

### **AGENDA**

# Commercial and Strategy Committee Meeting Tuesday, 28 April 2020

Date Tuesday, 28 April 2020

**Time following the Community Services Committee** 

**Location Via Zoom Video Link** 

File Reference 1334409



#### **Timaru District Council**

Notice is hereby given that a meeting of the Commercial and Strategy Committee will be held via Zoom Video Link, on Tuesday 28 April 2020, at the conclusion of the Community Development Committee meeting.

#### **Commercial and Strategy CommitteeMembers**

Clrs Peter Burt (Chairperson), Allan Booth (Deputy Chairperson), Richard Lyon, Gavin Oliver, Paddy O'Reilly, Barbara Gilchrist, Sally Parker, Stu Piddington, Steve Wills and Nigel Bowen

Quorum – no less than 2 members

#### Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Donna Cross

**Group Manager Commercial and Strategy** 



#### **Order Of Business**

1	Apologies			
2	Identification of Items of Urgent Business			
3	Identification of Matters of a Minor Nature			
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6	Confirmation of Minutes			
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- 1 Apologies
- 2 Identification of Items of Urgent Business
- 3 Identification of Matters of a Minor Nature
- 4 Declaration of Conflicts of Interest
- **5** Chairperson's Report

#### **6** Confirmation of Minutes

#### 6.1 Minutes of the Commercial and Strategy Committee Meeting held on 10 March 2020

Author: Jo Doyle, Governance Advisor

#### Recommendation

That the Minutes of the Commercial and Strategy Committee Meeting held on 10 March 2020 be confirmed as a true and correct record of that meeting.

#### **Attachments**

1. Minutes of the Commercial and Strategy Committee Meeting held on 10 March 2020



### **MINUTES**

# Commercial and Strategy Committee Meeting Tuesday, 10 March 2020

Ref: 1334409

## Minutes of Timaru District Council Commercial and Strategy Committee Meeting Held in the Council Chamber, Timaru District Council, King George Place, Timaru on Tuesday, 10 March 2020 at 11.42am

Present: Cr Peter Burt (Chairperson), Cr Allan Booth (Deputy Chairperson), Cr Richard

Lyon, Cr Gavin Oliver, Cr Paddy O'Reilly, Cr Barbara Gilchrist, Cr Sally Parker, Cr

Stu Piddington, Cr Steve Wills, Mayor Nigel Bowen

In Attendance: Community Board Representatives

Geraldine Community Board - Natasha Rankin

**Council Officers** 

Group Manager Commercial and Strategy (Donna Cross), Chief Financial Officer (David Codyre), Business Development Manager (Frazer Munro) for Items 7.5

and 7.6, Governance Advisor (Jo Doyle)

#### 1 Apologies

No apologies were received.

#### 2 Identification of Items of Urgent Business

No matters of Urgent Business were identified.

#### 3 Identification of Matters of a Minor Nature

No matters of a Minor Nature were identified.

#### 4 Declaration of Conflicts of Interest

Mayor Nigel Bowen and Cr Richard Lyon noted they are Directors of TDHL

#### 5 Chairperson's Report

The Chairperson welcomed the Geraldine Community Board member, staff and public to the meeting.

Activities since the last meeting included a meeting with Group Manager Commercial and Strategy, Council and Citizenship meetings and Workshops, District Licensing meeting and a review of Audit and Risk Committee in regards to an additional external member.

#### **Committee Resolution 2020/6**

Moved: Cr Peter Burt

Seconded: Cr Barbara Gilchrist

That the Chairperson's Report be received.

Carried

#### 5 Confirmation of Minutes

#### 6.1 Minutes of the Commercial and Strategy Committee Meeting held on 28 January 2020

#### **Committee Resolution 2020/7**

Moved: Cr Sally Parker Seconded: Cr Paddy O'Reilly

That the Minutes of the Commercial and Strategy Committee Meeting held on 28 January 2020 be confirmed as a true and correct record of that meeting.

**Carried** 

#### 6 Reports

#### 7.1 Aorangi Stadium Trust Half Year Report 31 December 2019

The committee was provided with an update of the Financial Performance of the Aorangi Stadium Trust by the Chief Financial Officer.

The trust is a straightforward entity which is in place to look after the building and approve insurance cover payments. The insurances will be re-evaluated in line with Timaru District Council's insurances this year.

It was discussed that there can be confusion over whether the Trust or Council cover certain repairs on the building. The original Heads of Agreement stated that the Trust is responsible for structural repairs and Council meets the cost of non-structural repairs and maintenance.

#### **Committee Resolution 2020/8**

Moved: Mayor Nigel Bowen Seconded: Cr Barbara Gilchrist

That the Committee receive and note the report.

Carried

#### 7.2 Aorangi Stadium Trust 2020/21 Draft Statement of Intent

The committee was presented with the draft statement of intent for Aorangi Stadium Trust for 2020/21.

#### **Committee Resolution 2020/9**

Moved: Cr Sally Parker Seconded: Cr Paddy O'Reilly

That draft statement of intent for Aorangi Stadium Trust be received, subject to Council review and feedback at the Council meeting on 7 April 2020.

**Carried** 

#### 7.3 Aoraki Development - Quarterly Report - 1 October 2019 to 31 December 2019

Nigel Davenport and Mark Rogers presented the committee with the Aoraki Development & Promotions Limited (AD) quarterly report for the period 1 October to 31 December 2019.

The key points from the Quarterly Report was the aged workforce initiative and the appointment of a Special Projects role.

There is a meeting this week with the Mayor and Chief Executive in regards to the Tourism and Visitor Promotions service moving across to Aoraki Development. The Board has adopted the current Visitor Strategy and the Statement of Intent will be updated before the adoption of the SOI in June 2020.

#### **Committee Resolution 2020/10**

Moved: Cr Steve Wills

Seconded: Cr Barbara Gilchrist

That the Aoraki Development & Promotions Limited quarterly report be received and noted.

**Carried** 

#### 7.4 Aoraki Development - Draft Statement of Intent 2020/21 to 2022/23

The committee was provided with a copy of Aoraki Development's draft statement of intent for 2020/21 to 2022/23. This SOI will be included on the Council agenda for 7 April 2020 for Council to agree on the feedback to be provided to Aoraki Development.

Aoraki Development have requested an increase in funding for the first time in 4 years to 650k which was expected to occur this year.

#### **Committee Resolution 2020/11**

Moved: Cr Steve Wills Seconded: Cr Allan Booth

That draft statement of intent for Aoraki Development be received, subject to Council review and feedback at the Council meeting on 7 April 2020.

Carried

#### 7.5 Timaru District Holdings Limited - Quarterly Report for period ending 31 December 2019

The committee was provided with an update on the performance of Timaru District Holdings Limited (TDHL) by the Chief Financial Officer and the Business Development Manager who provide support to TDHL.

Discussion was held in regards to the decreased payment that TDHL will be paying to Council in response to the Alpine Energy dividend drop.

The cash reserves held by TDHL ensures funds are available for any hard times in the future, the Board has done this for many years and has proven to be the correct process to follow.

#### **Committee Resolution 2020/12**

Moved: Cr Barbara Gilchrist Seconded: Mayor Nigel Bowen

That the Committee receive and note the report.

Carried

#### 7.6 Timaru District Holdings Limited - Draft Statement of Intent for 2020/21 - 2022/23

The Committee was provided with a copy of Timaru District Holdings Limited draft statement of intent for 2020/21 to 2022/23.

The Chief Financial Officer advised the accounting policies have been updated for this period.

The Statement of Intent has been recast from the letter of expectations. The process is to provide an overview to Council and provide the chance to seek advice and provide feedback to come back in April for more thorough discusion and feedack to TDHL.

The drop in the dividend from Alpine Energy was discussed and that the revenue from a dividend payout is not forecast.

The Board continues to look at new investments for opportunities to add value to the portfolio.

#### **Committee Resolution 2020/13**

Moved: Cr Barbara Gilchrist Seconded: Cr Allan Booth

That draft statement of intent for Timaru District Holdings Limited be received, subject to Council review and feedback at the Council meeting on 7 April 2020.

**Carried** 

#### 7 Consideration of Urgent Business Items

No matters of Urgent Business were considered.

#### 8 Consideration of Minor Nature Matters

No matters of a Minor Nature were considered.

The Meeting closed at 12.29pm.

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Chairperson		

#### 7 Reports

#### 7.1 Investments and Borrowing Treasury Report for quarter ending 31 March 2020

Author: David Codyre, Chief Financial Officer

Authoriser: Donna Cross, Group Manager Commercial and Strategy

#### Recommendation

That the Committee note and receive the report.

#### **Purpose of Report**

1 To update the Committee on the status of Council treasury activities at 31 March 2020.

#### **Assessment of Significance**

2 The assessment of significance is low.

#### **Discussion**

- 3 Council's treasury management involves holding a range of investments and borrowing to fund long term capital projects and operational expenditure as agreed in the Annual Plan.
- 4 Council treasury activities are managed in compliance within the limits of the Council's Investment and Liability Policy.
- 5 Bancorp Treasury Services Limited provide external treasury advice to Council on borrowing and investment decisions.

#### **Investments**

#### 6 Timaru District Council

	31/03/20	31/12/19	30/09/19
	\$(000)	\$(000)	\$(000)
General Funds	\$25,773	\$27,108	\$29,089
Special Funds	\$22,079	\$26,525	\$28,332
Total	\$47,852	\$53,634	\$57,421

#### **General and Special Funds**

- General Funds are cash reserves held for day to day operating activities. General Fund balances fluctuate across the quarter depending on operational income and expenditure cash flows. Council has a financial strategy to maintain a minimum of \$10 million general funds for liquidity purposes. Council is currently entering shorter deposits in order to maintain cash availability during Covid-19.
- 8 Special Funds are held for specific purposes as set out in the Long Term Plan, Annual Plan and Annual Report. These funds are invested for approved future expenditure, to implement strategic initiatives, support intergenerational allocations, bequests and other reserves. The

- above balances sometimes drop to cover operational cashflow shortfalls and timing of general fund term deposits maturing.
- 9 Council investments are held with a range of highly rated institutions (as set out in the attached schedules) to ensure the capital sums invested are protected against default.
- The yields available for term deposits continue to be higher than those available for bonds of a similar term. This is reflected in the proportion of Term Deposits to Bonds held. This is not expected to change in the short term.
- 11 The Financial Strategy states "The use of internal borrowing will be increased over the term of the LTP". This will see a reduction in cash held to back special funds. The forecast balance of these funds at the end of the 10 year Long Term Plan period is \$11.8 million.
- Based on market valuation the Council's bond portfolio increased by 0.32% over the December 2019 quarter, and was outperformed by the benchmark portfolio (a selection of market bonds from Bancorp) which increased by 0.54%. We endeavour to keep these occurrences to a minimum (there have been only four occurrences since the March 2009 quarter that the Benchmark has outperformed the Council portfolio). For the twelve months ending 31 March 2020 the portfolio value increased by 4.13% compared to the benchmark portfolio's increase of 3.01%. The value of the portfolio increases when the bond yield % falls below the bond coupon %.
- The duration of the Bond portfolio continued to operate outside the 25% fluctuation band when compared with the benchmark portfolio's duration for this quarter. The portfolio duration is the remaining weighted average term to maturity. As the portfolio balance is less than \$5M this is not a policy breach.

Portfolio duration 2.48 years Benchmark portfolio Duration 2.01 years.

#### **Borrowings**

Total	\$89,500	\$89,500	\$94,500
Bonds Issued	\$89,500	\$89,500	\$94,500
Bank Debt	\$0	\$0	\$0
	\$(000)	\$(000)	\$(000)
	31/03/20	31/12/19	30/09/19

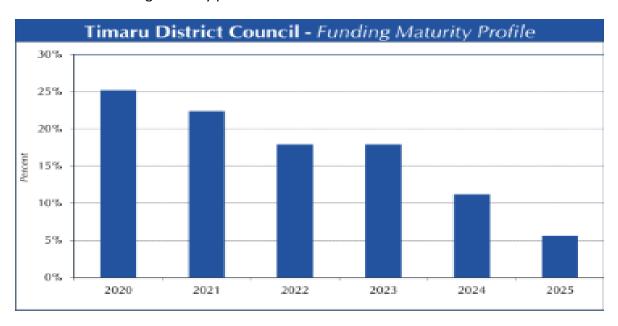
- 14 The borrowing market continues to remain stable with a slight decrease in interest rates during the quarter. The margin Council pays on new borrowing has increased but is offset by falling interest rates. Bancorp advise they expect interest rates to continue to remain low in the short term with the Official Cash Rate expected to remain unchanged in the immediate future.
- 15 During the quarter, Council renewed the following external debt:

\$12.5 million commercial paper for 181 days at 1.31%.

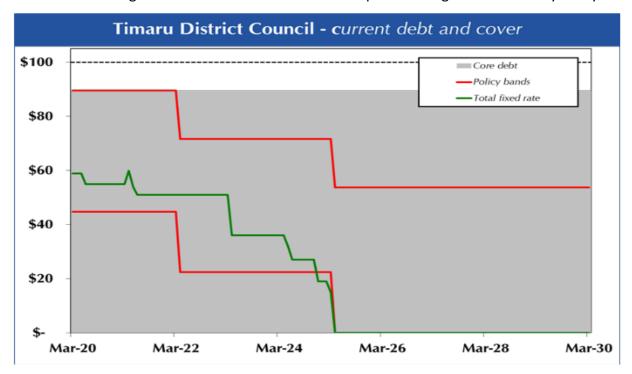
We are continuing to use shorter periods for finance to take advantage of low rates. \$10 million of existing debt will mature in quarter to 30 June 2020. We continue to look to

refinance maturing debt in line within the limits of the Funding Maturing Policy as well as using Internal Borrowing, (Cash Reserves), to fund debt requirements.

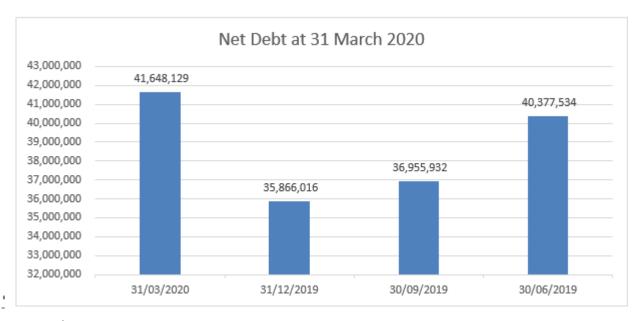
16 Councils funding maturity profile is as follows:



- 17 Council Policy requires no more than 33% of Council's outstanding borrowings being subject to refinancing within any 12 month period. The funding maturity profile above indicates Council continue to meet this requirement.
- The weighted average cost of funds excluding margins was 2.70% compared to the benchmark rate of 1.64% as calculated on the Liability Management Policy. The higher rate is reflective of long term borrowings held by Timaru District Council at high rates for specific purposes such as the CBAY development.
- 19 The following chart illustrates the debt and cover profile set against the Liability Policy Control:



- The green line indicates that Council is currently inside the policy bands with a forecast marginal breach of the policy bands in 2024. This will be rectified when Council enters into additional interest swap arrangements.
- The following table illustrates the Council's net debt position as at 31 March 2020. Net Debt has increased over the period as Council has used available cash funds to fund its operational and capital programmes. Net Debt levels do fluctuate in response to the cyclical nature of Councils cashflow needs.



#### **Attachments**

Nil

- 8 Consideration of Urgent Business Items
- 9 Consideration of Minor Nature Matters