

# STAFF REPORT

**TO:** Chair and Members, Corporate Services Committee  
**FROM:** Murray Staite  
**DATE:** 24 March 2010  
**FILE:** AA501  
**SUBJECT:** Corporate Services Manager's Report – RFN10-04-02

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## 1. Financials – February 2010

Councils total income to budget as at 28 February 2010 was 63%, although this is slightly down on the 8 month projection of 67% the actual position is never uniform through out the year. Expenditure for the same period was at 67%, the net result being a surplus of \$1,841,000 compared to an annual budget of \$2,904,000. Total assets as at the same point were \$1.067 billion, this is up on the annual budget of \$1.042 billion, primarily as a result of asset revaluations being completed after the budget was finalised.

## 2. Summarised Income/Expenditure Statement

<b>Actual: Full Year June 2009 (\$000's)</b>		<b>Actual: February 2010 (\$000's)</b>	<b>Budget: Full Year June 2010 (\$000's)</b>
86,945	Operating revenue	52,879	83,515
81,147	Operating expenses	51,039	80,611
5,798	Operating surplus (Deficit)	1,841	2,904

## Summarised Financial Position – February 2010

<b>Budget: Full Year June 2009 (\$000s)</b>		<b>Actual: February 2010 (\$000s)</b>	<b>Budget: Full Year June 2010 (\$000s)</b>
18,855	Current assets	30,810	18,074
26,489	Current liabilities	25,160	22,249
-7,634	Working capital	5,650	(4,175)
1,152,118	Non current assets	1,165,706	1,162,951
86,331	Non current liabilities	104,186	116,652
1,058,153	Total net assets	1,067,170	1,042,124

### 3. Treasury: February 2010

#### Debt Levels

Council's debt at 28 February 2010 stands at \$113.9 million (including Joint Ventures and Associates) (July 2009: \$102.00 million) with an average interest rate of 6.27%. (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: February 2010	Limit Meet
1 – 3 years	20%	60%	39%	
3 – 5 years	20%	60%	22%	
5 – 10 years	10%	60%	39%	




#### Master Fixed/Floating Risk Control Limit

Minimum	Maximum	Actual: February 2010	Limit Meet
55%	95%	74%	

#### 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: February 2010	Limit Meet
1 – 3 years	20%	60%	100%	
3 – 5 years	20%	60%	-	
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.

#### Treasury Management Policy Limits

Treasury Limits	Actual February 2010	Within Limits
Net Debt not to exceed 20% of equity	8.5%	
Net external debt not to exceed 250% of total operating revenues	108.5%	
Net interest as a % of total revenues to be less than 20%	7.2%	
Net interest as a % of total annual rates to be less than 25%	11.6%	
Liquidity over the next 12 months to be at least 110%	110.0%	

#### 4. Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.655 million dollars with an average interest rate of 4.60% (July 2009 4.4%). Interest was budgeted in the 2009-2019 LTCCP at 4%.

#### 5. Debenture Trust Deed Update

Progress is steady with both the registrar (Perpetual Trust Ltd) and the paying agent (Link) chosen. The next stage of the process is to obtain the final agreement of all four banks. This is the part of the process where the biggest delays can occur, however

staff are working with all the banks concerned to ensure that any issues that may arise are dealt with promptly.

## 6. Reports

At the March 1 2010 meeting of the combined shareholders group the 2008/2009 annual report of the Nelson Regional Sewerage Business Unit was presented .

At the same meeting the Port Nelson Ltd, Tourism Nelson Tasman Ltd, Nelson Airport Ltd and Tasman Bays Heritage Trust six monthly reports were presented

If any councillors wish to receive a copy of these reports please contact me after the meeting.

## 7. Debtors

### Debtors

At the previous meeting of this committee staff were asked to report back on total council debtors.

The following tables summarise Council's overall debt position as compared to last year.

	<b>30-Jun-09</b>	<b>31-Jan-10</b>
<b>Total Debtors</b>	1,291,374	1,333,849
<b>% of 3 Mths overdue to Total Debtors</b>	32%	28%

## 8. SBS Bank proposal

At the last meeting of this committee I indicated that a separate report would be presented to consider the proposal from SBS Bank. Time has not allowed this to happen and a report will come forward to a future meeting.

Murray Staite  
Corporate Services Manager