

# STAFF REPORT

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

**FROM:** Murray Staite

**DATE:** 6 October 2009

**SUBJECT:** Corporate Services Manager's Report – September 2009 -  
Report prepared for Corporate Services Committee meeting  
15 October 2009

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## 1 Annual Report June 2009

The audit of the June 2009 annual report will be completed in time for formal adoption on 29 October of this year. Indications from Council's auditors, Audit New Zealand, are that no significant issues have arisen and an unqualified audit report will be received. The Audit Subcommittee will meet at the conclusion of this meeting to review and discuss the annual report in more detail.

## 2 Financials – August 2009

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

## 3 Summarised Income/Expenditure Statement (Provisional)

<b><i>Actual: Full Year June 2009 (\$000's)</i></b>		<b><i>Actual: August 2009 (\$000's)</i></b>	<b><i>Budget: Full Year June 2010 (\$000's)</i></b>
84,487	Operating revenue	12,513	83,515
78,318	Operating expenses	12,559	80,611
6,169	Operating surplus (Deficit)	-46	2,904

## Summarised Financial Position – August 2009

<i>Budget: Full Year June 2010 (\$000s)</i>		<i>Actual: August 2009 (\$000s)</i>	<i>Budget: Full Year June 2010 (\$000s)</i>
19,044	Current assets	35,466	18,074
23,577	Current liabilities	27,575	22,249
-4,533	Working capital	7,891	(4,175)
1,149,064	Non current assets	1,154,278	1,162,951
89,332	Non current liabilities	102,492	116,652
1,055,199	Total net assets	1,059,677	1,042,124

### Treasury: September 2009

#### 1 Debt Levels

Council's debt at 30 September 2009 stands at \$104.22 million (July 2009: \$102.0 million) with an average interest rate of 6.32%. (July 2009 6.08%)

#### 2 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. Since the last report the following swaps were entered into.

<b>Swap Date</b>	<b>Notional value</b>	<b>Interest rate</b>	<b>Term</b>
20 August 2009	3.0 million	6.02%	10 Years
20 August 2009	1.05 million	5.99%	10 Years


#### 3 Limits

In setting the 2009-2019 LTCCP certain treasury limits contained within that document came into effect. The next few pages of this report detail Council's compliance with those limits.

### Fixed Rate Maturity Profile Limit

	Minimum	Maximum	Actual: September 2009	Limit Meet
1 – 3 years	20%	60%	39%	
3 – 5 years	20%	60%	22%	
5 – 10 years	10%	60%	38%	




### Master Fixed/Floating Risk Control Limit

Minimum	Maximum	Actual: August 2009	Limit Meet
55%	95%	75%	






### 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 councils control, delegated debt maturities are generally spread widely over a band of maturities.

Councils policy states that to exceed the minimum and maximum limits specific council approval is required. In the current financial market it is impossible to obtain facilities greater than three years. This exposes Council to risk and has meant an inability to meet this treasury limit.

	Minimum	Maximum	Actual: August 2009	Limit Meet
1 – 3 years	20%	60%	80%	
3 – 5 years	20%	60%	20%	
5 – 10 years	10%	60%	0%	

## Treasury Management Policy Limits

Treasury Limits	Actual August 2009	Within Limits
Net Debt not to exceed 20% of equity	9.7%	
Net external debt not to exceed 250% of total operating revenues	123%	
Net interest as a % of total revenues to be less than 20%	7.6%	
Net interest as a % of total annual rates to be less than 25%	11.8%	
Liquidity over the next 12 months to be at least 110%	116%	

### 4 Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.573 million dollars with an average interest rate of 4.4% (July 2009 4.4%). Interest was budgeted in the 2009-2019 LTCCP at 4%.

### 5 Holding company

The implementation working party meets for the first time on Wednesday October 28 2009.

The working group comprises:

Deloitte:

Steve Thompson and Michael Mayes

Tasman District Council:

Corporate Services Manager Murray Staite, Strategic Development Manager Susan Edwards and Deputy Mayor Tim King

The terms of reference for this group will be to finalise the implementation plan for formal council approval, arrange the appointment of directors following an agreed appointment process, formation of the company, finalise funding and concluding sale and purchase agreements.

### 6 New Zealand Mutual Liability Riskpool

Council has recently received a letter from the New Zealand Mutual Liability Riskpool (Riskpool) of which it is a member. Riskpool provides public liability and professional indemnity cover for member councils.

As a result of increasing liabilities facing the fund from leaky homes the fund has given advance notice of its intention to make a call of funds. The call relates to the 2003 and 2004 years respectively and in the case of the Tasman District Council amounts to \$4,395 for the 2003 year and \$28,253 for the 2004 year. It is also likely that future calls will be made and it is recommended by Riskpool that a provision be made for future years.

## **7 SOLGM Accounting Standards Group**

I wish to advise councillors that I have recently been appointed to the SOLGM accounting standards group. This group meets quarterly and considers the effect on local government of proposed draft accounting standards prior to them being introduced. With most accounting standards being written for the private sector it is very important that the views of local government are taken into account prior to an accounting standard being finalised

## **8 Golden Bay Medical Centre Audit**

I wish to update Councillors on progress with the June 2008 audit. Under its constitution, the Golden Bay Medical Centre Community Trust is required to provide an annual audited report to Council for receipt and discussion if appropriate

The trust during the 2008 year has introduced for the first time new assets into their financial statements. Enquires indicate that these assets in fact belong to the Tasman District Council and as such should be removed from the financial statements of the trust. I have indicated this to the trust and am currently waiting on their reply

Murray Staite  
Corporate Services Manager