

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Corporate Services Manager
DATE: 12 November 2010
SUBJECT: Corporate Services Manager's Report – RFN10-11-02

1 Summarised Income/Expenditure Statement

After the first three months of the year (25%), Council has posted an operating deficit of \$38K, being just (-2%) of budget. At the highest level, total income is just on budget at 24.8% and total expenditure is slightly ahead of budget at 26% each.

A number of activities are at variance to budget due to timing; items such as election costs and some maintenance do not fall evenly and can skew the position. The same applies to income where financial contributions are at 44% of budget, however vested assets, which are not accrued monthly, have yet to be accounted for the month. It is pleasing to report that forestry income is at 22%, with results from Rabbit Island logging still to be fully quantified for the quarter. Government subsidies are not received uniformly and are at 147% of budget – this is mainly the receipt of SPARC funding. A counter-accrual is also made in expenditure to negate any skew in the reports. Some expenditure items such as election costs and legal fees appear up against budget, but this includes some one-off costs rather than a trend. In summary, there does not appear to be anything of major concern at this stage of the year.

The project to fully integrate job costing with payroll, and remove the need for paper based timesheets is now fully bedded in. Initial teething problems have been largely overcome, resulting in doing away with previous duplications.

Work within the section is currently centred around the printing and distribution of the 2010 Annual Report and the completion of the summary Annual Report. Staff have already put significant time and resource into the annual plan preparations. There is now a distinct overlap of resource required for these two major undertakings.

Actual: Full Year June 2010 (\$000's)		Actual: September 2010 (\$000's)	Budget: Full Year June 2011 (\$000's)
87,441	Operating revenue	21,955	88,409
85,819	Operating expenses	21,993	86,017
1,622	Operating surplus (Deficit)	(38)	2,392

Budget: Full Year June 2010 (\$000s)		Actual: September 2010 (\$000s)	Budget: Full Year June 2011 (\$000s)
16,608	Current assets	30,354	17,075
83,980	Current liabilities	93,134	24,948
(67,372)	Working capital	(62,780)	(7,873)
1,192,360	Non current assets	1,195,846	1,266,670
49,598	Non current liabilities	58,012	133,701
1,075,390	Total net assets	1,075,055	1,125,096

2 Treasury: October 2010

Debt Levels

Council's debt at 31 September 2010 stands at \$120.69 million (June 2010: \$110,937 million) with an average interest rate of 5.94%. (June 2010 6.12%).

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 (years)
19.7.2010	2	4.77	5
16.8.2010	3	5.43	9
16.8.2010	2	4.75	4
22.4.2011	3	4.27	4
22.9.2011	4	4.94	8

You will note from the dates above that we are yet to reach some of the swap dates. These swaps are called forward starts. Forward starts provide the opportunity to lock in a good rate for the future while enjoying lower rates at the moment.

Treasury Limits


The following are details of Council's compliance with Treasury limits.

Fixed Rate Maturity Profile Limit

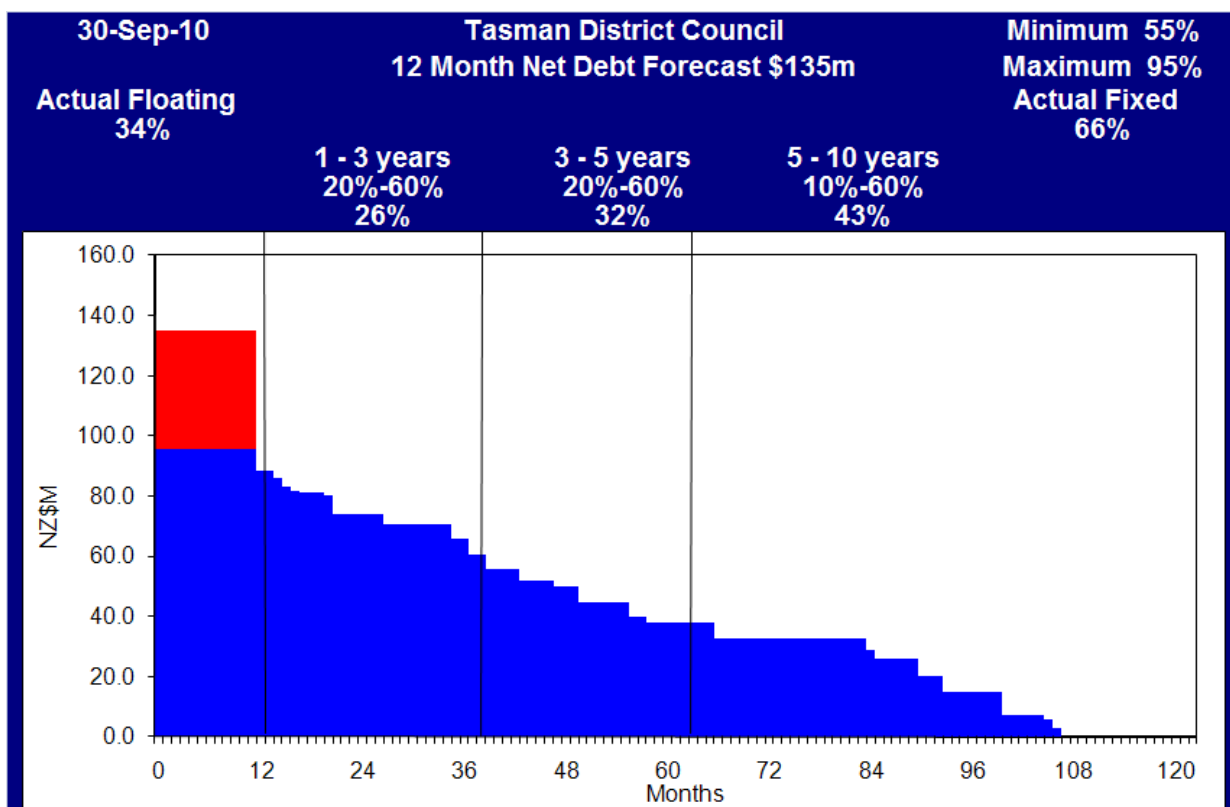
	Minimum	Maximum	Actual: September 2010	Limit Met
1 – 3 years	20%	60%	26%	
3 – 5 years	20%	60%	32%	
5 – 10 years	10%	60%	43%	

Fixed/Floating Profile




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

Minimum	Maximum	Fixed Actual: September 2010	Limit Met
55%	95%	66%	

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.

	Minimum	Maximum	Actual: September 2010	Limit Met
1 – 3 years	20%	60%	71%	
3 – 5 years	20%	60%	29%	
5 – 10 years	10%	60%	-	

The renewal of the forthcoming ASB bank facility will enable compliance with the 1 to 3 year limit and depending on pricing may even have an impact on the 5- 10 year limit.

Treasury Management Policy Limits

Treasury Limits	Actual September 2010	Within Limits
Net Debt not to exceed 20% of equity	9.48%	
Net external debt not to exceed 250% of total operating revenues	115.3%	
Net interest as a % of total revenues to be less than 20%	6.95%	
Net interest as a % of total annual rates to be less than 25%	11.55%	
Liquidity over the next 12 months to be at least 110%	114%	

3 Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.780 million dollars with an average interest rate of 4.56% (June 2010 4.71%).

4 Capital Works update

The capital spend for the three months of the year is 18% (June 2010 93%) against a budget of 100%.

5 Insurance

During the morning of Saturday 2 October 2010 the old library building in Takaka was destroyed by fire. This building was fully insured with an excess of \$100,000. This excess will be covered by Council's self insurance fund. The annual review of Council's insurance is currently underway and the results of this review will be reported back to the next meeting of this committee.

I have attached for your information an update on the Local Authority Protection Programme (LAPP) prepared post the Christchurch earthquake. While the update is relatively self explanatory what is important is that the LAPP fund has provided the protection to its affected members in the way it was intended.

6 Local Government Debt Vehicle

This project is progressing well with good support from the local government sector being received. The next stage is to obtain an appropriate credit rating. When further information comes to hand it will be reported back to this Committee.

7 Nelson School of Music

Council has recently received the latest financial statements from the Nelson School of Music. The trustees thank the Council for its ongoing support and the Chairman's letter is attached for your information.

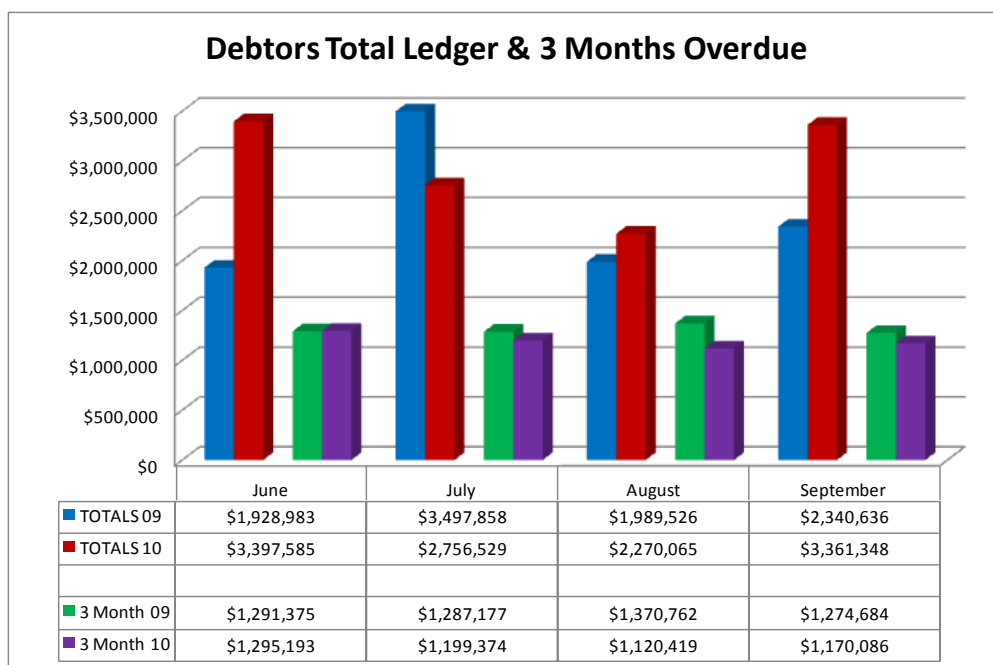
8 Debtors

The graph details the past two years for total debtors and those debts which have been outstanding for greater than three months, for the months June through to September.

The three months and older total is static to reducing, whilst total debt appears to have increased. The spikes for the 2010 year in June and September reflect two significant activities:

1. June being the close of the financial year sees the push for finalisation of a number of charges being brought to account.
2. Similar to 1. above the change in GST on 1 October 2010 saw the bringing to charge of a number of jobs as at that date.

The work with job costing will eventually result in monthly invoicing, which will do away with the need to have these large pushes to bring jobs to charge.



9 Agenda and Minute Distribution

There have been some improvements and changes in how Council distributes agendas and minutes. Councillors will now receive an e-mail alert advising that agendas or minutes are being mailed to them. Council staff will publish documents on the internet 48 hours after the alert has been sent. This will provide the majority of councillors with some additional time to review the information ahead of it being made available to the public.

Day One	Day Two	Day Three
Agenda/Minutes mailed to councillors and e-mail alert issued advising that material will be published on the Internet on XX-XX-XX date.	Agenda/Minutes received by councillors on standard mail delivery*	Agenda/Minutes received by councillors on standard mail delivery*
		Agenda/Minutes published on the Internet

* NZ Post advises that standard mail delivery has a one to three working day delivery target.

10 Acknowledgment

On behalf of Corporate Services staff, I wish to thank elected representatives for their support during the 2010 calendar year. The Corporate Services Department and Council at large, has completed a significant workload during this period.

We wish you and your families a happy and healthy Christmas/New Year and look forward to working with you through the 2011 calendar year.

Recommendation

That the Corporate Services Committee receives the Corporate Services Manager's Report RFN10-11-02, dated 12 November 2010.

Murray Staite
Corporate Services Manager