

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Murray Staite
DATE: 11 February 2010
FILE: A501
SUBJECT: **Corporate Services Manager's Report – RFN10-02-02**

1. Financials – December 2009

December 2009 financial statements and accompanying closed accounts are attached to this agenda as a separate report

2. Treasury: December 2009

Debt Levels

Council's debt at 31 December 2009 stands at \$113.9 million (including Joint Ventures and Associates) (July 2009: \$102.00 million) with an average interest rate of 6.21%. (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. With current swap rates not representing good value to Council no new swaps have been entered into since this Committee last meet.


Treasury Limits

The next few pages of this report detail Council's compliance with Treasury limits.

Fixed Rate Maturity Profile Limit

	Minimum	Maximum	Actual: December 2009	Limit Meet
1 – 3 years	20%	60%	42%	
3 – 5 years	20%	60%	23%	
5 – 10 years	10%	60%	35%	




Master Fixed/Floating Risk Control Limit

Minimum	Maximum	Actual: December 2009	Limit Meet
55%	95%	84%	

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.






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: December 2009	Limit Meet
1 – 3 years	20%	60%	83%	
3 – 5 years	20%	60%	17%	
5 – 10 years	10%	60%	-	

The establishment of a debenture trust deed which will in part alleviate this situation is well underway via Simpson Grierson and Asia Pacific Risk management.

In October 2010 an existing facility with the ANZ/National bank will expire. Staff will soon commence the process of renegotiation this facility with the intent, subject to appropriate pricing, of obtaining a facility term longer than the current three years.

Treasury Management Policy Limits

Treasury Limits	Actual December 2009	Within Limits
Net Debt not to exceed 20% of equity	8.4%	
Net external debt not to exceed 250% of total operating revenues	107.0%	
Net interest as a % of total revenues to be less than 20%	7.5%	
Net interest as a % of total annual rates to be less than 25%	12.5%	
Liquidity over the next 12 months to be at least 110%	114.0%	

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

3. Local Government Debt Vehicle

In January 2010 I took part in a phone conference on the proposed new local government debt vehicle. While it is early days as yet indications are that a council the size of Tasman could expect to obtain savings of at least 80 basis points on the cost of debt. This is a significant saving which would equate to at least an \$800,000 reduction in interest on a \$100 million loan portfolio. The consensus from those councils at the meeting is that the proposed debt vehicle proposal should proceed to a more detailed phase two study.

Local Government NZ have estimated this phase two work to cost \$320,000 and have asked for a contribution from interested councils. This contribution would be capped at \$50,000 per council.

Recommendation

That Council contribute up to a maximum of \$50,000 towards phase two of the Local Government Debt Vehicle Study.

4. Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.621 million dollars with an average interest rate of 4.44% (July 2009 4.4%). Interest was budgeted in the 2009-2019 LTCCP at 4%.

5. Nelson Tasman Total Mobility Scheme

At the last meeting of this Committee I was asked to provide further details on the Nelson Tasman Total Mobility Scheme. The administrator of the scheme is on leave for the next few weeks so this information will be provided at the next meeting of the Committee.

6. Capital Works

The capital spend for the first six months of the year is 26.5% (December 2009 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 with more capital works being undertaken in the second half of the financial year.

7. Rating Matters

Debtors

Rates debtors, while not yet of concern, have increased over the last 18 months . Staff are continuing to monitor this situation and are working with those ratepayers that may find difficulty in meeting their rate commitments

	Rates outstanding as a % of total rates levied
1 July 2008	.98%
1 July 2009	1.43%
31 December 2009	1.60%

Rates Rebates

Rates rebates to 31 January 2010 equalled \$622,946 dollars with 1,295 ratepayers taking up this scheme.

8. SBS proposal

A request has been received from SBS asking that Council consider amending its treasury management policy. Their request will be reviewed over the next few weeks and will be the subject of a separate report to the next Corporate Services Committee meeting.

Murray Staite
Corporate Services Manager