

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Corporate Services Manager
DATE: 15 February 2011
SUBJECT: Corporate Services Manager's Report – RFN11-02-03

1. Treasury: December 2010

Debt Levels

Council's debt at 31 December 2010 stands at \$118.8 million, with an average interest rate of 5.86%. (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 the last report.

Swap Date	Notional value	Interest rate	Term
22 November 2011	5	5.102%	9 Years

Treasury Limits


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

Fixed Rate Maturity Profile Limit

	Minimum	Maximum	Actual: December 2010	Limit Meet
1 – 3 years	20%	60%	29%	
3 – 5 years	20%	60%	22%	
5 – 10 years	10%	60%	49%	




Fixed/Floating Profile

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

Minimum	Maximum	Fixed Actual: December 2010	Limit Meet
55%	95%	70%	

Facility maturity limit

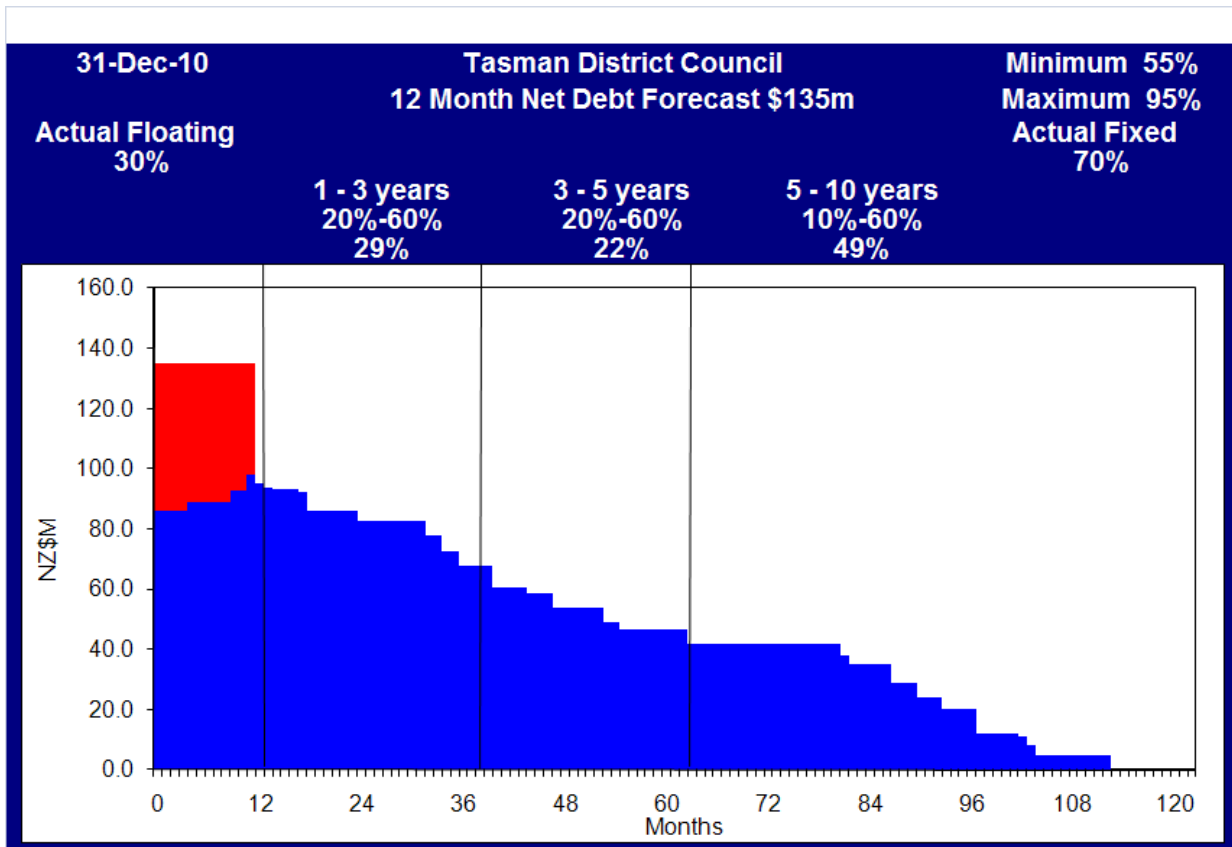
To minimise the risks of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond Council's control, delegated debt maturities are generally spread widely over a band of maturities.

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

Negotiations are underway to renew the current ASB facility. It is envisaged that this facility will have split terms so that compliance with Years one to three and three to five are achieved. With bank facilities not being available for the five to ten year period it will require an issue of local government stock to ensure compliance. This matter will be the subject of a separate report at the next meeting of this Committee.

Treasury Management Policy Limits

Since the last report the debt maturity profile has increased in the 5 to 10 year bucket providing additional security should interest rates rise in the near future.



Treasury Limits	Actual December 2010	Within Limits
Net Debt not to exceed 20% of equity	10.27%	
Net external debt not to exceed 250% of total operating revenues	125.3%	
Net interest as a % of total revenues to be less than 20%	7.39%	
Net interest as a % of total annual rates to be less than 25%	12.8%	
Liquidity over the next 12 months to be at least 110%	110%	

2. Investments

Council investments which include disaster funds, self insurance funds and general investments total \$4.834 million dollars with an average interest rate of 4.43% (July 2010 4.56%). As a result of the 28 December 2010 storm event and the fire in Takaka, these balances will decline.

3. 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	2010	(\$706,499)
September	2010	\$1,263,077
December	2010	\$581,073

The balance of \$581,073 indicates that interest rates on Council's current interest rate swap portfolio are lower than can now be obtained in the market. This is a positive sign.

4. Capital Works update

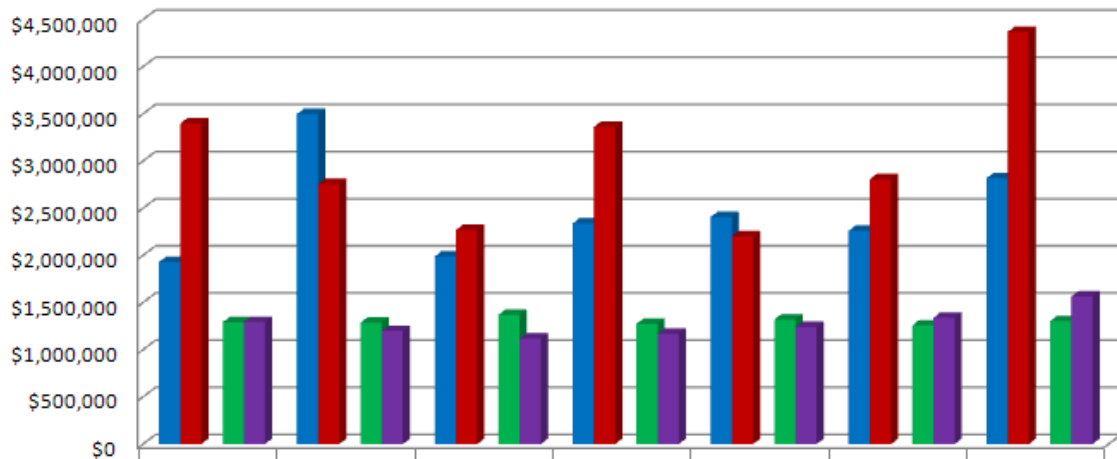
The capital spend for the first six months of the year is 38% (December 2009 28%) against a budget of 50%.

5. Debtors

Changes in the collection process has seen an increase in the recovery of rate arrears. The early intervention of arrears, especially for those ratepayers where we can pass the rates onto the mortgagees, has seen recoveries received earlier than in the past.

	Rates outstanding as a % of total rates levied
1 July 2008	.98%
1 July 2009	1.43%
31 December 2009	1.60%
30 June 2010	1.66%
31 December 2010	0.29%

Debtors Total Ledger & 3 Months Overdue



	June	July	August	September	October	November	December
■ TOTALS 09	\$1,928,983	\$3,497,858	\$1,989,526	\$2,340,636	\$2,406,750	\$2,259,884	\$2,818,622
■ TOTALS 10	\$3,397,585	\$2,756,529	\$2,270,065	\$3,361,348	\$2,202,932	\$2,807,638	\$4,369,318
■ 3 Month 09	\$1,291,375	\$1,287,177	\$1,370,762	\$1,274,684	\$1,320,968	\$1,258,103	\$1,303,810
■ 3 Month 10	\$1,295,193	\$1,199,374	\$1,120,419	\$1,170,086	\$1,241,380	\$1,339,818	\$1,564,524

Recommendation

That the Corporate Services Committee receives the Corporate Services Manager's Report RFN11-02-03, dated 15 February 2011.

Murray Staite
Corporate Services Manager