

PwC reminds council of debt

Burden may place council at risk if market changes

By John Maslin

john.maslin@wanganuichronicle.co.nz

The Wanganui District Council has been reminded of its fiscal responsibilities, given the current debt it carries.

Brett Johanson, a representative for financial advisory company PricewaterhouseCoopers (PwC), spoke to the council's audit and risk committee this week, and said with debt levels heading upward as council tackles the rebuild of the city's wastewater treatment plant the responsibility stepped up another level.

Council currently has external loans totalling \$80.5 million

and this amount will ramp up with the rebuild of the Airport Rd plant, estimated to cost about \$31 million.

The local authority uses PwC to help manage its loan portfolio. It also has input into the council's policies including its liability management policy. Mr Johanson said the council's loan indebtedness carried potential risk if market conditions changed and if council did not have strategies in place to mitigate that risk. He said liability management policies were a requirement of the Local Government Act and were to show council was a "prudent" financial manager. That policy ensures

council has the ability "to pay their bills", manages intergenerational debt, monitor borrowing costs and maintaining relationships with its borrowers.

Mr Johanson said council assumed certain risk limits and there was a need to have controls around these. And it was in that area that the Wanganui council would be measured. He said that meant when the council was looking at borrowing it would be benchmarked against its peers. It also meant the council needed to maintain accurate cash flow and debt forecasts.

"The hallmark of success is around the accuracy of these forecasts because local councils

are custodians of public money," he said.

At June 30 this year the council's \$80.5 million in loans had been financed by the Local Government Funding Agency (\$41 million), the private market (\$21 million) with the remaining \$18 million from banks. Some of these loans mature in July this year with others due in April 2027.

Mr Johanson said the council had a Standard & Poors credit rating of AA, which was "stable". He said banks "liked" local authorities with high credit ratings and offered competitive rates as a result. A total of 45 local authorities are borrowing from the LGFA with 30 of them shareholders in the agency along with the Crown.