

5. CORPORATE FINANCE REPORT FOR QUARTER ENDED SEPTEMBER 2008

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| General Manager responsible: | General Manager Corporate Services, DDI 941-8528 |
| Officer responsible: | Corporate Finance Manager |
| Author: | Diane Brandish |

PURPOSE OF REPORT

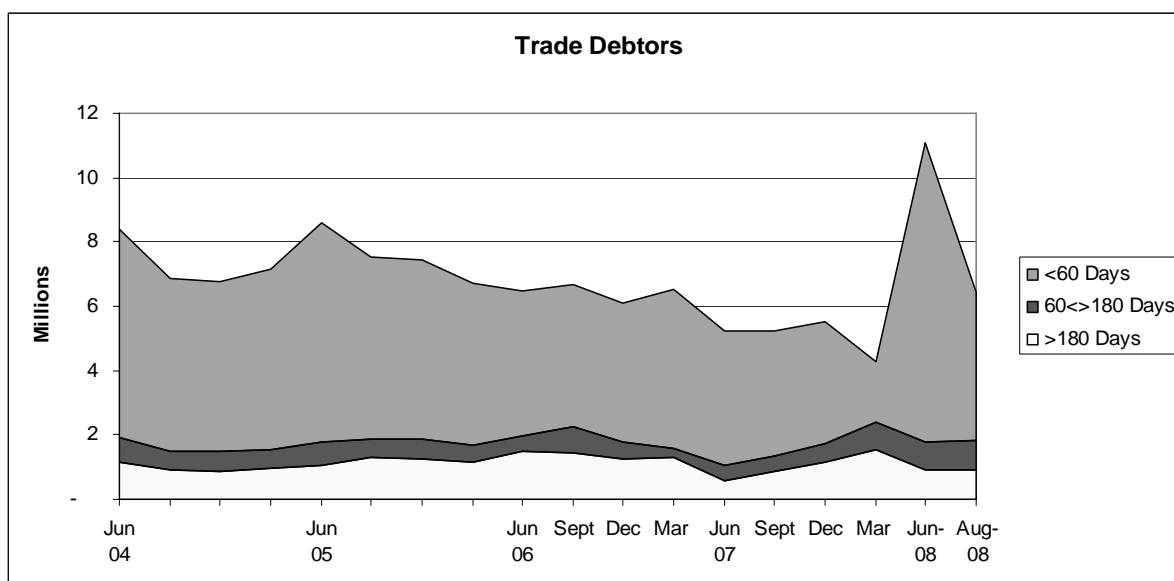
1. The purpose of this report is to provide the Audit and Risk Management Subcommittee with an update on key financial and treasury matters for the quarter ending September 2008.

TREASURY

2. Treasury; the table **attached** as Appendix 1 shows that the Council remained well within its financial ratio policy limits. Council funding requirements remain below the levels predicted in the 2008/09 Annual Plan due to delays in delivering the capital programme. Liquidity, credit and interest rate risk also remain within target limits. Appendix 2 is a list of our current investments, subtotalled by entity. All investments are in accordance with our investment policy.
3. The confusion within the debt market has eased a little over the last week with keen interest being expressed in \$20m of commercial paper which was maturing. The underlying risk for the Council is not the availability of funding but the rate. While the underlying interest rate is well within the planned borrowing rate, bank margins have increased significantly. Several banks have had to source funds from overseas at margins in excess of 100bp. Should we need to resort to bank funding we can expect this margin to be passed on.
4. Commercial Paper is only one of the options available to provide funding for the capital programme. Other (cheaper) options are the \$40m balance in the BNZ facility priced at 12bp, and at least \$60m of investments on the balance sheet that are available to be used as internal borrowing. These are sufficient to meet our needs over the next six months. The Treasury Review Committee meets on 6 November just prior to the Audit and Risk Subcommittee to consider medium to long term options and a verbal update will be provided.

DEBTORS

5. Debtors; the balance of overdue accounts (60 days and over) remains unchanged from the position at June. The main reason for this is within the building consents area where 45%, (\$310,000) of the consents invoiced in June are yet to be collected. This is a change from previous months where the bulk of consents are collected within 60 days and may be a reflection of the current conditions. Staff will provide an oral update at the meeting.



AUDIT AND RISK ISSUES

6. The annual report and summary annual report have both been signed off and are with the printer. The first draft of Audit New Zealand's Management Report is due early next week and once finalised will be circulated to the Subcommittee rather than held over until March.
7. Following discussion both with the Chair and at the last Audit and Risk Management Subcommittee meeting, officers have agreed to review the Council's approach to risk reporting. The goal of this review is to ensure our risk reporting provides an appropriate level of assurance to the Subcommittee and dovetails well with our proactive risk management strategies (including internal monthly reporting, quarterly Council reporting, internal audit programme and external audit). The timing for this review will be after the preparation of the draft LTCCP in March 2009.

FINANCIAL AND LEGAL CONSIDERATIONS

8. There are no financial or legal implications.

STAFF RECOMMENDATION

It is recommended that the report be received.