**STAFF REPORT**

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

**FROM:** Murray Staite

**DATE:** 17 June 2010

**SUBJECT:** **Corporate Services Manager's Report – RFN10-06-12**

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## 1. Financials – March 2010

At nine months March represents 75% of the year thus far. At the highest level, Income, which is bolstered by a higher than budgeted value for vested assets is at 76.1%, Expenditure at 74.4%, leaving the net position a healthy 125%. The timing of the receipt of financial information continues to be Councils largest hurdle in the production of timely financial statements. Work has begun with the Engineering team and their consultants to look at quicker delivery methods of expenditure. The introduction of electronic purchase orders will also be of great assistance in being able to capture expenditure with has been incurred but as yet not paid. Currently this is being piloted in the various departments within Corporate Services. The plan is then to roll out across the rest of Council.

The audit team were on-site for the first week on June completing the interim audit work, which is primarily reviewing financial systems. Advantage was made of their time to review the 31 March financials which were almost prepared to the same degree of completeness as the year end document, i.e. it included the progress measures against outputs. At the time of writing the interim management report had not been received, however verbal confirmation with the team prior to their departure was reassuring that work on capturing and reporting on the higher standard of progress measures was at a reasonable standard with only a few minor adjustments required for the year end position.

The department has also been working on the integration of Job Costing with Payroll. Not only will this cut down duplication of staff time, but also ensure job costing information is continually up to date. This transition is being piloted on a department by department basis. Corporate Services staff have been piloting this for some three pay periods, and Customers Services for the most recent, next will be Library. Using this approach we will have worked with the greatest majority of staff being on variable and casual agreements, and therefore will have dealt with as many non-standard scenarios as possible, before going live.

2. **Summarised Income/Expenditure Statement**

| ***Actual: Full Year June 2009 ($000's)*** | | ***Actual: March 2010 ($000's)*** | ***Budget: Full Year June 2010 ($000's)*** |
|---|---|---|---|
| 86,945 | Operating revenue | 63,584 | 83,515 |
| 81,147 | Operating expenses | 59,953 | 80,611 |
| 5,798 | Operating surplus (Deficit) | 3,631 | 2,904 |

**Summarised Financial Position – March 2010**

| ***Budget: Full Year June 2009 ($000s)*** | | ***Actual: March 2010 ($000s)*** | ***Budget: Full Year June 2010 ($000s)*** |
|---|---|---|---|
| 18,855 | Current assets | 27,257 | 18,074 |
| 26,489 | Current liabilities | 26,958 | 22,249 |
| -7,634 | Working capital | 299 | (4,175) |
| | | | |
| 1,152,118 | Non current assets | 1,172,846 | 1,162,951 |
| 86,331 | Non current liabilities | 104,190 | 116,652 |
| 1,058,153 | Total net assets | 1,068,955 | 1,042,124 |

3. **Treasury: May 2010**

**Debt Levels**

Council's debt at 30 May 2010 stands at $113.9 million (including Joint Ventures and Associates) (July 2009: $102.00 million) with an average interest rate of 6.04%. (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. The following swaps have been entered into since my last report

| **Swap Date** | **Notional value** | **Interest rate** | **Term** |
|---|---|---|---|
| 16 April 2009 | 5.0% | 5.12% | 4 Years |
| 20 April 2009 | 5.0% | 5.23% | 5 Years |

## Treasury Limits

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

### Fixed Rate Maturity Profile Limit

| | Minimum | Maximum | Actual: March 2010 | Limit Meet |
|---|---|---|---|---|
| 1 – 3 years | 20% | 60% | 39% |  |
| 3 – 5 years | 20% | 60% | 21% |  |
| 5 – 10 years | 10% | 60% | 39% |  |

### Fixed/Floating Profile

(A maturity greater than 1 year is defined as fixed)

| Minimum | Maximum | Actual: March 2010 | Limit Meet |
|---|---|---|---|
| 55% | 95% | 72% |  |

### 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.

Work is progressing on renewing the ANZ/National facility which expires in September of this year. Indications are that a 4 year facility will be obtained at reasonable pricing. This will help to bring council treasury more in line with policy.

| | Minimum | Maximum | Actual: March 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.

**Treasury Management Policy Limits**

| Treasury Limits | Actual March 2010 | Within Limits |
|---|---|---|
| Net Debt not to exceed 20% of equity | 8.96% | ✓ |
| Net external debt not to exceed 250% of total operating revenues | 114.66% | ✓ |
| Net interest as a % of total revenues to be less than 20% | 6.88% | ✓ |
| Net interest as a % of total annual rates to be less than 25% | 11.99% | ✓ |
| Liquidity over the next 12 months to be at least 110% | 109% | ✗ |

The current work being undertaken on the ANZ/National Bank facility will ensure future compliance with the Liquidity limit.

## 4. Investments

Council investments which include disaster funds, self insurance funds and general investments total $4.673 million dollars with an average interest rate of 4.60% (July 2009 4.4%).

## 5. Audit Arrangements Letter

Council's auditors have confirmed the following arrangements in regard to the 2010 Annual Report. The interim audit commenced on 31 May 2010 with the final audit opinion expected by October 2010. Council's 2010 annual report will be adopted at a Council meeting late in October 2010.

## 6. Short-term facility

Council's Treasury policy allows for the Chief Executive and the Corporate Services Manager to refinance existing debt subject to ratification and approval by council at the earliest opportunity.

In May 2010 a 2 million dollar BNZ advance matured. With the debenture trust deed not yet in place and debt for this financial year already paid further refinancing of this $2 million dollar loan was required for an additional 90 days.

**Recommendation**

**That the BNZ refinancing loan of $2 million dollars in favour of the Tasman District Council, commencing on 26 May 2010 and maturing on 31 August 2010, be approved.**

## 7. Security Stock

The debenture trust deed is now well advanced and advice from Simpson and Grierson is that the deed should be in place by the end of June 2010.

During the deed preparation ASB have advised that as councils transactional banker addition security over and above what is currently in place would be required in the event that councils overdraft needed to be extended. Accordingly ASB have asked that the security be increased from 52.04 million to 55 million.

**Recommendation**

**That the Chief Executive and Corporate Services Manager of the Tasman District Council be authorised to extend security in favour of ASB Bank Ltd to 55 million**

## 8. Remuneration Authority

On behalf of Council a letter was written to the Remuneration Authority expressing concern as to the calculation used in determining elected members remuneration. The remuneration authority has replied and their response is attached.

## 9. Port Nelson Ltd

Attached for Committee information is the nine month report to shareholders on the consolidated financial performance of Port Nelson Ltd for the period to 31 March 2010.

Murray Staite
Corporate Services Manager