

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Murray Staite
DATE: 27 July 2010
SUBJECT: Corporate Services Manager's Report – RFN10-08-01

1. Summarised Income/Expenditure Statement

<i>Actual: Full Year June 2009 (\$000's)</i>		<i>Actual: May 2010 (\$000's)</i>	<i>Budget: Full Year June 2010 (\$000's)</i>
86,945	Operating revenue	76,684	83,515
81,147	Operating expenses	73,173	80,611
5,798	Operating surplus (Deficit)	3,510	2,904

Summarised Financial Position – May 2010

<i>Budget: Full Year June 2009 (\$000s)</i>		<i>Actual: May 2010 (\$000s)</i>	<i>Budget: Full Year June 2010 (\$000s)</i>
18,855	Current assets	20,711	18,074
26,489	Current liabilities	25,504	22,249
(7,634)	Working capital	(4,793)	(4,175)
1,152,118	Non current assets	1,177,809	1,162,951
86,331	Non current liabilities	104,188	116,652
1,058,153	Total net assets	1,068,828	1,042,124

2. Audit Arrangements

Council has arranged with Audit New Zealand to complete the 2010 Annual Accounts audit by 30 September 2010. In this way Council will be in a position to sign off the annual report prior to the local body elections in October 2010.

An Interim Audit has already taken place, where three audit staff were on-site from 31 May through to 4 June 2010. The final audit work is scheduled to take place on-site from 6 September 2010 through until 18 September 2010, with finalising being completed off-site up until 27 September 2010.

As part of the interim audit we asked Audit New Zealand to review and comment on the 31 March 2010 reports, which were completed to almost annual accounts presentation. The Interim Management Report pertaining to this work is due to be finalised directly. Once received the Report will be put to the Audit Subcommittee.

3. Treasury: June 2010

Debt Levels

Council's debt at 30 June 2010 stands at \$110.9 million (including Joint Ventures and Associates) (July 2009: \$102.00 million) with an average interest rate of 6.12%. (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
30 June 2010	5.0%	5.495%	8 Years

Treasury Limits


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

Fixed Rate Maturity Profile Limit

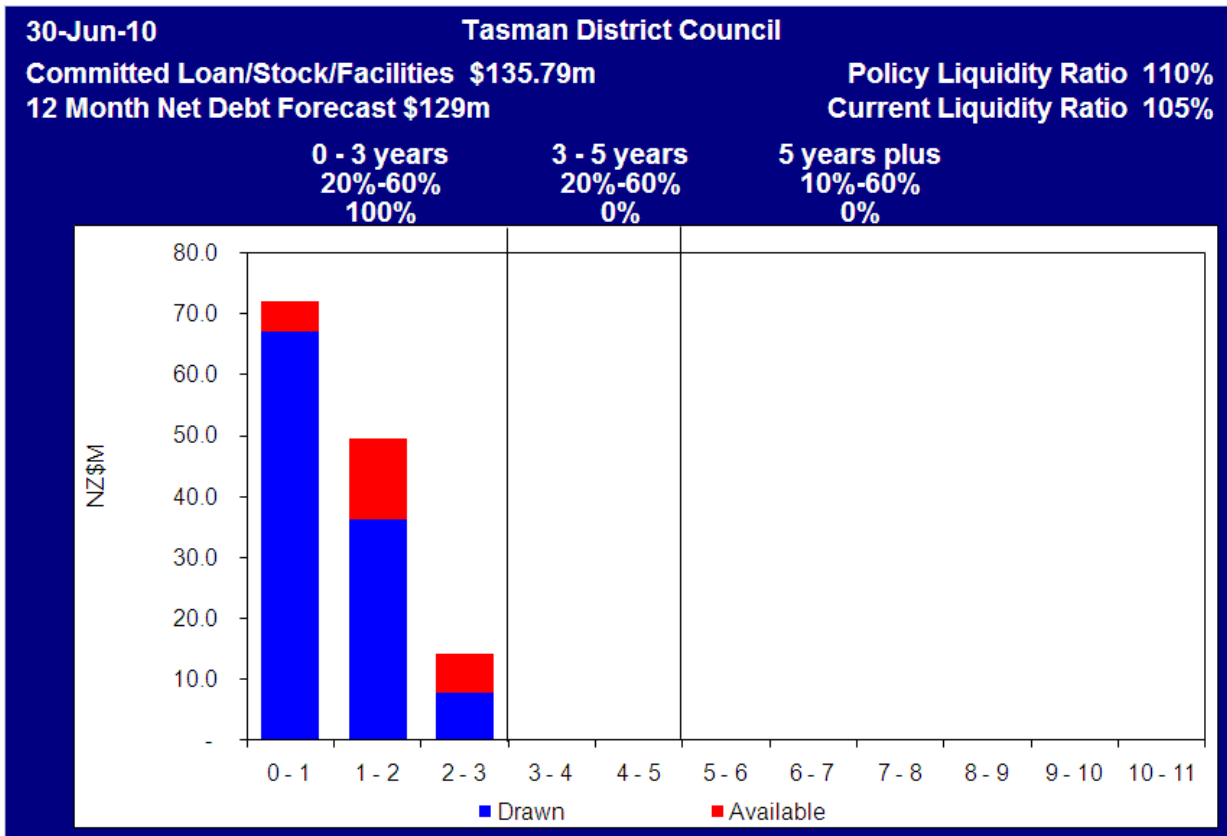
	Minimum	Maximum	Actual: June 2010	Limit Meet
1 – 3 years	20%	60%	28%	
3 – 5 years	20%	60%	30%	
5 – 10 years	10%	60%	42%	

Fixed/Floating Profile

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




Minimum	Maximum	Fixed Actual: June 2010	Limit Meet
55%	95%	74%	

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.

The acceptance of the ANZ/National Bank facility contained in the confidential section of this agenda will assist in bringing Council treasury in line with policy.

	Minimum	Maximum	Actual: June 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 May 2010	Within Limits
Net Debt not to exceed 20% of equity	9.56%	
Net external debt not to exceed 250% of total operating revenues	122.36%	
Net interest as a % of total revenues to be less than 20%	6.63%	
Net interest as a % of total annual rates to be less than 25%	11.33%	
Liquidity over the next 12 months to be at least 110%	105%	

The acceptance of the ANZ/National Bank facility contained in the confidential section of this agenda will ensure future compliance with the Liquidity limit.

4. Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.708 million dollars with an average interest rate of 4.71% (July 2009 4.4%).

5. Council-Controlled Organisations

Arrangements have been made for the respective Chairs and Chief Executives of Council-Controlled Organisations to provide this committee with a brief update on their operations. The next meeting of this committee in September 2010 will feature Port Nelson Ltd.

6. 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 2009	\$1,875,000
December 2009	\$1,876,000
March 2010	\$1,016,295

An update of the June 2010 balance will be provided at the next meeting of this committee.

7. Capital Works update

The capital spend for the first eleven months of the year is 78.55% (December 2010 26.5%) against a budget of 91.6%. The final spend percentage for the 2010 financial year is expected to be reported at the next meeting of this committee.

Recommendation

That the Corporate Services Committee receives the Corporate Services Manager's Report RFN10-08-01, dated 27 July 2010.

Murray Staite
Corporate Services Manager