at 2.8%.
- 1.7 Following a formal tender process PriceWaterhouseCoopers (PwC) have been reappointed as treasury advisors to Council with pricing fixed to March 2018.

2 Draft Resolution

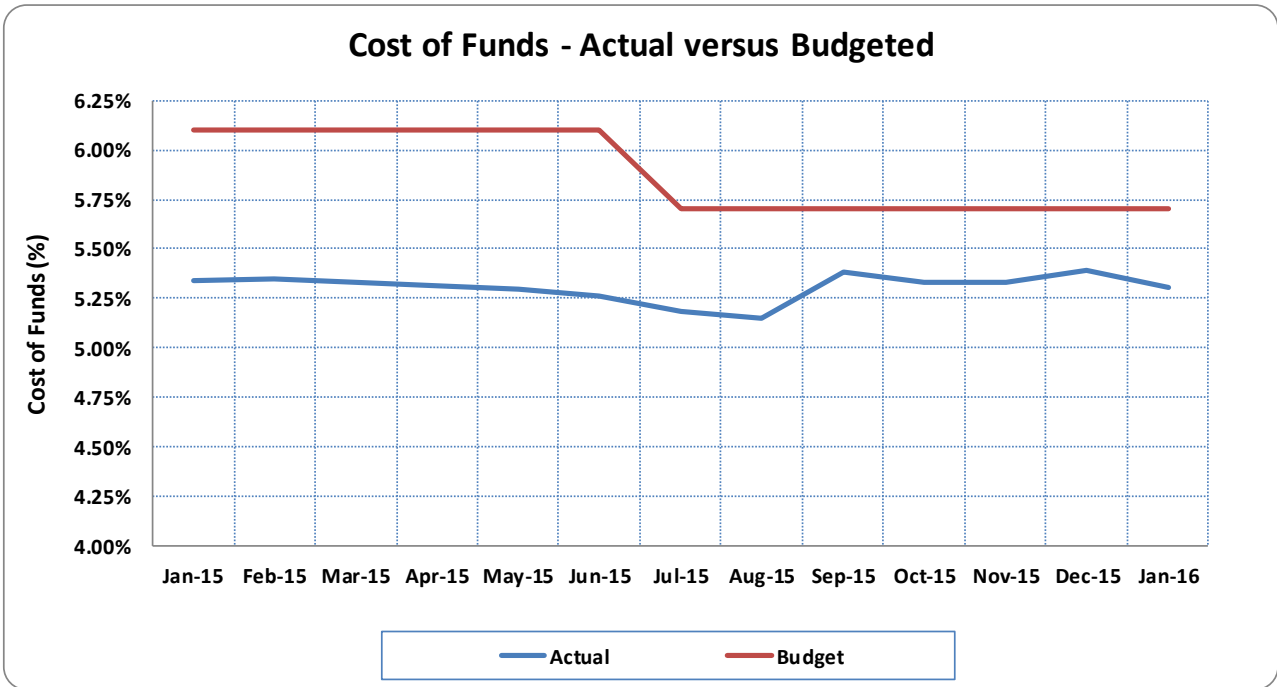
That the Corporate Services Committee receives the Treasury Report RFN16-02-02.

3 Treasury: January 2016

Debt Levels

3.1 Council’s debt at 21 January 2016 stands at \$142 million, with an average interest rate of 5.261% (June 2015: 5.166%).

Cost of Funds



3.2 This graph shows the Council’s actual weighted average cost of funds at 21 January 2016, including interest rate swaps, bank margins, and line fees at 5.307% against a budgeted rate of 5.7%. The gradual decrease is from more favourable terms resulting from the refinancing of the bank facilities and favourable 2 – 4-year term swap rates. The ‘spike’ in the weighted average cost of funds for September and December 2015 are due to a lower debt position. This has meant that the Council’s debt is currently fully covered by interest rate swaps which are at a higher rate than current floating debt rates. The weighted average cost of funds will decrease when the Council takes on more debt.

3.3 The lower debt position is a reflection of the lower than budgeted capital expenditure, the receipt of the first rates instalment (which included a number of ratepayers paying their full year’s rates), and the second rates instalment received in November 2015.

Interest Rate Swaps

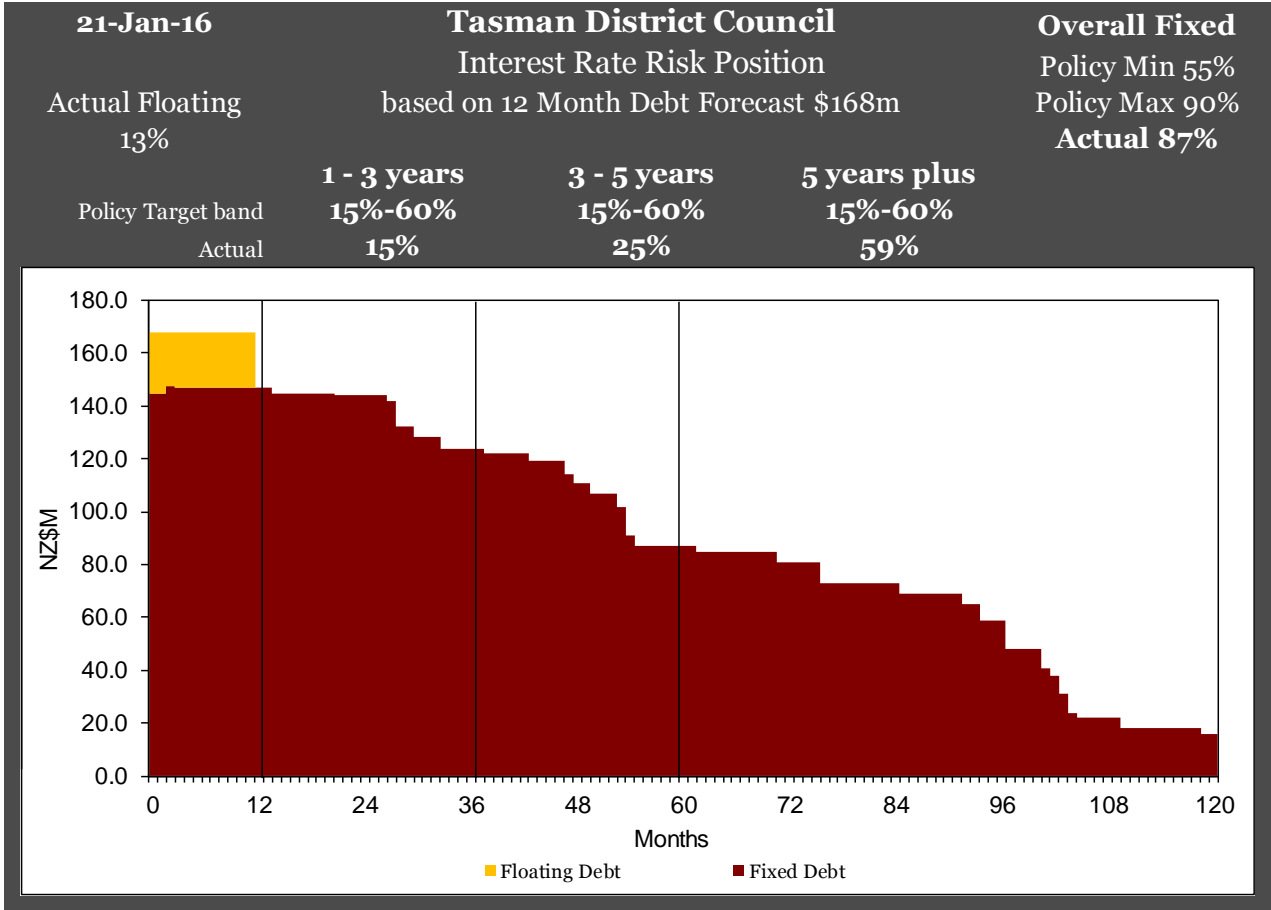
3.4 The Corporate Services Manager has delegated authority to enter into interest rate swaps on behalf of the Council on the proviso that it is reported back to this Committee. Committee approval is required before entering into long-dated swaps with a maturity over 12 years. There have been no new swap transactions undertaken since the previous report.

3.5 At 21 January 2016 the Council had \$147.78 million of interest rate swaps in place, including some “forward start” swaps. After adjusting for the forward start swaps, \$144.78 million is

'live' which is equal to 102% cover over existing debt and 87% over forecast 31 December 2016 net debt (ie 12 month debt).

Treasury Limits

3.6 The following are details of the Council's compliance with Treasury limits. The chart below displays the interest rate risk position of Council.



Interest Rate Risk Position Graph

The interest rate risk position graph visually represents the interest rate position within approved interest rate control limits as set out in the TDC Treasury Policy document. The chart takes a snapshot of the risk position as at the reporting date.

The crimson part of the graph depicts the amount of debt which is fixed – this includes fixed rate bonds, together with payer swaps, meaning debt which gets repriced in one year's time or later. The top of the yellow area represents the forecast debt in a year's time. The yellow area therefore illustrates the amount of debt deemed floating rate and will include any forecast debt which has not been pre-hedged. Any existing loans or financial instruments which will be repriced within the next 12 months are included in the red area.

The key areas of focus are:

Fixed Rate Percentage Limit: (wholesale interest rate certainty)

The fixed rate percentage calculation is the total amount of fixed rate debt/interest rate hedges over the 12 month forecast net debt amount. Fixed rate is defined as having an interest rate resetting maturity/expiry date of greater than 12 months.

Fixed Rate Maturity Limits: (spreading of wholesale interest rate maturity risks)

Fixed rate repricing maturity dates are spread based on defined maturity band limits, 1 - 3 years, 3 - 5 years and 5 - 10 years. Minimum and maximum percentage limits within each time band ensures a spread of maturities and reduces the risk of maturity concentrations.

3.7 Fixed Rate Maturity Profile Limit

This measures the spread of the Council's risk of refinancing interest rates, achieved through the use of interest rate swaps.

	Minimum	Maximum	Actual: Jan 2016	Within Limits
1 – 3 years	15%	60%	15%	✓
3 – 5 years	15%	60%	25%	✓
5 – 10 years	15%	60%	59%	✓

3.8 Fixed/Floating Profile

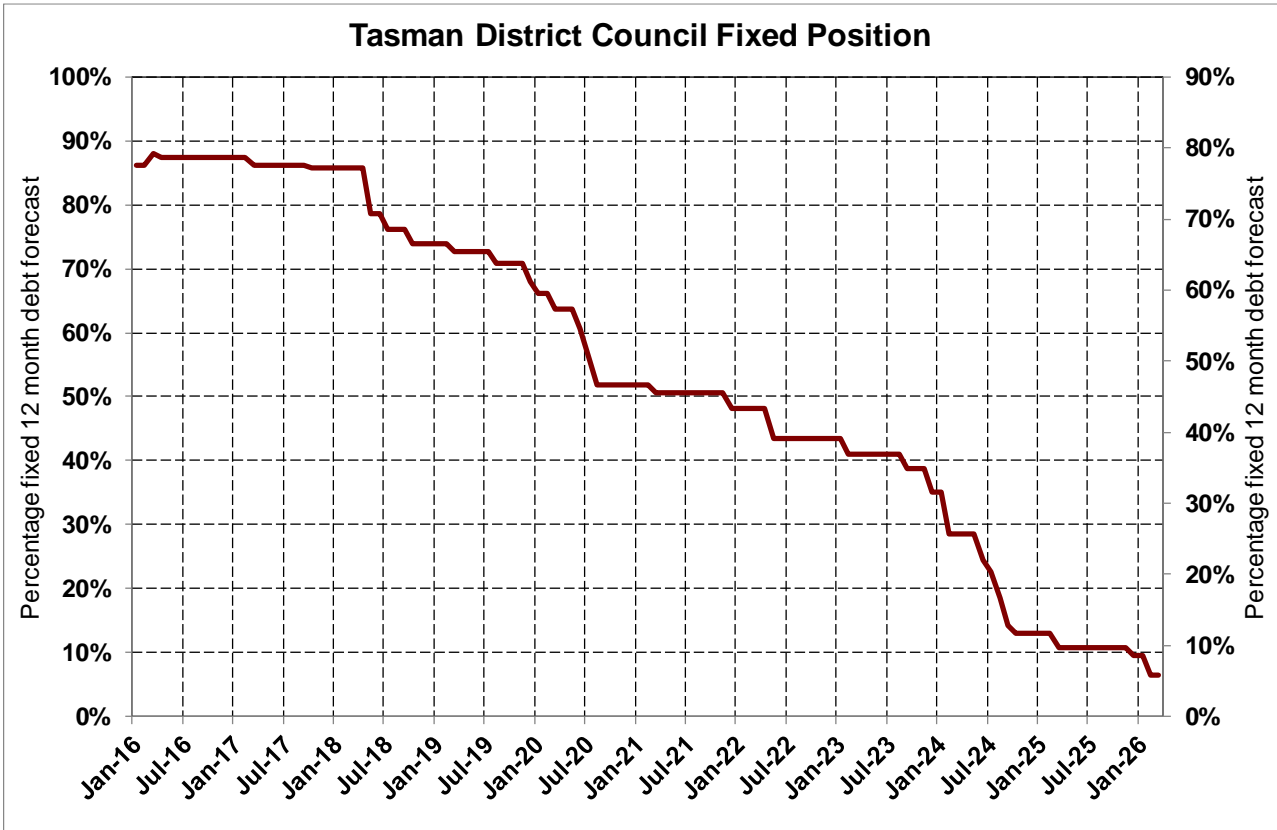
This measure shows the balance between minimising exposures to negative fluctuations in floating rates against savings opportunities. The Council's strategy is to limit negative exposures and provide certainty of future interest rate costs. This is achieved through its use of interest rate swaps.

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

Minimum	Maximum	Fixed Actual: Jan 2016	Within Limits
55%	90%	87%	✓

3.9 Cumulative Interest Rate Position

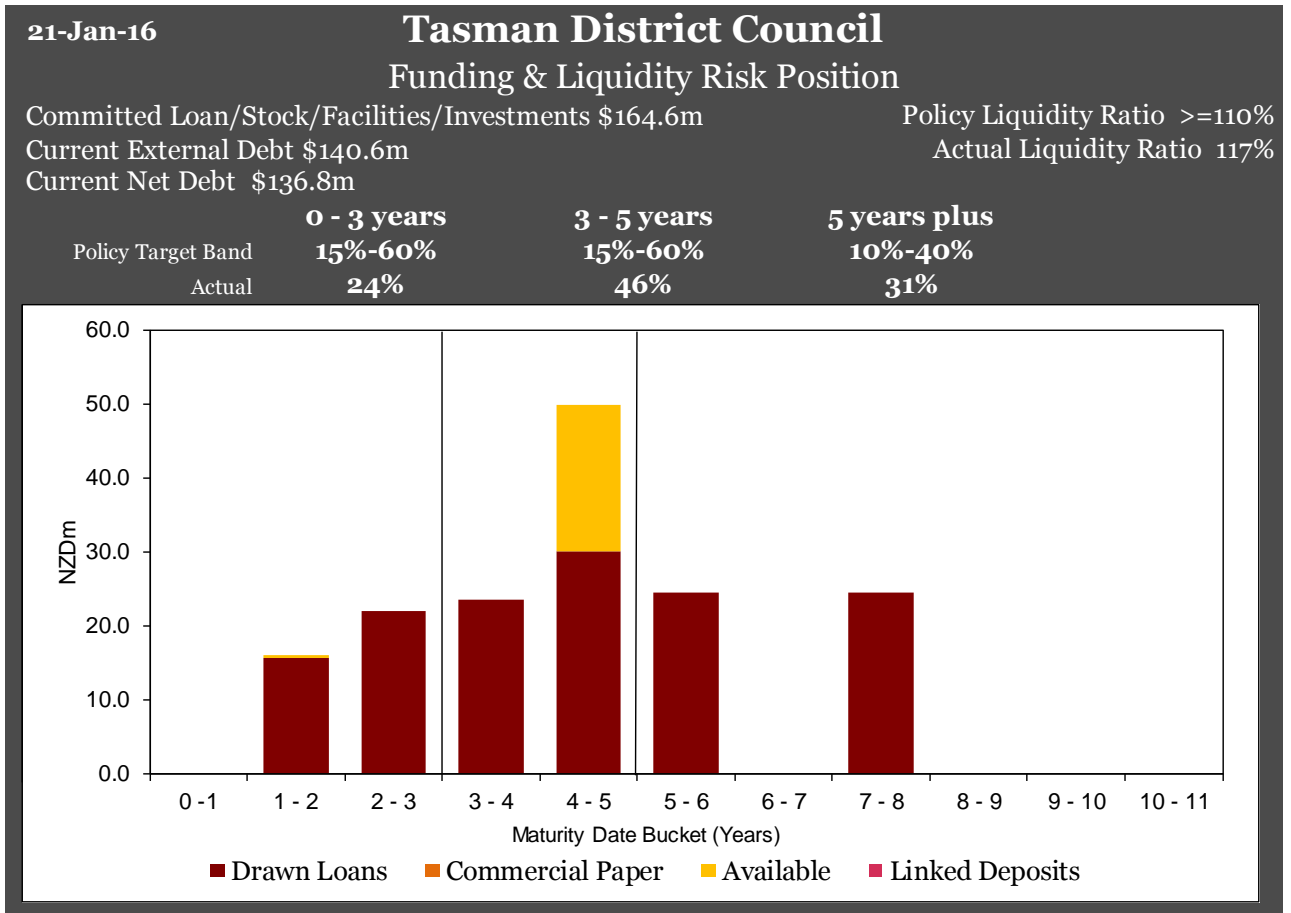
The chart below shows a cumulative interest rate position for the Council. The chart represents the actual percentage of 12 month debt (\$168 million) which has a fixed interest rate out to 10 years.



3.10 Facility Maturity Limit

Total committed funding in respect to all loans and committed bank facilities is controlled as follows:

The chart below represents the Council’s funding maturity profile. The measures indicate how effectively the Council has spread the risk of refinancing its facilities and loans. The Liquidity Ratio represents the debt headroom available in the Council’s facilities along with cash available over and above its existing external debt.



Liquidity and Funding Maturity Risk Position Graph

The liquidity and funding risk position visually represents the approved funding maturity limits as set out in the TDC Treasury Policy document. The chart takes a snapshot of the risk position as at the reporting date.

The key areas of focus are:

Liquidity Ratio: (maintaining additional committed liquidity)

The liquidity ratio calculation represents the total committed bank facilities and term debt amounts, together with liquid investments, over the total debt amount.

Funding Maturity Risk Position: (spreading of debt maturity dates)

Existing committed bank facility expiry dates and term debt maturity dates are spread based on defined maturity band limits, 0-3 years, 3-5 years and 5 years plus. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduce the risk of maturity concentrations.

- 3.11 The Council is complying with its Treasury Management Policy, as well as with Treasury limits.
- 3.12 The Council currently has \$30m in private placements. The private placements allow the Council to place longer term debt in the years between LGFA issues. The Council also has \$90m of debt placed with the LGFA.

3.13

Treasury Limits	Actual Dec 2015	Within Limits
Net Debt not to exceed 20% of equity	11.1%	✓
Net external debt not to exceed 225% of total operating revenues	130.7%	✓
Net interest as a % of total revenues to be less than 20%	6.2%	✓
Net interest as a % of total annual rates to be less than 25%	10.2%	✓
Liquidity over existing external debt to be at least 110%	117%	✓

Counterparty Credit Risk

- 3.14 The Council's policy is that NZ Registered banks must have a minimum Standard & Poor's (or equivalent) short term rating of A-1+ or long term rating of AA-. All counterparty banks are Standard & Poor's AA-rated.
- 3.15 The policy credit limit (NZ\$) for each NZ Registered bank is \$30 million. This covers the Council's interest rate risk management instruments and cash investments.

Bank	Cash/Cash Investments \$m	Notional Swaps \$m	Credit Exposure \$m	Compliance
Westpac	1.20	63.05	14.09	Within Policy
ASB	3.77	41.73	13.59	Within Policy
ANZ	Nil	43.00	11.44	Within Policy

Funding Mix

- 3.16 The objective is to have a mix of 80% debt capital markets (such as the LGFA, private placements and commercial paper) and 20% committed bank facilities. The current mix is as follows:

Funding Source	\$m	%
Bank Debt	22.0	15.5%
Private Placement	30.0	21.1%
LGFA Debt	90.0	63.4%
Total	142.0	100.0%

- 3.17 The LGFA has recently announced that they will soon be able to issue commercial paper for short term funding. They are also looking at making a 2034 debt issue.

4 Investments

- 4.1 The Council cash investments total \$4.52 million dollars with an average interest rate of 3.01% (June 2015 4.43%). In line with the revised Treasury policy, specific reserves are not kept as cash. The Council continues to maintain adequate cash reserves and committed bank facilities to support any drawdown against specified reserves. The majority of the cash investments are held in the Money Market Account.
- 4.2 The individual investment balances are as follows:

	\$ Invested	Interest Rate
Term Deposit (131 days)	1,200,000	3.73%
Money Market Account (on call)	3,320,000	2.75%
Total	4,520,000	3.01%

5 Emissions Trading Scheme (ETS)**ETS hedging Limits**

- 5.1 There have been no new transactions entered into since the last report.
- 5.2 From 1 June 2015, only NZUs are allowed to be used towards ETS liabilities. The current spot rate for NZUs is \$9.60 per unit.
- 5.3 Due to the deferral of the regional landfill for one year, the Council will have a liability under the ETS for the 2015 calendar year. The Council's forestry assets and the related ETS liabilities/credits are accounted for separately to the landfill.
- 5.4 It appears that prices for NZUs are increasing so we are currently evaluating purchasing NZUs in advance to meet our December 2015 obligation (which will be due in May 2016).
- 5.5 The Government has started its review of the New Zealand Emissions Trading Scheme (NZ ETS) and a consultation document has been released. One item being reviewed is the likely transition from 50% to 100% obligation (i.e. getting rid of the current 2:1 discount]. However, this is unlikely to happen until at least June 2016 at the earliest. This will be taken into

account, along with an estimate of any outstanding TDC obligation for emissions from 1 Jan 2016, when evaluating the purchase of NZU's in advance.

- 5.6 ETS credits are managed in defined time buckets incorporating minimum or maximum hedging.

	Minimum Cover	Maximum Cover	Actual December 2015	Within Limits
*Committed	80%	100%	100%	✓
Forecast period				
0 – 1 years	0%	80%	80%	✓
1 – 2 years	0%	50%	20%	✓
2 – 3 years	0%	30%	0%	✓

**exposure becomes committed in January-March (quarter following emission period as Council must report emission from the previous year).*

6 Bank Facilities Review

- 6.1 An ASB five-year facility for \$30.1m and a Westpac three-year facility for \$12m have been accepted. The ANZ bank debt has been refinanced and the facility has been cancelled. It is anticipated that core debt will be refinanced regularly through the LGFA and/or the private placement market.

7 Treasury Cost Centre

- 7.1 Staff have completed work on the Treasury cost centre which operates as the Council's internal bank. In essence, the cost centre manages the external costs of borrowings and allocates them across internal loans within individual activities. It also pays/charges interest on reserves and activity balances. As per the Treasury Risk Management Policy, these interest rates are set quarterly. From 1 January 2016, interest is charged on loans and overdrawn closed account balances at 5.4%, and paid at 2.8% on credit balances for the next quarter.

8 Treasury Advisory Services Review

- 8.1 Council undertook a full review of its external treasury advisor contract in December 2015. Going to market as part of this review is part of the Council's normal procurement practice in which contracts are required to be reviewed and re-tendered on a cyclical basis. Two providers presented to a tender panel in December. The incumbent PriceWaterhouseCoopers (PwC) was reappointed with pricing fixed to March 2018.

9 Attachments

Nil