

## STAFF REPORT

**TO:** Chair and Members, Corporate Services Committee

**FROM:** Murray Staite

**DATE:** 13 January 2009

**SUBJECT:** Corporate Services Manager's Report – January 2009

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### Financials – October 2008

The financials and closed account reports for the first four months of the year will be sent under separate cover. After four months the operating costs of most activities are close to budget with no real concerns being noted. Due to timing differences working capital and the net surplus are behind budget but are expected to improve as the year progresses.

### SUMMARISED INCOME/EXPENDITURE STATEMENT

	<i>Actual: October 2008</i> (\$000's)	<i>Budget: Full Year June 2009</i> (\$000's)
Operating revenue	23,894	76,834
Operating expenses	25,132	70,115
Operating surplus (Deficit)	(1,238)	6,719

Due to the timing of income streams like dividends and vested assets council is reporting a deficit for the first four months of the financial year.

### SUMMARISED FINANCIAL POSITION – October 2008

Summarised Balance Sheet		
	<i>Actual: October 2008</i> (\$000's)	<i>Budget : Full Year June 2009</i> (\$000's)
Current assets	16,089	17,719
Current liabilities	27,798	20,538
Working capital	(11,708)	(2,819)
Non current assets	1,078,008	1,060,340
Non current liabilities	74,772	99,764
Total net assets	991,527	957,757

If Councillors have any specific questions in regard to the financial statements or the closed account report, please see me prior to the meeting so I can provide you with appropriate details.

### **Treasury: December 2008**

Council's debt at December 2008 stands at \$85.5 million with an average interest rate of 6.87%. It is particularly pleasing to see this rate declining from the highs of previous months. As I have mentioned previously interest rates are now very low and have provided council with a good opportunity to reduce its cost of funds over the long term.

### **New 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 the Committee. Over the Christmas period a notional 8 million of ten year swaps were obtained at a rate of 5.2%.

### **Investments**

Council investments which include disaster funds, self insurance funds and general investments total 4.6 million dollars with an average interest rate of 6.85%. While this is a good investment rate councillors can expect to see this rate decline when these investments are renewed in March of this year. A reduced interest rate has already been factored into the draft 2009-2019 LTCCP.

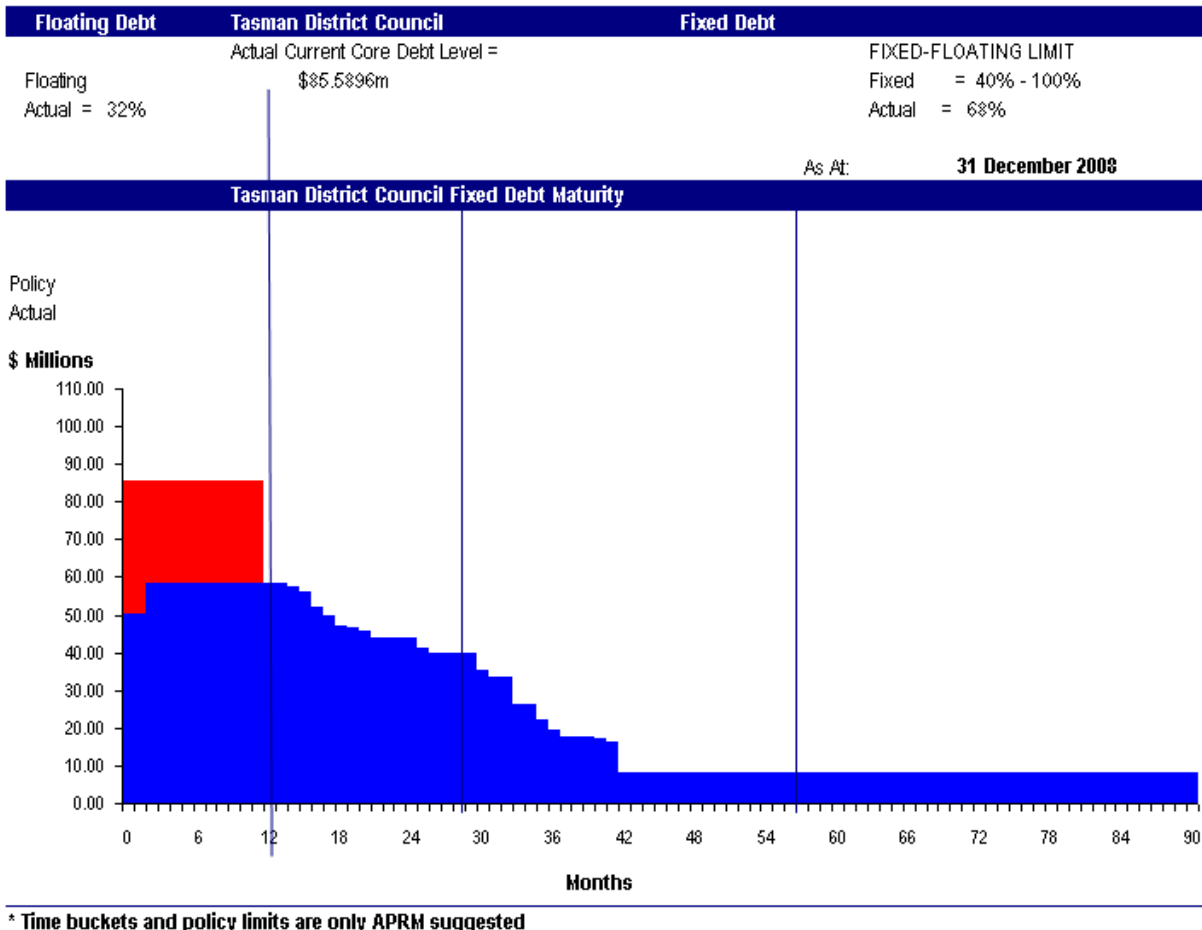
### ***Revaluation of Financial Instrument***

Council uses financial instruments through undertaking swaps. An important control is that they are revalued on a quarterly basis with gains and losses going through the financial statements. The first revaluation will occur after 31 March 2009 and will be reported to the Committee after that date.

### ***Maturity***

With interest rates declining good progress has now been made on extending councils repricing risk profile out past five years. While there is still some way to go, the objective is to remove the volatility from Council's long term funding. The blue line on the graph below extending from 42 to 90 months is a direct result of the recent swap transactions.

**Net Interest Rate Repricing Risk Profile**



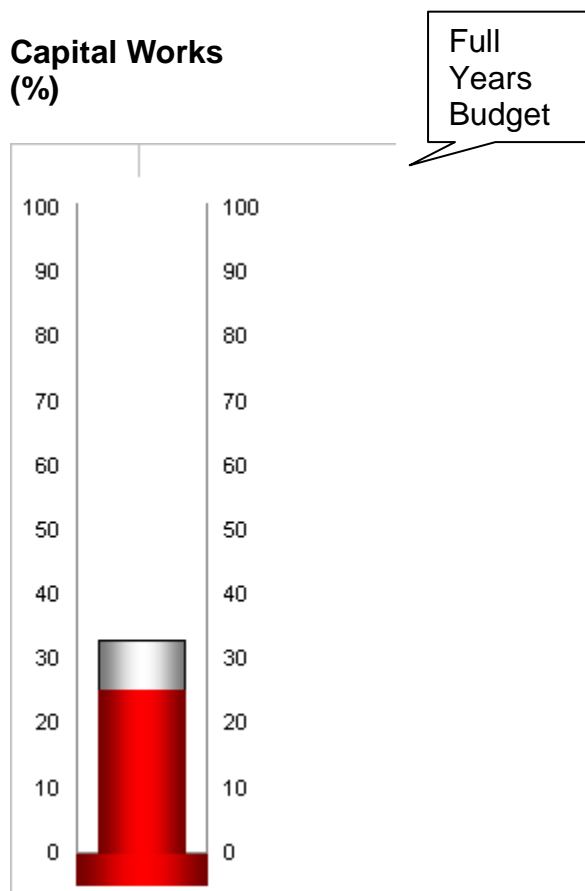
**Golden Bay Medical Centre**

Council staff undertake the annual audit of the financial statements of the Medical Centre. During the course of this year’s audit issues have been raised surrounding the ownership of the assets. This has delayed the signing of the audit opinion. A separate report will be presented to Council by Council’s Property Manager for consideration prior to any opinion being signed.

**Capital Works: October 2008**

In previous years concern has been raised over the level of capital spent versus the budget. I have included a chart that shows the percentage against budget of capital spent for the first four months of the year.

## Capital Works (%)



The capital spend (shown in red) for the first four months of the year is 25% against a budget of 33%. It is important to note that Council's capital spend is often related to the time of the year and staff would expect by the end of the financial year to have this budget largely spent.

This graph will be reported to the committee on a regular basis.

Murray Staite  
Corporate Services Manager