

# Non-Compliant Treasury Ratio

**Meeting:** Kaipara District Council  
**Date of meeting:** 29 July 2020  
**Reporting officer:** Sue Davidson, GM Sustainable Growth & Investment

## Purpose/Ngā whāinga

Council needs to approve the debt ratios relating to liquidity risk being outside of the approved debt ratios due to the total sum and maturity timeline of the debt.

## Executive summary/Whakarāpopototanga

Audit Risk & Finance on 10 June 2020 reviewed the Treasury Management Report. The liquidity risk position is non-compliant due to the level of debt and its maturity date.

Council's debt position did not adhere to the ratios set by Council, so the Committee passed the following the recommendation:

Moved: Cr Wills Seconded: Mayor Smith

That the Audit, Risk and Finance Committee:

- a) Notes the treasury management report for April 2020.
- b) Notes that the liquidity risk position is non-compliant due to the maturity of debt in May 2021.

Carried

The Treasury Policy states Council is responsible for approving one-off transactions falling outside the policy. Council needs to pass a recommendation so that it has the same understanding of the situation and recognises this is a temporary situation.

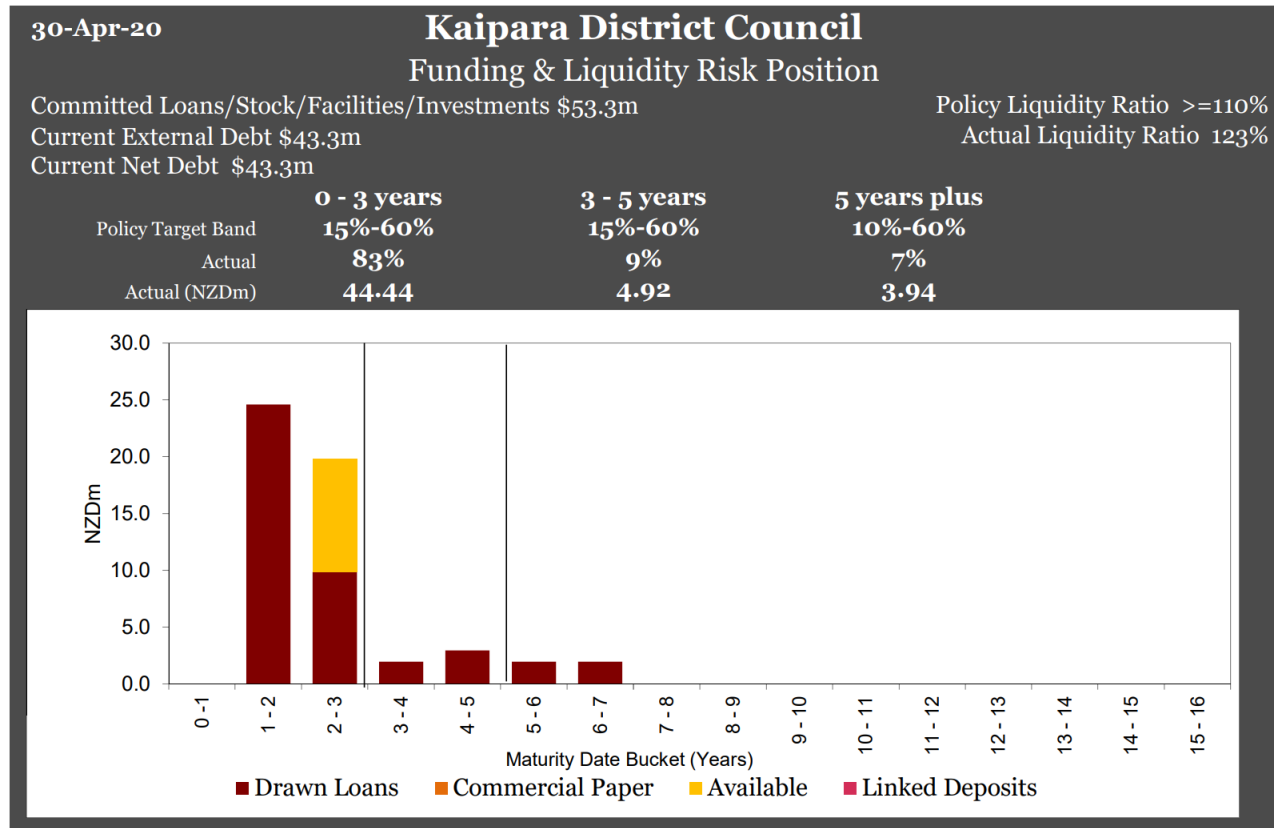
## Recommendation/Ngā tūtohunga

That the Kaipara District Council:

- a) Notes that the liquidity risk position is non-compliant due to the maturity of the debt due in May 2021
- b) Approves the out of debt ratio position as it a temporary position until May 2021

## Context/Horopaki

Council's debt levels and the debt ratios approved by Council are reported quarterly to the Audit, Risk & Finance Committee. At the June meeting of the Committee, ratios relating to liquidity risk and the maturity profile of debt did not comply with the Treasury Policy. This is a result of debt being taken out originally with LGFA and subsequent repayment of a large part of the debt from sale of properties. These funds were put against debt that came up for renewal and no new debt raised as had been predicted when the original debt was taken out. Council has been aware for some time that the high debt due in May 2021 would mean Council would not be in line with its debt ratios until refinancing was able to occur. This can be seen on the graph below where the debt due for repayment is high in earlier years.



The table presented at the Audit, Risk & Finance Committee showing out of compliance ratio is as follows:

	Minimum cover to Maximum cover	Actual %	Compliance
0 to 3 years	15% to 60%	83%	No
3 to 5 years	15% to 60%	9%	No
5 years plus	10% to 60%	7%	No

## Discussion/Ngā kōrerorero

The liquidity risk position is outside of the policy and once it does not comply with policy for 90 days then Council has to officially accept that there will be a breach. This will continue to not comply with the policy in the future with a large amount of debt (\$25 million) coming due on 15 May 2021.

### Policy and planning implications

The above ratio does not comply with the Treasury Policy adopted by Council and that is why it is being brought to Council.

### Financial implications

There are no financial implications. The debt will be refinanced in May 2021 and repayment will be spread in order to comply with the Treasury Policy, and reduce liquidity risk.

**Risks and mitigations**

There are no immediate risks to Council.

**Significance and engagement/Hirahira me ngā whakapapa**

This item does not trigger any significance issues. The public will be informed via agenda publication on the council website.

**Next steps/E whaiake nei**

The loan will be refinanced for repayment as per financial advice.