

9. CORPORATE FINANCE REPORT FOR QUARTER ENDED JUNE 2009

General Manager responsible:	General Manager Corporate Services, DDI 941-8528
Officer responsible:	Corporate Finance Manager
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PURPOSE OF REPORT

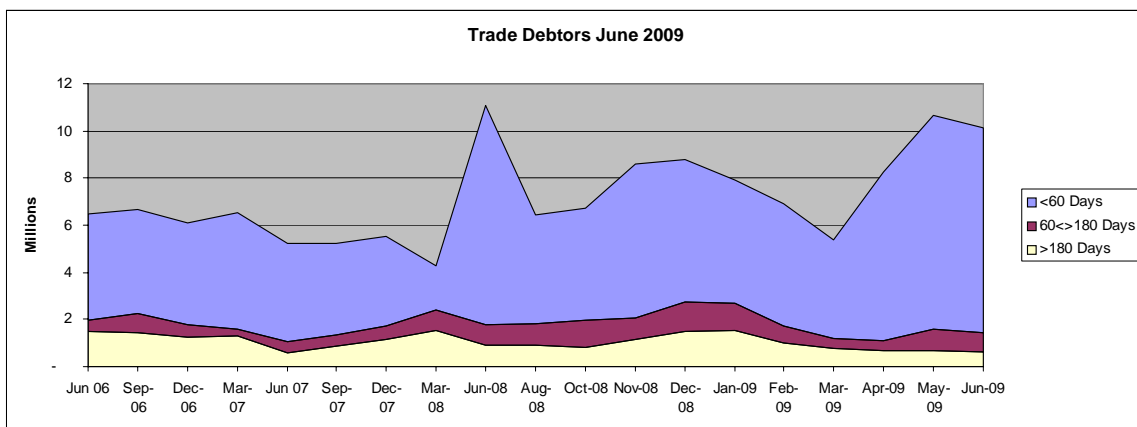
1. The purpose of this report is to provide the Audit and Risk Management Subcommittee with an update on key financial and treasury matters for the quarter ending June 2009.

TREASURY

2. The table attached as Appendix 1 shows that the Council remained within its financial ratio policy limits. Council funding requirements remain below the levels predicted in the 08/09 Annual Plan due to delays in delivering the capital programme. The liquidity ratio stands at 32% against a policy ratio of 35%. This is the result of a decision to fund our borrowing through 90 day debt while interest rates continue to fall.
3. In June Council raised \$15m of four-year Floating Rate Notes at 155 bp over the 90 day BKBM. The funds were drawn down in July and were on-lent to Civic Building Ltd and a portion was allocated to refinancing a maturing loan from Christchurch City Holdings Limited.
4. In the LTCCP Council forecast to borrow \$99.6 million over the next 12 months, \$49 million of which was for the capital programme. However, capital carry-forwards were \$30 million higher than planned and the year end balance included \$25 million of invoices which will be paid in July, bringing the forecast borrowings for the capital programme to \$104 million. Of this, \$25 million will be met from internal borrowing; the process in which we draw down from our own deposits and credit the special funds with the market rate of interest. The \$50 million balance of the LTCCP borrowings are for CCTO commitments. In addition there is a further \$19.1 million required for the Meta transaction resolved on by Council on 29 July 2009.
5. The extraordinary dividend which CCHL had agreed to pay to compensate the Council for incremental costs was received late in July.
6. Recent trends:
 - Credit margins appear to have peaked, with margins dropping away from the highs seen with Auckland City Council issuing debt at 200 bp over BKBM.
 - Interest in local government securities has increased as fund managers look for high quality debt securities.

DEBTORS

7. Debtor balances at 30 June 09 total \$10.1 million, an increase of \$4.8 million from that reported in March 09. The increase in debtors relates to year-end invoicing and is consistent with previous years. Council's Bad Debt provision was reviewed at June 30 and the provision increased by \$145k to \$1,045k. The increase relates to potential write offs in Building Consents and Dog licensing. There were no other significant potential losses identified resulting from liquidations or potential liquidations. Funds owing by Meta to the Council will be recovered following the recent Council decision on this matter.



YEAR END AUDIT

8. Audit New Zealand has commenced the year end audit. To date there are no issues and the audit is progressing smoothly.
9. The Council's annual report 2008/09 will be presented to the Audit and Risk Management Subcommittee for approval in October 09.

INSURANCE UPDATE

10. The credit rating of the Council's insurance providers as at 27 July 2009 is:

Civic Assurance/ NZ Local Government	A
Lloyds	A+
NZI	AA-
EQC	AAA
QBE	A+
ACE	A
AIG/ American Home Insurance	A+
RiskPool	unrated

11. The Council's insurance programme was renewed as expected on 30 June with the exception of the Weather-tight Homes cover. RiskPool had previously advised that they were not offering cover for new claims beyond 30 June and we have been unable to get cover from any other provider.
12. Machinery breakdown cover was taken for plant at the Bromley Treatment Works and at the Gas Treatment Plant. This insurance provides cover for any increased costs of working or consequential loss in addition to the normal physical damage. In addition we are awaiting advice from secretariat on extending the policy on Councillors to provide cover to the Council in the event of serious injury to Councillors as well as the existing cover for loss of life.

FINANCIAL AND LEGAL CONSIDERATIONS

13. There are no financial or legal implications.

STAFF RECOMMENDATION

It is recommended that the report be received.