

Report No:	RCN12-01-03
File No:	
Date:	13 January 2012
Decision Required	

REPORT SUMMARY

Report to: Full Council
Meeting Date: 26 January 2012
Report Author: Murray Staite, Corporate Services Manager
Subject: Liability Management Policy

EXECUTIVE SUMMARY

The report considers a Liability Management Policy for inclusion in Council's Draft Long Term Plan 2012 – 2022.

RECOMMENDATION/S

THAT the Tasman District Council receives this report (RCN12-01-03); and that the attached Liability Management Policy, as amended, be adopted for inclusion in Council's Draft Long Term Plan 2012-2022.

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1. Purpose

- 1.1 To consider the attached Liability Management Policy for inclusion in Council's Draft Long Term Plan 2012-2022 (LTP).

2. Background

- 2.1 Separate policies on investments and liability management are now required by the Local Government Act 2002 to be included in Council's LTP.
- 2.2 Previously Council's policy on Liability Management was contained within Council's Treasury Management Policy. Accordingly, the proposed Liability Management Policy (Appendix A) has been extracted from the former Treasury Management Policy.
- 2.3 The attached Liability Management Policy follows largely the same format as when it was previously included within the former Treasury Management Policy.
- 2.4 Council's previous policy on treasury management is no longer required to be included in the LTP but given its importance the revised Treasury Management Policy (excluding the Investment and Liability Management Policy) will be formally presented to a future meeting of the Corporate Services Committee of Council for formal adoption.

3. Discussion

- 3.1 All proposed changes are noted in red on the attached Liability Management Policy.

- 3.2 The key changes from the previous Liability Management Policy contained within the former Treasury Management Policy include:
1. The borrowing limit of net external debt not to exceed 250% of operating revenue has been decreased to 225%. This change is to bring Council's policy in line with the requirements of the Local Government Funding Agency (LGFA).
 2. Liquidity ratio of 110% of projected 12 month debt is proposed to be reduced to 110% of current debt. This change reflects the advent of the LGFA and better access to funding markets.
 3. Operating revenue definition has been strengthened by the exclusion of non-government capital revenue such as development contributions and vested assets. This change is to bring Council's policy in line with the requirements of the LGFA.
 4. A new paragraph on the pre-funding of debt is included to allow for prior commitments to the LGFA to be provided.
 5. The minimum and maximum range on debt funding has been modified to better reflect industry practise and to provide a degree of standardisation across the local government sector.
 6. The master fixed/floating rate control limit has been reduced from 95% to 90% to protect Council from the possibility of relying too heavily on fixed rate debt.
 7. The fixed rate maturity profile has been modified to better reflect industry practise and to provide a degree of standardisation. In addition it is proposed that fixed rates can be greater than 10 years but only with specific Council approval.

4. Options

- 4.1 Accept the recommendation and include the policy for consultation via the Draft LTP 2012-2022.
- 4.2 Decline to accept the recommendation and suggest amendments to be considered and brought back to Council at a later date.

5. Significance

- 5.1 This is not a significant decision according to the Council's Significance Policy.

6. Recommendation

That the draft resolution be adopted.

7. Draft Resolution

THAT the Tasman District Council receives this report (RCN12-01-03); and that the attached Liability Management Policy, as amended, be adopted for inclusion in Council's Draft Long Term Plan 2012-2022.

Appendices

Appendix 1 – Proposed Liability Management Policy