

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Murray Staite
DATE: 5 June 2009
SUBJECT: Corporate Services Manager's Report – June 2009

Financials – April 2009

After ten months the operating costs of most activities are close to budget with no real concerns being noted.

Summarised Income/Expenditure Statement

	<i>Actual: April 2009</i> (\$000's)	<i>Budget: Full Year June</i> <i>2009</i> (\$000's)
Operating revenue	64,382	76,834
Operating expenses	60,304	70,115
Operating surplus (Deficit)	4,078	6,719

Summarised Financial Position – April 2009

Summarised Balance Sheet		
	<i>Actual: April 2009</i> (\$000's)	<i>Budget : Full Year June</i> <i>2009</i> (\$000's)
Current assets	19,117	17,719
Current liabilities	21,317	20,538
Working capital	-2,200	-2,819
Non current assets	1,088,512	1,060,340
Non current liabilities	89,462	99,764
Total net assets	999,050	960,576

Treasury: May 2009

Council's debt at 28 May 2009 stands at \$94.04 million with an average interest rate of 6.2%. (March 2009 6.7%) As previously mentioned interest rates are now historically 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 this Committee. Since the March 2009 report the following swaps were entered into.

Swap Date	Notional value	Interest rate	Term
16 April 2009	4.0%	4.53%	5 Years
20 April 2009	5.06%	6.08%	10 Years

Investments

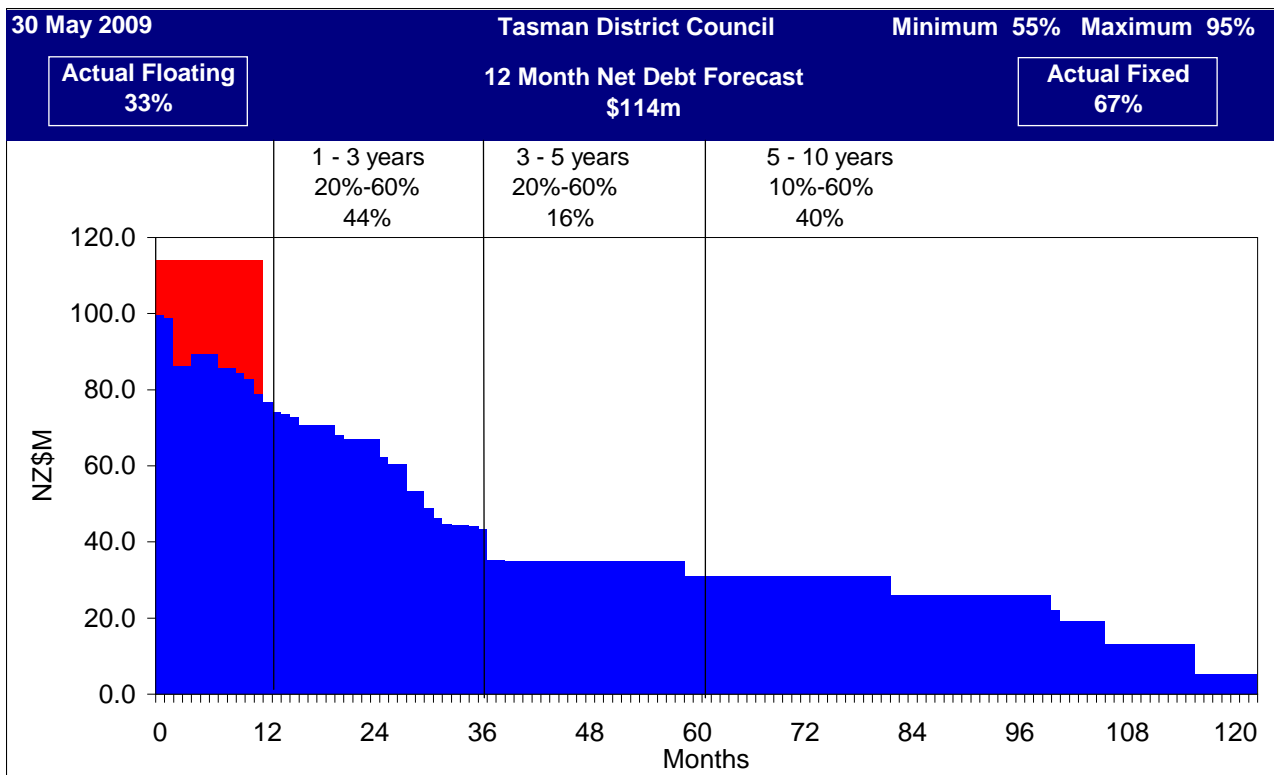
Council investments which include disaster funds, self insurance funds and general investments total \$4.529 million dollars with an average interest rate of 4% (previously 6.85%). As Councillors will recall I previously indicated that Council's interest rates on investments would decline at their next rollover.

Maturity

Noted below is the graph containing Council's treasury management limits as contained in the draft 2009-2019 LTCCP. With the exception of the 3-5 year maturity bucket, all targets are being adhered to. Given the current low interest rates the current focus is on increasing the 5-10 year bucket of maturities. It is expected that come 30 December 2009 all targets will be met.

As an indication of progress

	March 2009	May 2009
1 – 3 years	54%	44%
3 – 5 years	13%	16%
5 – 10 years	32%	40%



The red bar on the graph signifies an estimate of where debt will stand 12 months from now.

Facility maturity

Council is exposed to margin re-pricing risk on the expiry of a facility. For the reason of spreading risk Council's policy contained within the draft 2009 -2019 LTCCP provides for the various maturities to occur in different years. Unfortunately in the current economic climate obtaining a facility from a bank past three years is next to impossible. The issuing of loan stock bonds would alleviate this risk and I watch with interest work occurring on a national basis that will assist in this.

Audit Arrangements Letter

Council's auditors have confirmed the following arrangements in regard to the 2009 Annual Report. The interim audit will commence on 15 June 2009 with the audit opinion expected by October 2009. Council's 2009 annual report will be adopted at a Council meeting late in October 2009.

Emergency Works

At its meeting of 4 September 2008, Council's Engineering Services Committee resolved that:

- a) Council makes application to NZ Transport Agency for funding to cover reinstatement of damage to the roading network from storm events in July 2008 and August 2008, for the sum of \$1,196,000.
- b) share of approved funding is met from councils emergency reserves account in accordance with the general disaster reserve fund policy.

There is a cost of \$498,000 to be met by Council. The balance of the general disaster fund prior to reimbursement is \$1,013,210.

Council's disaster fund started in 1998 is for the express purpose of providing a cash resource to be used for the reinstatement of assets following an unforeseen natural disaster.

The staff report contained within the Engineering Services Agenda for 4 September 2008 provides the background to the request. I have reproduced the first paragraph from the staff report to assist with today's discussion.

"During July and August 2008 there have been several events which are having a cumulative effect on the roading network. These have included heavy rainfall events, snow in early July and mid August and wind storm/heavy rain/high tides at the end of July"

The transportation activity has covered the first \$100,000, as required by Council's policy, by rearranging its schedule of works.

The request from Engineering Services is consistent with Council's policy and I recommend that Corporate Services accept the following recommendation:

Recommendation

That the Corporate Services Committee, on behalf of Council, agrees to transfer the sum of \$498,000 from the Council's general disaster fund.

Rating

Rates Debtors

I am often asked if Council is experiencing difficulties in the collection of its rates money. For your information I have compared the percentage of outstanding rates from the 2007/2008 year with March 2009.

	2007/2008	2008/2009
Rates outstanding as a percentage of total rates levied	1.00%	1.04%
	\$425,055	\$434,294

As you will note there is very little change from year to year.

Rates Rebate Scheme

The rates rebate scheme has again alleviated the pressure in meeting rates for those on lower incomes. The Department of Internal Affairs have recently announced that for the 2009/2010 year the maximum rebate will be increased to \$550 from \$530 this year.

Murray Staite
Corporate Services Manager