CORPORATE AND FINANCIAL COMMITTEE AGENDA

FRIDAY 5 OCTOBER 2012

AT 9AM

IN THE NO 1 COMMITTEE ROOM, CIVIC OFFICES

Committee: Councillor Helen Broughton (Chairperson),
Councillors Ngaire Button, Tim Carter, Jimmy Chen, Jamie Gough and Yani Johanson

Principal Adviser
Paul Anderson
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Committee Adviser
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PART A - MATTERS REQUIRING A COUNCIL DECISION
PART B - REPORTS FOR INFORMATION
PART C - DELEGATED DECISIONS

INDEX

CORPORATE AND FINANCIAL COMMITTEE 5. 10. 2012

1. APOLOGIES

Councillor Jamie Gough.

2. DEPUTATIONS BY APPOINTMENT

Nil.

3. EARTHQUAKE FINANCIAL REPORT FOR AUGUST 2012

General Manager responsible:	Paul Anderson – General Manager, Corporate Services, DDI: 941-8528
Officer responsible:	Diane Brandish – Corporate Finance Manager
Author:	Bruce Moher – Planning and Reporting Manager

PURPOSE OF REPORT

1. The purpose of this report is to provide an update to the Corporate and Financial Committee and the Council on financial matters relating to the earthquakes as at 31 August 2012.

2. The report includes an overview on the expected overall financial impact of the earthquakes on the Council.

EXECUTIVE SUMMARY

3. Attached are appendices showing summaries of:

- Costs and recoveries for the two months to 31 Aug and 2012/13 Forecast (**Appendix 1**)
- Earthquake life-to-date financial details (**Appendix 2**)
- Earthquake total cost forecast (**Appendix 3**)
- Recoveries summary at 31 August (**Appendix 4**).

Summary Table

$ million	**July/August Actual**			**Forecast 2012/13**		
	Cost	**Recovery**	**Net Cost**	**Cost**	**Recovery**	**Net Cost**
Rebuild Costs	72.4	47.4	24.9	662.2	405.2	257.0
Emergency and Response costs	15.7	10.7	4.9	65.2	40.1	25.1
Total	88.0	58.2	**29.9**	727.5	445.4	**282.1**

Rebuild Costs

4. Costs of $72.4 million were recorded in the two months to 31 August 2012, of which $68.6 million relates to work delivered by Stronger Christchurch Infrastructure Rebuild Team (SCIRT). $8.1 million related to Wastewater and $1.8 million to Roading with the remaining $57.5 million of work in progress yet to be allocated.

5. Expenditure is currently forecast to be on budget ($662.2 million). $435.4 million of the total forecast expenditure relates to SCIRT costs (Wastewater Collection $266.0 million; Roading $119.7 million; Water Supply $27.0 million; and Stormwater $22.7 million). The balance of the total forecast expenditure relates to non-SCIRT (Council-delivered) works ($108.1 million) and Facilities ($118.7 million).

Emergency and Response Costs

6. Costs totalling $15.7 million have been incurred year-to-date. $7.9 million relates to Wastewater costs from City Care relating to the December event, $1.9 million to Heritage Properties and a further $1.1 million to Geotech work.

7. Forecast response costs of $65.2 million are $14.4 million higher than budget. This variance comprises: Facilities $8.5 million, Infrastructure (Wastewater, Water Supply etc.) $3.9 million, Geotech $1.2 million, and Increased cost of working $0.8 million.

Recoveries

8. Forecast response recoveries are $15.4 million higher than planned this year, offsetting the overspend detailed in paragraph 7. This largely relates to insurance recoveries for Facilities assessments and repairs.

3 Cont'd

9. During the period the following monies were received:

Settlement for Farmers Carpark Building	$10.78 million
Reimbursement of demolition costs	$ 0.46 million
Partial payment Bromley above ground work	$ 0.47 million
Further receipt re LAPP infrastructure settlement	$21.99 million.

Building / Infrastructure Improvement Allowance

10. Of the $175 million Building/Infrastructure improvement allowance provided in the current financial strategy, $17.96 million has been allocated to date as outlined in the table below.

Description	Meeting Date	Value
Oxidation Ponds	25/08/2011	16,128,000
Temporary Stadium cost contribution Rugby League Park	08/09/2011	1,000,000
Fendalton Library and Service Centre	16/02/2012	190,000
Linwood Community Arts Centre	15/03/2012	35,884
Cowles Stadium	05/04/2012	480,000
Pump Station 37	05/04/2012	126,000

11. The Major Community Facilities Rebuild Programme contained in the 2012/13 Annual Plan includes a further $79.3 million to be allocated in future years, per the table below, leaving a balance of $77.7 million.

Art Gallery repairs	2012/14	12,400,000
Manchester and Lichfield Car Park	2013/14	13,000,000
Athletics Track Replacement	2013/14	2,100,000
Town Hall repairs	2014/16	51,300,000
Central Library repairs	2013/14	500,000

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

12. Yes – there are none.

LEGAL CONSIDERATIONS

Have you considered the legal implications of the issue under consideration?

13. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

14. Both service delivery and financial results are in direct alignment with the LTCCP as amended by the 2012/13 Annual Plan and Activity Management Plans.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

15. As above.

ALIGNMENT WITH STRATEGIES

16. Not applicable.

CONSULTATION FULFILMENT

17. Not applicable.

3 Cont'd

STAFF RECOMMENDATION

That the Corporate and Financial Committee recommend that the Council receive the report.

Appendix 1: Costs and recoveries for Jul-Aug 2012 and 2012/13 Forecast

		Cost ($m)					Recovery ($m)			
		YTD	2012/13 Forecast	2012/13 Plan	Variance		YTD	2012/13 Forecast	2012/13 Plan	Variance
<u>Infrastructure Rebuild:</u>										
Roading	1	1.8	135.1	147.7	(12.6)		1.4	100.9	103.6	(2.8)
Sewer	1	8.1	241.2	193.1	48.1		8.0	147.9	115.9	32.0
Water	1	.8	43.9	82.1	(38.2)		.5	26.3	52.0	(25.7)
Stormwater		.9	24.4	28.5	(4.1)		.6	7.6	10.9	(3.3)
SCIRT setup and overhead costs unallocated		57.5	.0	-	.0		34.4	(.1)	-	(.1)
Total:		**69.2**	**444.6**	**451.4**	**(6.8)**		**44.8**	**282.6**	**282.4**	**.2**
<u>Other Assets and Insured Costs:</u>										
Buildings and Facilities		1.2	123.9	123.9	.0		.3	62.6	61.3	1.3
Sewer above-ground assets		.4	53.8	66.1	(12.3)		.5	40.7	43.1	(2.4)
Water above-ground assets		1.5	15.7	7.3	8.4	2	1.9	15.7	2.7	13.0
Stormwater above-ground assets		-	.2	-	.2		-	.2	-	.2
Park Facilities		-	-	-	-		-	-	3.0	(3.0)
Uninsured Assets (Parks, Stormwater)	3	.1	24.2	13.6	10.6		.0	3.5	4.0	(.5)
Insurance Excesses		-	-	-	-		-	-	-	-
Total:		**3.2**	**217.7**	**210.8**	**6.8**		**2.6**	**122.7**	**114.1**	**8.6**
Total Infrastructure Rebuild:		**72.4**	**662.2**	**662.2**	**.0**		**47.4**	**405.2**	**396.5**	**8.8**
<u>Emergency & Response Costs:</u>										
Roading Emergency Work		.1	(.0)	-	(.0)		1.2	1.2	-	1.2
Welfare and other Emergency Work		.0	.5	.6	(.1)		.0	.5	.6	(.1)
Other Response Costs	4	11.9	18.5	3.4	15.1		8.0	13.6	-	13.6
Roading Temp Maintenance Works		.1	9.6	9.6	.0		.0	5.4	5.5	(.1)
Non-Roading Temp Maintenance Works		1.8	30.6	35.4	(4.8)		.4	15.5	17.6	(2.0)
Demolition Costs		-	-	-	-		-	-	-	-
Rockfall		1.3	4.9	1.6	3.3		.6	2.1	.8	1.3
Increased Costs of Working		.4	1.1	.3	.8		.5	1.8	.3	1.5
Staff/Other internal costs charged to Emerg/Resp		-	-	-	-		-	-	-	-
Less costs budgeted in Council activities		-	-	-	-		-	-	-	-
Total Emergency & Response Costs:		**15.7**	**65.2**	**50.8**	**14.4**		**10.7**	**40.1**	**24.7**	**15.4**
GRAND TOTAL		**88.0**	**727.5**	**713.1**	**14.4**		**58.2**	**445.4**	**421.2**	**24.1**

Notes: *The above tables shows YTD as there was no July report to Committee.*

1) Forecasts based on information from SCIRT

2) Recoveries variance reflects WW Treatment Plant recoveries not budgeted

3) Forecast cost variance reflects $10.6 million Stormwater Drainage not budgeted

4) The majority of the $18.5m of forecast costs relate to Facilities ($9.2 for commercial properties, community centres, heritage properties), with a further $7.9 million being Wastewater response costs. Facilities assessment and repair costs will be reported on a separate line going forward.

Appendix 2: Life-to-date cost as at 31 August 2012

	Life to Date ($m)						
	Cost	Accrued Recoveries					Balance
		LAPP (F)	LAPP (I)	DIA/CERA	NZTA	Other	Council
Infrastructure Rebuild:							
Roading	13.0	-	-	-	9.7	.0	3.3
Sewer	98.5	-	140.1	59.1	-	-	(100.7)
Water	22.1	-	28.3	13.0	-	-	(19.1)
Stormwater	16.1	-	13.4	9.6	-	-	(7.0)
SCIRT setup and overhead costs unallocated 1	218.0	-	-	65.4	65.4	-	87.2
Total	**367.8**	**-**	**181.8**	**147.1**	**75.1**	**.0**	**(36.3)**
Other Assets and Insured Costs:							
Buildings and Facilities 2	11.2	86.6	-	.0	-	19.8	(95.2)
Sewer above-ground assets	19.1	18.7	-	-	-	-	.4
Water above-ground assets	11.0	11.1	-	-	.0	(.0)	(.1)
Stormwater above-ground assets	.1	.1	-	-	-	-	.0
Park Facilities	-	.8	-	-	-	-	(.8)
Council Buildings / Infrastructure improvement allowance	-	-	-	-	-	-	-
Uninsured Assets (Parks, Stormwater)	2.5	-	-	-	.4	-	2.1
Insurance Excesses	8.0	-	-	-	-	-	8.0
Total	**51.9**	**117.3**	**-**	**.0**	**.4**	**19.8**	**(85.6)**
Total Infrastructure Rebuild:	**419.6**	**117.3**	**181.8**	**147.1**	**75.5**	**19.8**	**(121.9)**
Emergency & Response Costs:							
Roading Emergency Work	94.7	-	-	4.3	65.4	.0	25.0
Welfare and other Emergency Work	67.6	-	1.3	63.9	-	.0	2.4
Other Response Costs	88.4	26.5	.4	26.8	1.8	5.3	27.7
Roading Temp Maintenance Works	31.9	-	.0	.0	21.8	(.0)	10.1
Non-Roading Temp Maintenance Works	155.8	2.4	18.0	101.7	-	.9	32.9
Demolition Costs	10.6	-	-	6.3	-	.1	4.2
Rockfall	21.0	-	-	7.0	4.1	(.0)	10.0
Increased Costs of Working	(1.0)	1.9	-	-	-	6.0	(8.9)
Staff/Other internal costs charged to Emerg/Resp	48.4	-	-	-	-	-	48.4
Less costs budgeted in Council activities	(37.5)	-	-	-	-	-	(37.5)
Total Emergency & Response Costs:	**480.0**	**30.8**	**19.7**	**209.8**	**93.1**	**12.3**	**114.3**
Grand Total	**899.6**	**148.1**	**201.5**	**357.0**	**168.6**	**32.0**	**(7.6)**
			3	4			

Notes:

1) SCIRT setup and overhead costs will be allocated over infrastructure assets upon job completion.

2) Recoveries reflect LAPP (Facilities) interim building indemnity settlements and EQC payments.

3) Reflects LAPP infrastructure settlement. $18.7 million remains to be received.

4) Of the Crown accrued recoveries of $357 million, $139.3 million has been paid to date.

Appendix 3: Total cost forecast

	Life forecast ($m)						
	Cost	Recoveries					Balance
		LAPP (F)	LAPP (I)	DIA/CERA	NZTA	Other	Council
Infrastructure Rebuild							
NZTA-subsidised roading (excl State Highways)	842.4	-	-	-	699.2	-	143.2
Non-subsidised roading (excl State Highways)	164.3	-	-	-	-	-	164.3
Sewer	694.0	-	140.1	416.4	-	-	137.5
Water	140.1	-	28.3	84.1	-	-	27.8
Stormwater	66.5	-	13.4	39.9	-	-	13.2
LAPP liability limitation	-	-	-	-	-	-	-
WIP / Alliance setup costs unallocated	-	-	-	-	-	-	-
Total	**1,907.3**	**-**	**181.8**	**540.4**	**699.2**	**-**	**485.9**
Other Assets and Insured Costs:							
Buildings and Facilities	463.4	452.8	-	-	-	-	10.6
Sewer above-ground assets	103.1	103.1	-	-	-	-	-
Water above-ground assets	26.6	26.6	-	-	-	-	-
Stormwater above-ground assets	.9	.9	-	-	-	-	-
Park Facilities	4.0	4.0	-	-	-	-	-
Council Buildings / Infrastructure - shortfall allowance	175.0	-	-	-	-	-	175.0
Uninsured Assets (Parks, Stormwater)	87.2	-	-	-	-	8.0	79.2
Insurance Excesses	23.9	-	-	-	-	-	23.9
Total	**884.1**	**587.4**	**-**	**-**	**-**	**8.0**	**288.8**
Emergency & Response Costs:							
Roading Emergency Work	87.8	-	-	3.3	63.9	.0	20.5
Welfare and other Emergency Work	73.9	-	1.3	55.0	-	.0	17.7
Other Response Costs	51.4	22.4	.4	11.8	-	3.2	13.6
Roading Temp Maintenance Works	65.0	-	.0	-	41.0	.0	24.0
Non-Roading Temp Maintenance Works	220.4	-	18.0	125.4	-	11.4	65.6
Demolition Costs	10.5	-	-	5.9	-	.1	4.5
Rockfall	79.9	-	-	6.6	3.9	-	69.4
Increased Costs of Working	6.0	3.0	-	-	-	-	3.0
Staff/Other internal costs charged to Emerg/Resp	11.7	-	-	-	-	-	11.7
Less costs budgeted in Council activities	-	-	-	-	-	-	-
Total	**606.5**	**25.4**	**19.7**	**207.9**	**108.8**	**14.7**	**230.0**
Grand Total	**3,398.0**	**612.8**	**201.5**	**748.3**	**808.0**	**22.7**	**1,004.7**

There are no changes to this table from that presented in the June report. It is intended to update the overall forecast once the next rebuild estimate update is received in October.

Appendix 4: Recoveries Summary

	Monthly recoveries summary report as at			31/08/2012			
$(m)	All Figures are GST Exclusive						
	Total	**Crown**	**NZTA**	**LAPP (I)**	**LAPP (F)**	**Other**	**Notes**
Rebuild							
Cost incurred to date	**419.6**						
Recoveries accrued	437.0	147.1	75.5	181.8	32.5	0.0	
Recoveries received	234.4	24.3	41.5	163.1	5.5	0.0	
Recoveries claimed but unpaid	18.7	0.0	0.0	18.7	0.0	0.0	
Balance unclaimed to date	183.9	122.8	34.0	0.0	27.0	-0.0	
Significantly Damaged Buildings (Indemnity recovery claimed)							
Recoveries accrued	104.6	0.0	0.0	0.0	84.8	19.8	
Recoveries received	65.4	0.0	0.0	0.0	45.7	19.8	
Recoveries claimed but unpaid	39.1	0.0	0.0	0.0	39.1	0.0	
Balance unclaimed to date	-0.0	0.0	0.0	0.0	0.0	-0.0	
Emergency and Response							
Cost incurred to date	**518.5**						
Recoveries accrued	357.8	209.8	93.1	19.7	28.9	6.3	
Recoveries received	231.8	115.0	90.7	19.7	0.1	6.3	
Recoveries claimed but unpaid	72.8	72.8	0.0	0.0	0.0	0.0	
Balance unclaimed to date	53.2	22.0	2.3	-0.0	28.8	0.0	
Increased Costs of Working							
Cost incurred to date	**3.8**						Excluding Office Accom due to Civic Building net rebate
Claims to be lodged (estimate)	1.9				1.9		

CORPORATE AND FINANCIAL COMMITTEE 5. 10. 2012

4. COUNCIL TREASURY OPERATIONS

General Manager responsible:	Paul Anderson, General Manager Corporate Services, DDI: 941-8528
Officer responsible:	Diane Brandish, Corporate Finance Manager
Author:	Funds and Financial Policy Manager

PURPOSE OF REPORT

1. This report provides the Corporate and Financial Committee with an overview of the Council's treasury operations along with current key issues and risks.

EXECUTIVE SUMMARY

2. As at 1 September 2012, the Council's treasury portfolio is made up of $592 million of debt, $312 million of investments and advances. As well as managing this portfolio treasury staff manage the Council's cashflows which in 2012/13 are expected to include the receipt of $1.311 billion and payments of $1.539 billion, with the difference being raised through new borrowing.

Summary		**$ million**
Gross Debt		-592.0
Investments		
Term Deposits and bonds	92.7	
Capital Endowment Fund	98.2	211.5
Advances to subsidiaries and community groups		
Tuam Ltd	4.8	
Vbase Ltd	34.2	
Civic Building Limited	59.3	
Other	2.0	100.3
Rates funded debt covering CAPEX and earthquake costs		-280.2

3. Day to day treasury operations, along with the development of recommended tactics and strategy, are carried out by the Funds and Financial Policies Manager with the support of a senior business analyst and assistant accountant. Their work is overseen by the Corporate Finance Manager, and monitored on a monthly basis by the Treasury Review Team (TRT). The TRT is made up of the General Manager Corporate Services, Corporate Finance Manager, Planning and Reporting Manager, Funds and Financial Policies Manager, and an external treasury advisor (Stuart Henderson of Asia Pacific Risk Management (APRM)). Monthly management reports are provided to the TRT, and governance reports are provided to the Corporate and Financial Committee (previously to the Audit and Risk Management Subcommittee).

4. This report is broken down into five sections: Liability Management; Investments; Cashflow Management; Current Issues; and Strategy and Tactics.

LIABILITY MANAGEMENT

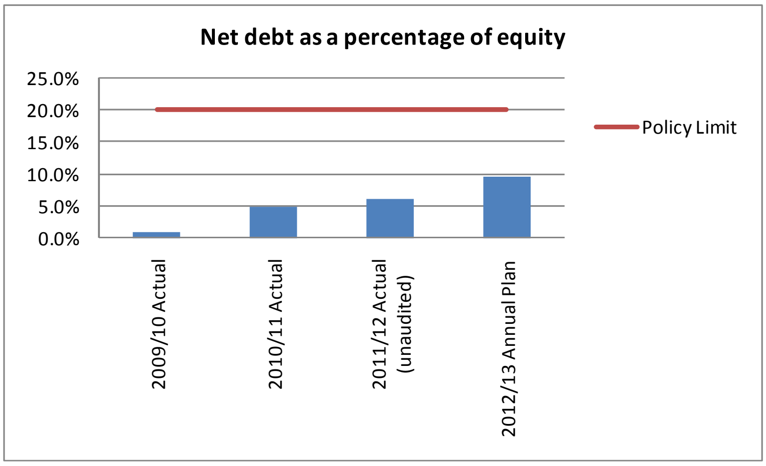
5. The Council's liability management objectives, in order of priority, are:

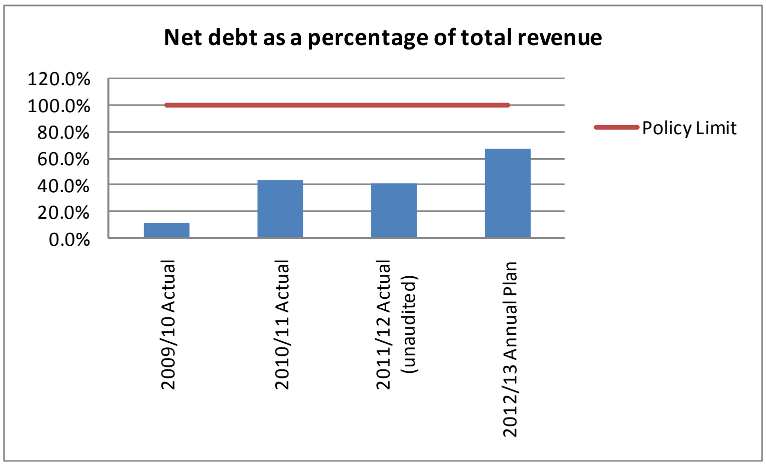
(a) to limit the Council's exposure to risk
(b) to maintain a prudent level of liquidity to meet both planned and unforeseen cash requirements
(c) to minimise the cost of borrowing, and
d) to maintain the Standard and Poor's credit rating of the Council and Christchurch City Holdings Limited at AA (long–term) and A1+ (short term), or better[1].

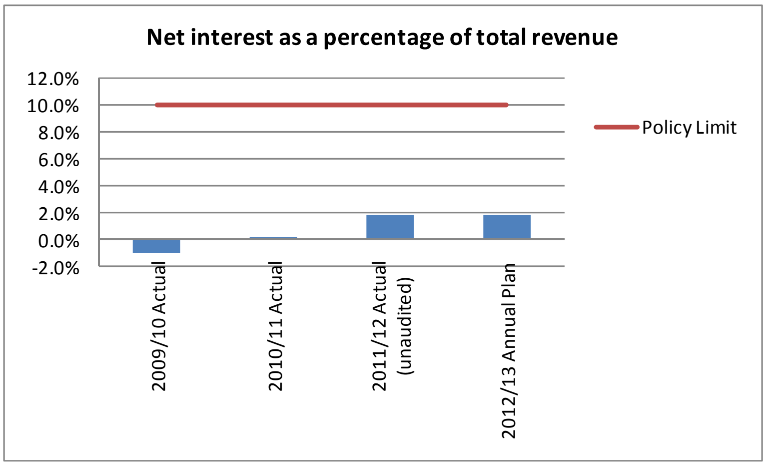
[1] The Council's financial strategy in the 2012/13 Annual Plan acknowledges that the Council's credit rating will come under pressure as a result of the debt it needs to take on in the short term to fund its share of earthquake costs.

4 Cont'd

6. Objectives (a) to (c) above are managed through the Council's overall borrowing limits and its liquidity and funding risk management strategy (see paragraphs 7-16 below). Objective (d) is managed through the overall borrowing limits and revenue forecasts. These limits are those governance level measures that are reported against in each year's annual plan and annual report. They are:







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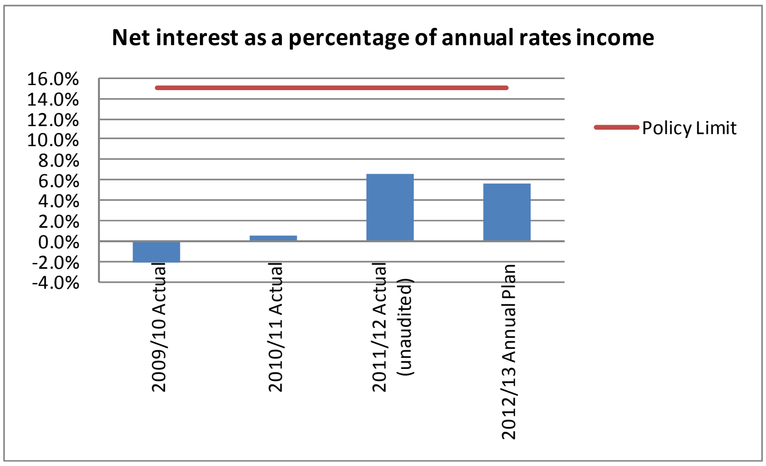
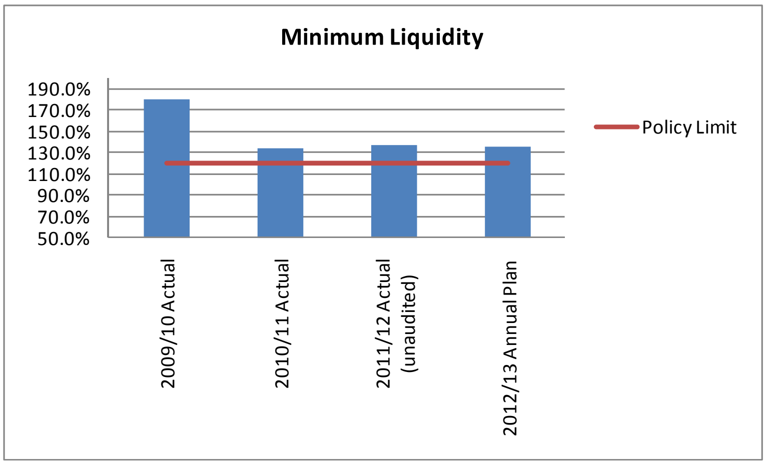




7. Liquidity risk management is concerned with the Council's ability to access funds in order to meet obligations as they fall due, either by borrowing or through the disposal of investments. The Council's ability to borrow, and the price at which we borrow, is influenced by factors such as our credit rating and our maturity profile. Funding risk management centres on the ability to refinance or raise new debt at a future time, and on the ability to obtain the same or more favourable pricing (fees and borrowing margins). A failure to properly manage liquidity and funding risk could see a major portion of the Council's existing debt coming due for repayment at the same time as we are seeking to raise new debt. Should this happen, and the Council be attempting to refinance and raise a large total of, say, $500 million this could stretch the capacity of financial markets to fund debt and potentially alarm possible lenders to the Council. As a result we could be required to pay increased interest rates as lenders impose a risk premium on Council debt. Alternatively we could be in a position where we are unable to raise the total amount of funds required.

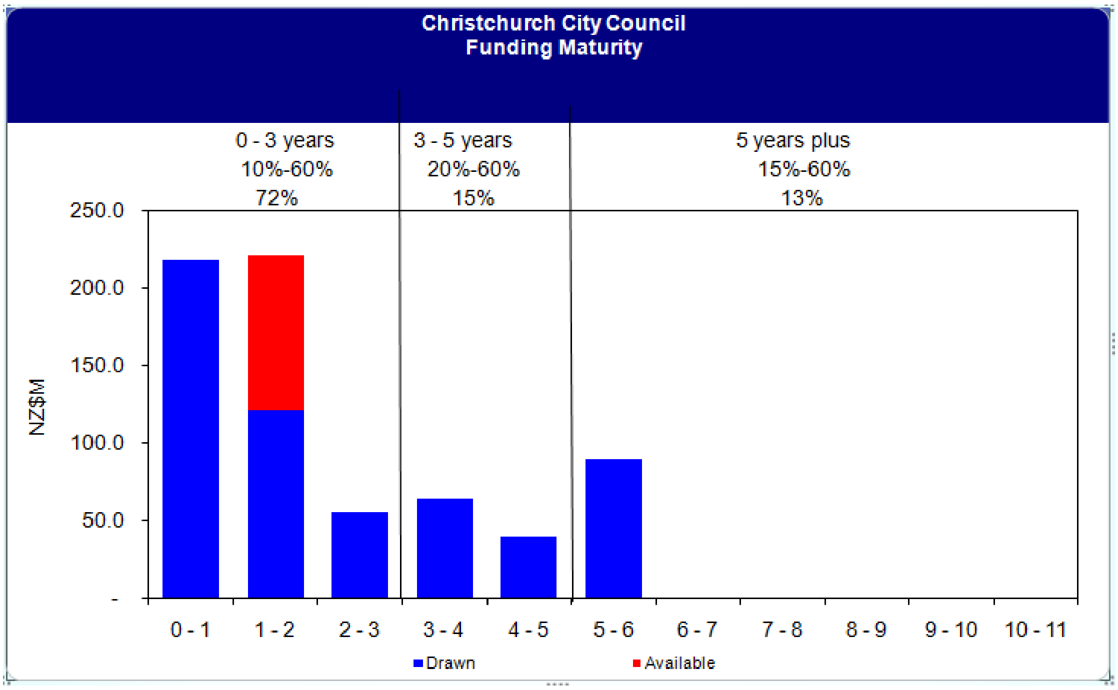
8. A key tool in managing liquidity and funding risk is the spread of debt maturities to reduce the concentration of risk at one time. This means that when new borrowing or refinancing occurs the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised. In order to achieve this, the Council has set maturity profile limits which specify the minimum and maximum amounts of debt that may mature in any one period:

Maturity Profile Limits

Period	Minimum	Maximum
0 – 3 years	10%	60%
3 – 5 years	20%	60%
5 years plus	15%	60%

4 Cont'd

9. Following the February 2011 earthquake additional borrowing was entered into to provide funds to pay for response and recovery costs. At the time it was anticipated that the majority of this funding would only be required in the short term, in advance of receipts from insurers and the Crown. The new borrowings at the time were, therefore, $100 million maturing in 2013, $50 million maturing in 2014, $25 million maturing in 2015, $25 million maturing in 2016, and $40 million maturing in 2018. In addition, a $100 million committed cash facility (essentially an on call overdraft) has been established to ensure that the Council has sufficient liquidity to cover major unforeseen events. The effect of this earthquake-related debt plus the cash facility was to concentrate the Council's funding maturity profile in the 0 to 3 year period and actual funding maturities at 31 August 2012 were:



Note: the red portion of this graph represents the $100 million committed cash advance facility (essentially an overdraft) that has not been drawn down.

10. This concentration of funding risk will be corrected by the refinancing of $75 million of existing debt, maturing in September and November 2012, with long term (greater than five years) debt and by positioning additional debt needed this year in the 3-5 and 5 year plus maturity groups.

11. Similar to liquidity and funding risk, the Council exposes itself to interest rate risk when a large portion of its debt is either borrowed on floating interest rates or is due to re-price in one time period. To ensure that the Council is not over exposed to fluctuating or climbing interest rates the Liability Management Policy sets two limits: (1) the Master fixed/floating risk control limit; and (2) the Fixed rate maturity profile limit.

Master fixed/floating risk control limit

Minimum fixed rate	Maximum fixed rate
50%	95%

Fixed rate maturity profile limit

Period	Minimum	Maximum
1 – 3 years	15%	60%
3 – 5 years	15%	60%
5 years plus	10%	60%

4 Cont'd

12. The majority of the Council's borrowings are made using floating interest rate loans. To ensure that it meets the Master fixed/floating risk control limit and the Fixed rate maturity profile limit, the Council uses interest rate swaps. These swaps are a contract with a bank in which the Council agrees to pay a fixed rate of interest on a notional sum, and in return the bank agrees to pay the floating rate of interest. This matching of interest payments and receipts is known as a hedge.

13. An example of how this works in practice is the interest rate hedge matched against $50 million of debt borrowed from the Local Government Funding Agency. The interest rate on this debt is BKBM (the floating rate that banks lend to each other overnight) plus a margin of 1.195 per cent. This floating debt is then fixed in a hedge relationship with interest rate swaps. In this case the Council pays a fixed interest rate of 3.934 per cent and the bank pays the Council BKBM. When the payment and receipt of BKBM rates are netted off, the remaining cost of the debt to the Council is the 3.934 per cent fixed interest rate plus the 1.195 per cent margin; a total cost of 5.139 per cent. This is shown in the diagrams below, with the first showing all funds flows and the second showing the net funds flow once the payment and receipt of BKBM floating rates are netted off:

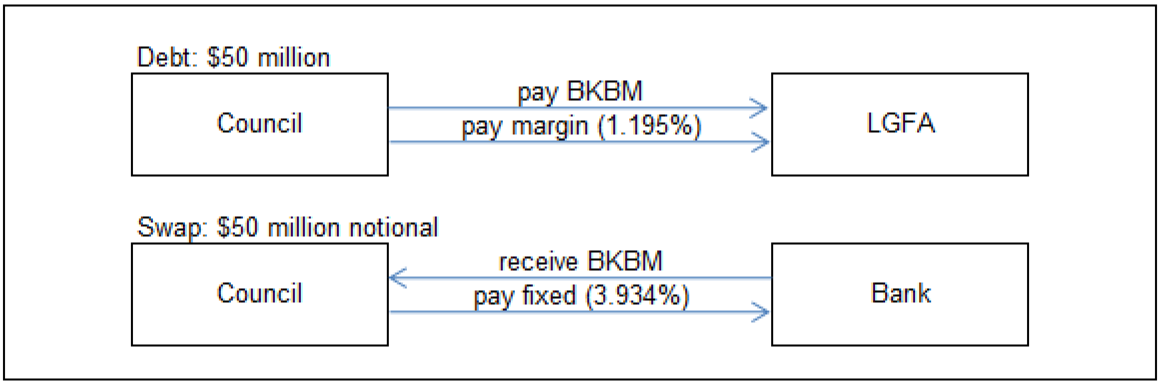


diagram 1

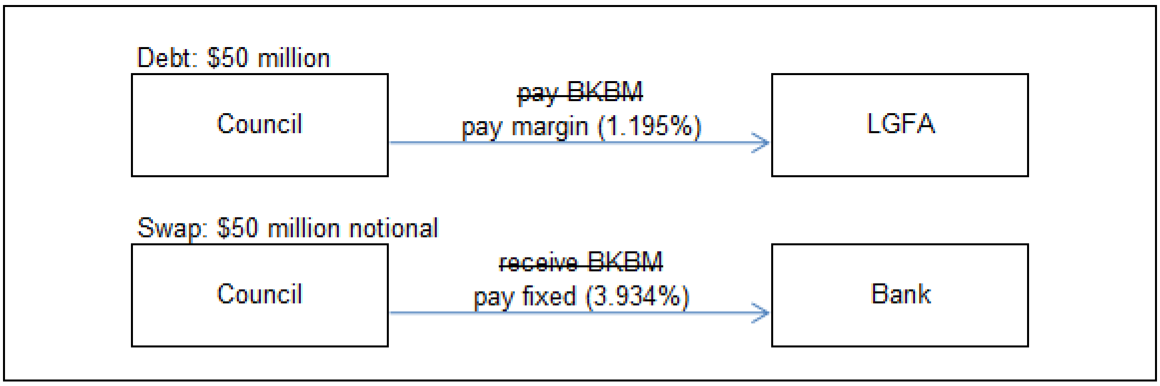
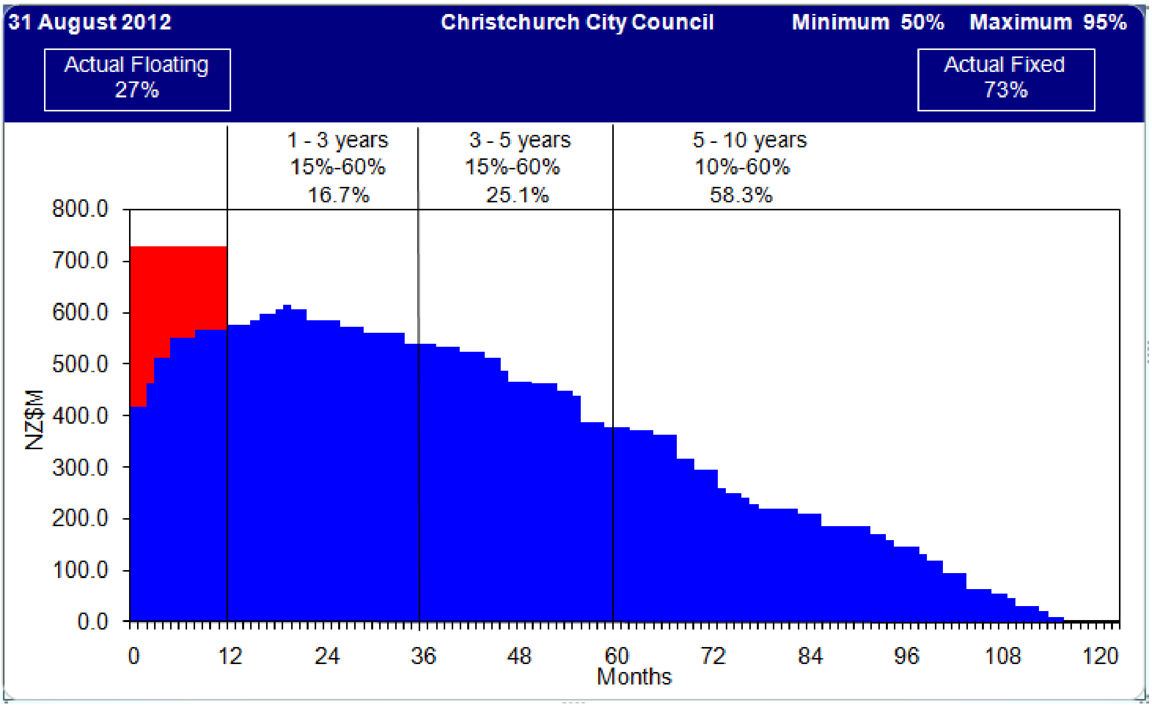


diagram 2

14. The Council's Liability Management Policy requires it to manage its forecast interest rate risk based on 24 month forecast net debt. Effectively this means that when the Council knows that it will be undertaking new borrowing in the next two years it will protect itself against interest rate risk on that expected borrowing. To manage this risk the Council uses forward start swaps. These are standard interest rate swaps in which the funds flows do not start until a specified date in the future, and explains why the notional value of the Council's swaps exceed its current debt. The Council currently holds swaps with a notional value of $672 million.

4 Cont'd

15. The net hedged position of the Council, when compared to policy limits, at 31 August 2012 is shown in the graph below.



Note: the red portion of this graph represents the portion of Council's forecast debt, twelve months from now, that is at a floating rate of interest.

16. The Council is currently close to policy limits in the five years plus maturity group. Because interest rates are at long term lows the TRT has taken the opportunity to lock in these low rates.

INVESTMENT MANAGEMENT

17. The Council's investment management objectives, in order of priority, are:

(a) to limit the Council's exposure to risk
(b) to maintain a prudent level of liquidity to meet both planned and unforeseen cash requirements
(c) to maximise returns on investments, and
(d) to maintain the Standard and Poor's credit rating of the Council and Christchurch City Holdings Limited at AA (long–term) and A1+ (short term), or better.

18. Objectives (a) and (b) above are managed through the Council's interest rate risk and counterparty credit risk management strategies.

19. Interest rate risk is the risk that investment returns will fall short of annual plan and long term plan budgets due to adverse movements in market interest rates. The Council exposes itself to interest rate risk when a large portion of its investments are either floating rate investments or are due to re-price in one time period. To ensure that the Council is not over exposed to fluctuating or declining interest rates the TRT assesses its position against the same maturity profile limits as those specified for borrowing (note: these targets are not set in the Investment Policy):

Master fixed/floating risk control limit

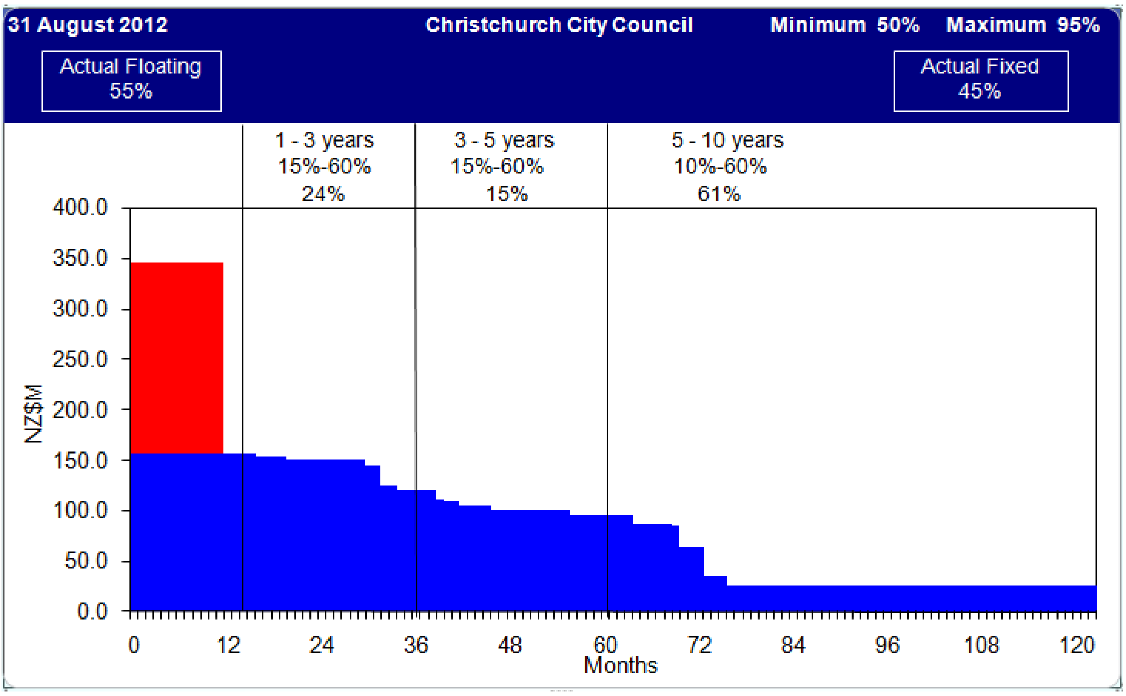
Minimum fixed rate	Maximum fixed rate
50%	95%

4 Cont'd

Fixed rate maturity profile limit

Period	Minimum	Maximum
1 – 3 years	15%	60%
3 – 5 years	15%	60%
5 years plus	10%	60%

20. The actual position of the Council at 31 August 2012 is shown in the graph below:



Note: the red portion of this graph represents the portion of Council's investments that are at a floating rate of interest.

21. The Council is currently outside the Master fixed/floating risk control limit target self-imposed by the TRT because of the amount of maturing investments being reinvested short term. This has been a conscious strategy, based on the advice of the Council's Treasury Adviser, which seeks to maximise interest revenue (particularly for the Capital Endowment Fund). Current market investment interest rates are very low, however most economic analysts, including those at APRM, have expected interest rates to increase sharply within the next 12 months. New Council investments have therefore been kept short so that the low interest rates available now are not locked in for an extended period. It has been expected that as these investments mature they will be able to be invested in fixed rate investments at better interest rates than are currently available. However, given the duration of this low interest rate environment and the recent third round of quantitative easing by the US Federal Reserve staff are reassessing this tactic.

22. Counterparty credit risk is the risk of losses arising from transactions with another party, such as a bank, when that party defaults on money owed to the Council. To manage its counterparty credit risk the Council:

4 Cont'd

(a) invests only in organisations that have long–term credit ratings (Standard and Poor's or Moody's) of A– and above, or short–term rating of A2 or above, or which are New Zealand Local Authorities or Government, and
(b) seeks to spread its exposure over as wide a range of counterparties as reasonably possible.

23. On 28 June 2012 the Council resolved to increase its counterparty credit limits to the following maximums:

Counterparty/ Issuer	Minimum long term / short term credit rating –	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)
NZ Government	A-/ A2	unlimited	none	unlimited
NZD Registered Supranationals (e.g. IMF or World Bank)	AAA	70.0	none	70.0
State Owned Enterprises	A-/ A2	20.0	none	20.0
NZ Registered Bank	A-/ A2	100.0	150.0	150.0
Corporate Bonds/ CP	A-/ A2	10.0	none	10.0
Local Government Stock/ Bonds/ FRN/CP	A-/ A2 (if rated) Unrated	40.0 25.0	none none	40.0 25.0

24. At 31 August 2012 the Council was within all its counterparty credit limits.

CASHFLOW MANAGEMENT

25. Staff maintain three complementary cashflow models. The first is the daily model which tracks all cash inflows and outflows and is reconciled to the daily bank statements. The second model is a rolling 12 month forecast which forecasts cash inflows, outflows, and balances. This is a worst-case model and it includes only cashflows that are either known, such as investment maturities, or which can be accurately forecast, such as rates income, payrolls or weekly payments to suppliers. It does not include unknowns such as strategic land purchases or insurance receipts. The third model is a rolling 36 month forecast. This could be termed an 'expected-case' model which is based on Annual Plan budgets and updated based on the best information currently available in relation to the timing and amount of all expected cashflows. It does include an allowance for strategic land purchases and insurance receipts along with other items, the timing of which is outside Council's control.

26. Treasury staff base day-to-day investment decisions on the forecast cashflow, and overall strategy and tactics along with recommendations in relation to new and refinanced debt are recommended to the TRT based on these models.

CURRENT TREASURY ISSUES

27. The primary issue currently facing the TRT and treasury staff is liquidity because of the uncertainty around the amount and timing of earthquake-related funding and expenditure. In general the Council's funding outflows are reasonably stable and predictable, particularly now

4 Cont'd

that SCIRT is operating in a BAU mode. However, major uncertainty remains around CCDU projects and the amount and timing of associated payments. Similarly, there is considerable uncertainty around the amount and timing of payments from the Council's insurers and Crown agencies. The current outstanding claimed but unpaid amounts from insurers and the Crown total $130.6 million. There is a further $123 million that has not yet been invoiced to the Crown because no payments will be made until Cabinet have signed off on their Better Business Case for the rebuild of the horizontal infrastructure.

28. The effect of this on the Council is best illustrated in the differences between the 36 month rolling cash flow model (expected-case) and the rolling 12 month forecast (worst-case). The expected-case model forecasts a requirement for the Council to begin borrowing to fund recovery costs from April 2013. However the worst-case model indicates that the Council will need to commence borrowing in October 2012. The difference between the models are a number of anticipated, but uncertain, earthquake-related payments.

29. This uncertainty does not create a risk that the Council will be unable to meet its commitments as they fall due. Any short term shortfalls can be met through the Council's $100 million committed cash advance facility with the Commonwealth Bank of Australia or through the issue of commercial paper (short term debt) to the banks. The risk to the Council is that borrowing may be undertaken in advance of need and funding costs are therefore unnecessarily high.

30. As reported to the Audit and Risk Management Subcommittee in August, the Council has at times in the past 12 months been in excess of the interest rate exposure limits in the Liability Management Policy (explained in paragraphs 12 to 16 above). This was primarily the consequence of fixing of long term interest rates while the market is at historic lows. This situation self-corrected as time has passed and contracts for interest rate re-pricing move forward into new maturity groups.

31. As noted above the Council is currently outside those interest rate maturity limits self imposed by the TRT. In the current economic environment this is unavoidable if the Council wants to maximise the returns on the Capital Endowment Fund over the long term. Staff will correct this position as interest rates recover. However, given the duration of this low interest rate environment and the recent third round of quantitative easing by the US Federal Reserve staff are reassessing the Capital Endowment Fund position.

32. An internal audit of the treasury function was completed by PriceWaterhouseCoopers in August 2012. Overall the audit found that the treasury function is successfully managed by the Corporate Finance Manager. It made two medium findings, one in relation to strengthening procedures and documentation in relation to a breach of the maturity profile limits when the Council borrowed to ensure liquidity following the February 2011 earthquake (see paragraphs 9 and 10 above). The second was in relation to improving the physical documentation of information held within the treasury management system.

CURRENT STRATEGY AND TACTICS

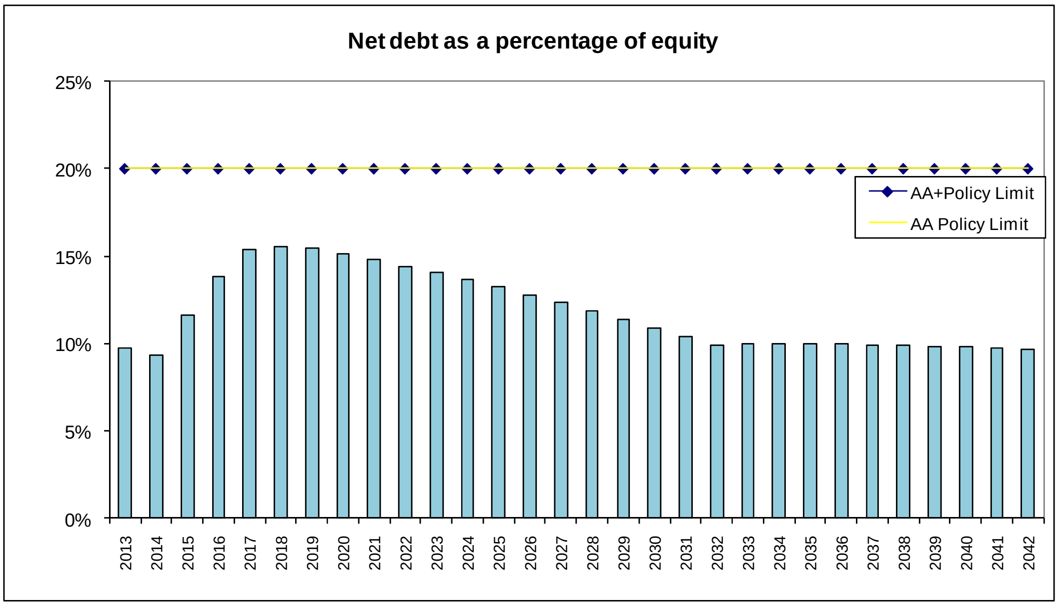
33. As noted above liquidity remains an issue due to the uncertainty around the timing of earthquake-related receipts and payments. Although the rolling 36 month forecast shows no new borrowing until April 2013, if there are no new receipts from the Crown or insurers there will be a requirement to borrow in October 2012.

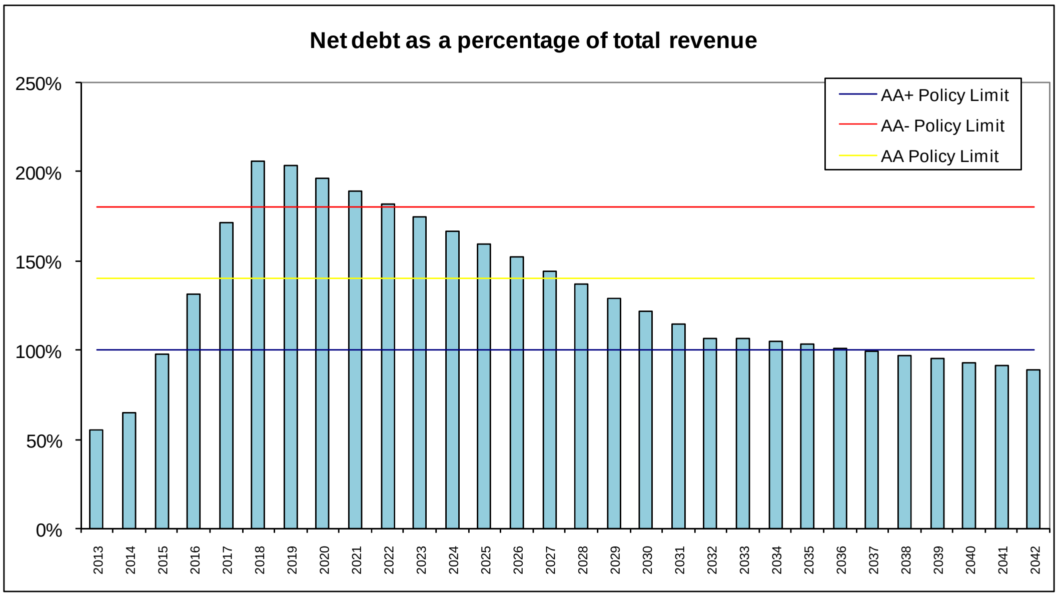
34. In the very short term the Council will continue to rely on commercial paper and the Commonwealth Bank of Australia $100 million facility for liquidity. Future term borrowing will be from the Local Government Funding Agency and will be in the 5+ years maturity period to ensure we move back within funding maturity policy limits.

35. There is $80 million of debt maturing over the next 12 months, including $5 million of commercial paper. The commercial paper relates to on lending to Vbase and will be rolled. The $75 million is term debt and will be refinanced through Local Government Funding Agency bonds maturing in 2019.

4 Cont'd

36. Paragraph 6 above outlined those five governance level measures that are reported against in each year's annual plan and annual report. The financial strategy adopted as part of the 2012/13 Annual Plan suggests that net debt as a percentage of total revenue, net interest as a percentage of total revenue, and net interest as a percentage of annual rates income may breach the 2009-19 LTCCP targets from about 2016. However, only net debt as a percentage of total revenue is likely to breach the policy limit associated with an AA- credit rating. As shown in the graphs below all measures are planned, in accordance with the Council's Financial Strategy, to return to within LTCCP targets by 2037.





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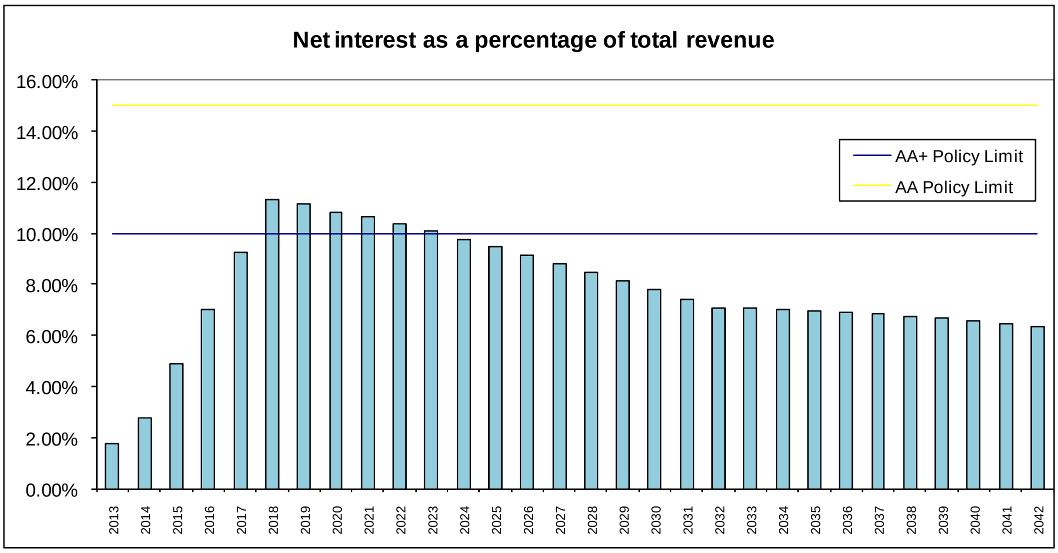
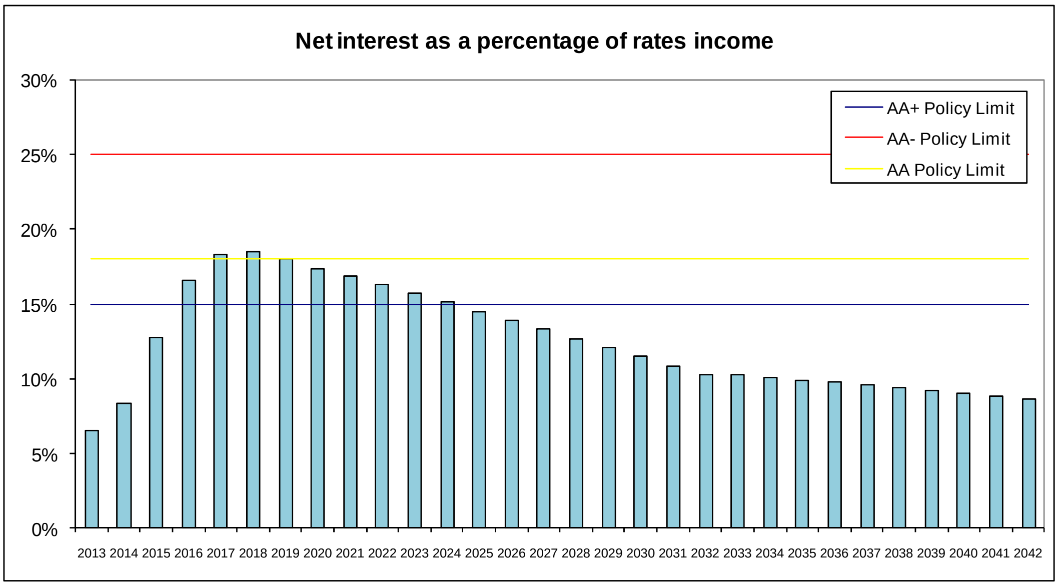
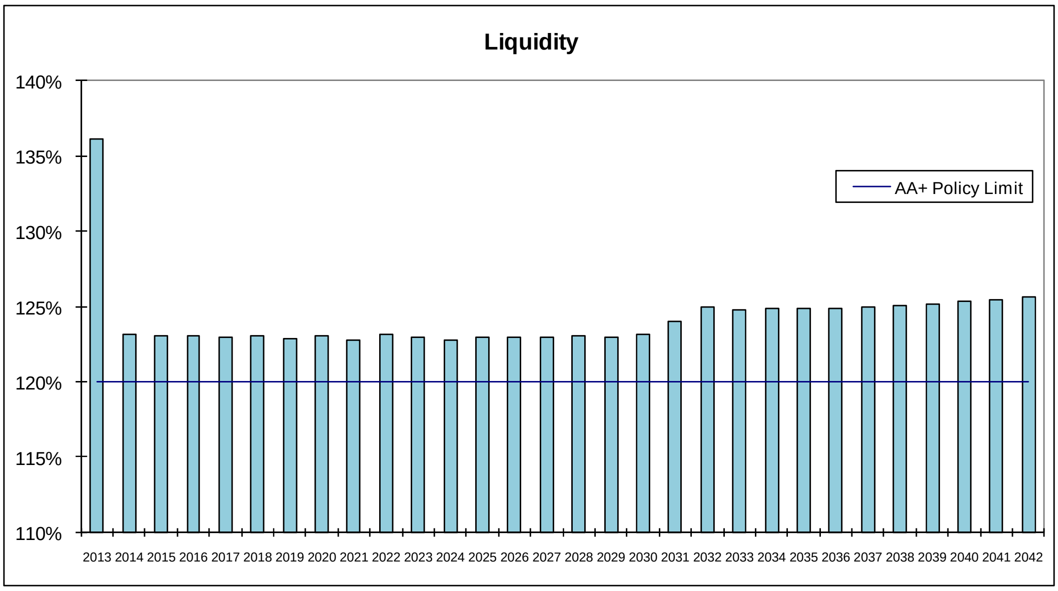

Net interest as a percentage of total revenue
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
AA+ Policy Limit
AA Policy Limit
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042


Net interest as a percentage of rates income
30%
25%
20%
15%
10%
5%
0%
AA+ Policy Limit
AA- Policy Limit
AA Policy Limit
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042


Liquidity
140%
135%
130%
125%
120%
115%
110%
AA+ Policy Limit
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042

4 Cont'd

FINANCIAL IMPLICATIONS

37. Nil.

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

38. Not applicable.

LEGAL CONSIDERATIONS

39. Section 102 of the Local Government Act 2002 requires the Council to adopt an Investment Policy and a Liability Management Policy (referred to below as Treasury Policies). The Council's current Treasury Policies were adopted as part of the 2009-19 LTCCP. The Investment Policy was amended by the Council at its meeting on 28 June 2012 to increase counterparty credit limits (maximum investment levels).

40. Section 104 of the Act sets out the minimum requirements of a Liability Management Policy. Such a policy must state the local authority's policies in respect of the management of both borrowing and other liabilities, including:

    (a) interest rate exposure
    (b) liquidity
    (c) credit exposure
    (d) debt repayment.

41. Section 105 of the Act sets out the minimum requirements of an Investment Policy. Such a policy must state the local authority's policies in respect of investments, including:

    (a) the mix of investments
    (b) the acquisition of new investments
    (c) an outline of the procedures by which investments are managed and reported on to the local authority
    (d) an outline of how risks associated with investments are assessed and managed.

42. Prior to the passing of the Local Government Act 2002 Amendment Act 2010 Treasury Policies could only be adopted or amended as part of a Long Term Council Community Plan. However, since the passing of that Act the Council can amend its Treasury Policies, by resolution, subject to the decision making requirements in the Local Government Act.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

43. Not applicable.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

44. No.

ALIGNMENT WITH STRATEGIES

45. Not applicable.

CONSULTATION FULFILMENT

46. Not applicable.

STAFF RECOMMENDATION

That the Committee receive the report.

5. CORPORATE FINANCE REPORT FOR PERIOD ENDED 31 AUGUST 2012

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

PURPOSE OF REPORT

1. The purpose of this report is to provide the Corporate and Financial Committee and the Council with an update on key financial and treasury matters for the period ending 31 August 2012.

TREASURY

2. Since June 2012 $161 million of funding has been received from insurers. These funds have been used to repay the $50 million funds drawn for the Commonwealth Bank of Australia committed cash advance facility with the balance being invested in short term deposits and liquid investments in advance of earthquake-related expenditure. With the sale of Jet Engine Facilities Limited Council's $12.550 million loan has been repaid and the Council used these funds to retire the related loan from CCHL. During July $10 million of 30 day commercial paper was issued to cover unexpectedly large creditors payment on 11 July. This was repaid in August.

3. The Council has $180 million of existing debt maturing over the next 12 months, the majority of which will be refinanced through the Local Government Funding Agency. The uncertainty around the timing of earthquake-related receipts remains an issue for the Council. Although forecasts show no new borrowing requirements until April 2013, this assumes further funding is received from the Crown and insurers in October. We have been advised that two papers are going to Cabinet at the end of October which should ensure ongoing funding from November. In the short term the Council continues to rely on commercial paper and the Commonwealth Bank of Australia for short term funding, while in the medium term new debt will be sourced from the Local Government Funding Agency.

4. The Treasury Management Report attached as **Attachment 1** shows that the Council is within all treasury limits other than the Liquidity and Funding Risk ratios where it has too heavy a weighting of short-term funding, (0-3 years) and insufficient in the longer terms, (3-5 years and 5 years plus). This is consistent with recent reporting periods and will be addressed within the next few months as short term funding becomes due for renewal.

DEBTORS

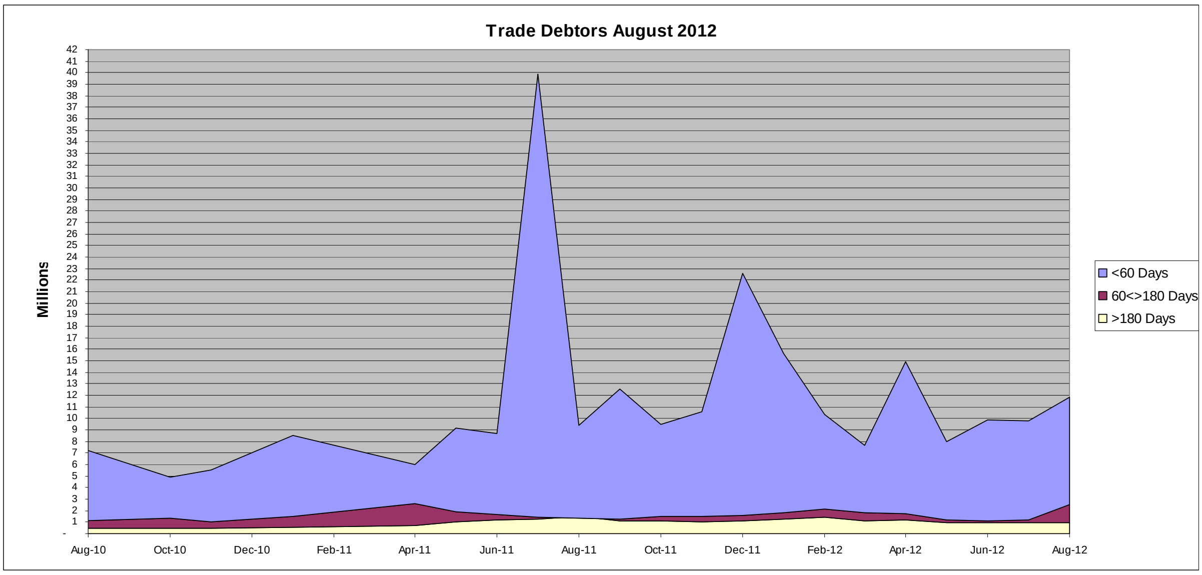
5. At 31 August 2012, the debtors' balance stood at $11.8 million, $2.0 million higher than that reported in June. The change is mainly due to the invoices raised on the Department of Internal Affairs and Canterbury Earthquake Recovery Authority, all of which remain unpaid and overdue. Other categories are largely unchanged.

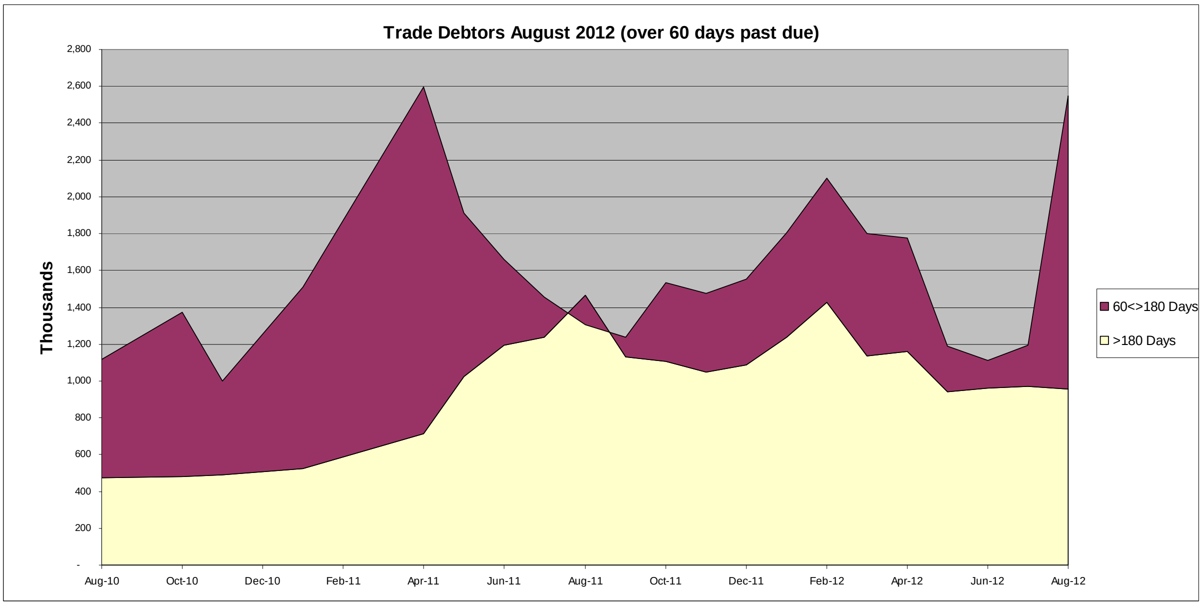
6. Overdue debtors have increased by $1.4 million, to $2.5 million, (21 per cent), being the invoices mentioned above. The June figures were $1.1 million and 11 per cent.

7. $24,444 has been written off in this financial year, compared to $81,143 for the same time last year. Further detail is provided in **Appendix 2** (attached). As with previous reports the main reason for the write off in each area is that debtors cannot be located.

CORPORATE AND FINANCIAL COMMITTEE 5. 10. 2012

5 Cont'd





FINANCIAL AND LEGAL CONSIDERATIONS

8. There are no financial or legal implications other than those covered above.

STAFF RECOMMENDATION

That the Committee recommend that the Council receive the report.

ATTACHMENT 1 TO CLAUSE 5
CORPORATE AND FINANCIAL COMMITTEE
5. 10. 2012

Christchurch City Council Treasury Management Report for period to 31 August 2012

Key Performance Measures

	Policy Limits	Actual 2011/12 period ended	31 August 2012
INVESTMENT POLICY			
Counterpart Credit Risk Limits (see attachment for split per bank)			
Max Investment per counterparty			
NZ Govt	unlimited		
NZD Registered Supernationals	$70 m		
SOEs	$20 m		
NZ Registered Bank (A- / A2)	$100 m		
NZ Registered Bank (Govt guaranteed)	Up to guarantee maximum	Within Limits [see (a) & (c)]	
Corp Bonds/CP	$10 m		
Local Govt Stock/Bonds/FRN/CP	$40 m A-/A2 rated $25 m unrated		
Interest rate risk mgmt instrument max per counterparty			
Counterparty Credit Risk Limits			
NZ Registered Bank (per bank) - Min long-term/short-term credit rating	A-/A2	Within Limits [see (b) & (c)]	
- Interest rate risk mgmt instrument max	$150m		
LIABILITY MANAGEMENT POLICY			
Liquidity & funding risk management			
0-3 years1 & 2	10 - 60%	72%	Outside limits
3-5 years	20 - 60%	15%	Outside limits
5 years plus2	15 - 60%	13%	Outside limits

[1] CBA $100m facility is a two year facility but draw downs roll every 60 to 90 days.

[2] Short term debt facilities have been established to accommodate timing differences between payment of response and recovery costs and receipt of funding from the Crown. The refinancing of $75m existing debt in September and November will bring Council back within these limits.

	Policy Limits	Actual	
Borrowing mechanisms & limits			
Net debt as a percentage of equity	<20%	5.3%	Within limits
Net debt as a percentage of total revenue3	<100%	38.2%	Within limits
Net interest as a percentage of total revenue3	<10%	1.8%	Within limits
Net interest as a percentage of annual rates income (debt secured debenture)	<15%	5.6%	Within limits
Liquidity (term debt+committed loan faciilities+liquid investments to current external debt)	>120%	154.8%	Within limits

3 excludes non-govt capital contributions

	Policy Limits	Actual	
When 24-month forecast net debt exceeds $25 million:			
Interest rate exposure			
Master fixed/floating risk control limit	50 - 95%	76.0%	Within limits
Fixed maturity profile limit			
0-3 years	15 - 60%	16.7%	Within limits
3-5 years	15 - 60%	25.1%	Within limits
5 years plus	10 - 60%	58.2%	Within limits

ATTACHMENT 1 TO CLAUSE 5
CORPORATE AND FINANCIAL COMMITTEE
5. 10. 2012

(a) Counterpart Credit Risk Limits

Counterparty	Min Long Term/Short Term credit rating	Max Investment per counterparty		Interest rate risk mgmt instrument max per counterparty **	Total max per counterparty (c)	
NZ Govt	A- / A2	unlimited		none	unlimited	
NZD Registered Supernationals	AAA	70m		none	70m	
SOEs	A- / A2	20m		none	20m	
NZ Registered Bank	A- / A2	100m		150m	150m	
NZ Registered Bank	Govt guaranteed	Up to guarantee maximum		none	Up to guarantee maximum	
Corp Bonds/CP	A- / A2	10m		none	10m	
Local Govt Stock/Bonds/FRN/CP	A- / A2 (if rated) unrated	40	25	none	40m	25m

*** To determine the counterparty amount for Interest Rate Risk Management, the formula notional principal x maturity (years) x 3% is used. (Per LTCCP 2009-19)*

Max investment per Counterparty	Actual $m	Max allowed $m	Credit rating	
ANZ	0.0	100.0	AA-	Within limits
ASB Bank	60.3	100.0	AA-	Within limits
Auckland International Airport	5.0	10.0	A-	Within limits
Bank of New Zealand	41.2	100.0	AA-	Within limits
Canty Museum Trust Board[1]	3.0	25.0	Unrated	Within limits
Far North District Council	2.6	25.0	Unrated	Within limits
Fonterra Co-op Group	4.5	10.0	A+	Within limits
Horowhenua DC	3.0	25.0	Unrated	Within limits
HSBC	10.8	100.0	AA-	Within limits
Interstar NZ Millennium	0.1	10.0	AA-	Within limits
Kiwibank	20.0	100.0	AA-	Within limits
LGFA	30.0	40.0	AA+	Within limits
Manukau City Council	5.0	25.0	Unrated	Within limits
Masterton District Council	0.0	25.0	Unrated	Within limits
New Plymouth District Council	2.0	40.0	AA+	Within limits
Rabobank	0.0	100.0	AA	Within limits
Rotorua District Council	5.0	25.0	Unrated	Within limits
Selwyn DC	0.0	25.0	Unrated	Within limits
Tauranga City Council	5.0	50.0	A+	Within limits
TCNZ Finance Ltd	2.0	10.0	A-	Within limits
Westpac Inst. Bank	8.0	100.0	AA-	Within limits
Whangarei District Council	10.0	25.0	Unrated	Within limits

Interest rate risk mgmt instrument max per counterparty	Actual $m	Max allowed $m	Credit rating	
ANZ	57.7	150.0	AA-	Within limits
BNZ	14.4	150.0	AA-	Within limits
Westpac	32.7	150.0	AA-	Within limits

(b) Counterparty Credit Risk Limits

	Actual $m	Max allowed $m	Credit rating	
ANZ	57.7	150.0	AA-	Within limits
Bank of New Zealand	55.5	150.0	AA-	Within limits
Westpac Inst. Bank	40.7	150.0	AA-	Within limits

(c) Total max per counterparty

	Actual	Max allowed	Credit rating	
ANZ	57.7	150.0	AA-	Within limits
ASB Bank	60.3	100.0	AA-	Within limits
Auckland International Airport	5.0	10.0	A-	Within limits
Bank of New Zealand	55.5	150.0	AA-	Within limits
Canty Museum Trust Board[1]	3.0	25.0	Unrated	Within limits
Far North District Council	2.6	25.0	Unrated	Within limits
Fonterra Co-op Group	4.5	10.0	A+	Within limits
Horowhenua DC	3.0	25.0	Unrated	Within limits
HSBC	10.8	100.0	AA-	Within limits
Interstar NZ Millennium	0.1	10.0	AA-	Within limits
Kiwibank	20.0	100.0	AA-	Within limits
LGFA	30.0	40.0	AA+	Within limits
Manukau City Council	5.0	25.0	Unrated	Within limits
Masterton District Council	0.0	25.0	Unrated	Within limits
New Plymouth District Council	2.0	40.0	AA+	Within limits
Rabobank	0.0	100.0	AA	Within limits
Rotorua District Council	5.0	25.0	Unrated	Within limits
Selwyn DC	0.0	25.0	Unrated	Within limits
Tauranga City Council	5.0	50.0	A+	Within limits
TCNZ Finance Ltd	2.0	10.0	A-	Within limits
Westpac Inst. Bank	40.7	150.0	AA-	Within limits
Whangarei District Council	10.0	25.0	Unrated	Within limits

[1] *For the purposes of calculating policy checks the Canterbury Museum Trust Board investment is treated as unrated local government bonds.*

ATTACHMENT 2 TO CLAUSE 5 CORPORATE AND FINANCIAL COMMITTEE 5. 10. 2012

Appendix 2

Debt written off - summary report for the year ended 31 August 2012

Appendix 2

	July	August	September	October	November	December	January	February	March	April	May	June	YTD Total	%
Write Offs < $2000.00	7,596.29	10,067.95											**17,664.24**	72.3%
Write Offs => $2000.00	2,776.84	4,003.21											**6,780.05**	27.7%
Total to approve	**10,373.13**	**14,071.16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,444.29**	
Breakdown:														
Parking	-	-											**-**	0.0%
Residential Rents	4,531.87	5,133.86											**9,665.73**	39.5%
Regulatory	-	748.84											**748.84**	3.1%
Dogs	-	4,365.00											**4,365.00**	
Library (ex SAP)	-	-											**-**	0.0%
Library - Unicorn Only	5,606.63	3,012.82											**8,619.45**	35.3%
Sundry	104.63	755.49											**860.12**	3.5%
Customer in Liquidation	130.00	-											**130.00**	0.5%
Abandoned Vehicle	-	-											**-**	0.0%
Street Pole	-	55.15											**55.15**	0.2%
Commercial	-	-											**-**	0.0%
Total 2011-2012	**10,373.13**	**14,071.16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,444.29**	
Total 2010-2011	43,110.94	38,031.93	11,966.92	18,828.04	3,026.55	4,020.10	22,287.97	54,734.32	61,563.16	31,231.24	33,598.59	17,182.11	**339,581.87**	
Variance to Last Year	*- 32,737.81*	*- 23,960.77*	*- 11,966.92*	*- 18,828.04*	*- 3,026.55*	*- 4,020.10*	*- 22,287.97*	*- 54,734.32*	*- 61,563.16*	*- 31,231.24*	*- 33,598.59*	*- 17,182.11*	***- 315,137.58***	

6. FORESTS AND RURAL FIRE INSURANCE COVER

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

PURPOSE OF REPORT

1. The purpose of this report is to recommend to the Council that Forests and Rural Fire Insurance Cover be placed with Civic Assurance.

EXECUTIVE SUMMARY

2. Prior to June 2011 Forests and Rural Fire Cover was one of the insurance policies which was renewed annually; however, following the events of 2010 and 2011 it was no longer available. We have been approached by the Manager, Civil Defence and Emergency Management requesting that we contact the markets again.

3. This insurance provides the Council with cover for the costs of any fire fighting in the capacity of Fire Authority for a Rural District under the Forests and Rural Fires Act. The most recent example of this was a fire that started in the Bottle Lake plantation in the 1990s, which cost the Council $800,000 to fight.

4. Aon approached NZI, Vero, Dual, Ace, QBE, Lumley and Chartis who all declined to quote as it is not a cover they would normally offer. Civic Assurance provided an option on the following terms:

   - $2 million any one loss and $2 million in the aggregate with $5,000 excess, premium, $6,575;
   - Previous cover $2 million any one loss, $4 million in the aggregate, $10,000 excess, premium $6,575.

5. Civic Assurance do not meet the credit requirements of the Council which is to deal only with companies with an AM Best rating of A- or better. Civic are rated B++.

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

6. Yes – there are none.

FINANCIAL AND LEGAL CONSIDERATIONS

Have you considered the financial and legal implications of the issue under consideration?

7. Yes – there are none other than those mentioned above.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

8. Not applicable.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

9. Not applicable.

ALIGNMENT WITH STRATEGIES

10. Not applicable.

CONSULTATION FULFILMENT

11. Not applicable.

6 Cont'd

STAFF RECOMMENDATION

That the Committee recommend to the Council that cover for Forests and Rural Fire Insurance Protection be placed with Civic Assurance.

7. RESOLUTION TO EXCLUDE THE PUBLIC

Attached.

5. 10. 2012

CORPORATE AND FINANCIAL COMMITTEE

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely item 8 and 9.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
8.	**EARTHQUAKE INSURANCE CLAIMS UPDATE AUGUST 2012**	**) GOOD REASON TO) WITHHOLD EXISTS) UNDER SECTION 7**	**SECTION 48(1)(a)**
9.	**OVERDUE DEBTORS OVER $20,000 AS AT 31 AUGUST 2012**	**))**	

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM	REASON UNDER ACT	SECTION	PLAIN ENGLISH REASON	WHEN REPORT CAN BE RELEASED
8.	Conduct of negotiations	7(2)(i)	Contains confidential negotiation details	Never
9.	Prejudice commercial position	7(2)(b)(ii)	Contains information that may prejudice the Council’s commercial position	Never
9.	Protection of privacy of natural persons	7(2)(a)	Contains information that identifies individuals	Never

Chairperson’s
Recommendation: That the foregoing motion be adopted.

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

(a) Shall be available to any member of the public who is present; and
(b) Shall form part of the minutes of the local authority.”