



# Council Financial Report

as at

31 August 2018

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## **FINANCIAL REPORT OVERVIEW**

This report provides a summary on the current financial performance of the Far North District Council as at 31 August 2018.

### **Operating position as at 31 August 2018**

The net operating position for the year to date is a surplus of \$2.4m, against the year to date budget of a \$1.8m deficit, resulting in a positive variance of \$4.2m. Income for the year to date is more than that budgeted and expenses are less than budgeted year to date, predominantly due to:

- Operating Income variance of \$1.8m (more than budgeted).  
Main variances are:
  - Rate income being more than budgeted
  - Subsidies for roading capital works programme are ahead of budget timing.offset by:
  - Subsidies for roading operational activities are less than anticipated as a result of the operational works not progressing in line with the budget.
- Operating Expenditure variance of \$2.4m (less than budgeted).  
Main variances are within:
  - Rate Remissions are primarily transacted in the first month for the financial year, where remissions have been approved in prior periods (usually remissions are for a 3 year period). During the year as remissions are requested and approved these will be transacted but this is unpredictable
  - Contractor & professional fees are less than budgeted
    - Some contract payments are still to be invoiced, for Maritime, Community Roding Programme, and the Community Sports Facilitator. These were budgeted for in the first 2 months of the financial year
    - External services are behind budget in Public Toilets, Parks and Reserves, Swimming Pools and Town Maintenance. These budgets are for reactive works and cannot be accurately timed or budgeted so this is not unexpected for this time of the year.
    - Wastewater sludge external services budget variance will be addressed once the programme of work is determined and reflected in the budget timings.
    - Some roading contract operational work is behind budget. Some of these activities are weather dependent.

Further commentary can be found in the Statement of Financial Performance.

### **Capital expenditure as at 31 August 2018**

- Capital expenditure as at 31 August 2018 is \$5.6m this is 9% of the Total Annual Budget \$62.5m.

Further detail can be found in the Statement of Capital Financial Performance.

## **Borrowing & Investments**

### **Current Position**

- Total debt is \$46.5m
- As at 31 August 2018 there were no funds drawn on Councils banking facility of \$20m. This facility matures November 2018.
- Council's cash position was \$13.5m in the General Fund bank account at month end.

### **Compliance**

- Our liquidity ratio (access to funds) is at 179% compared to the policy minimum of 110%. This measure is set by the Local Government Funding Agency of which we are a member and defines the Councils ability to access funds.

**Statement of Financial Performance**  
**for the period ending**  
**31-August-2018**

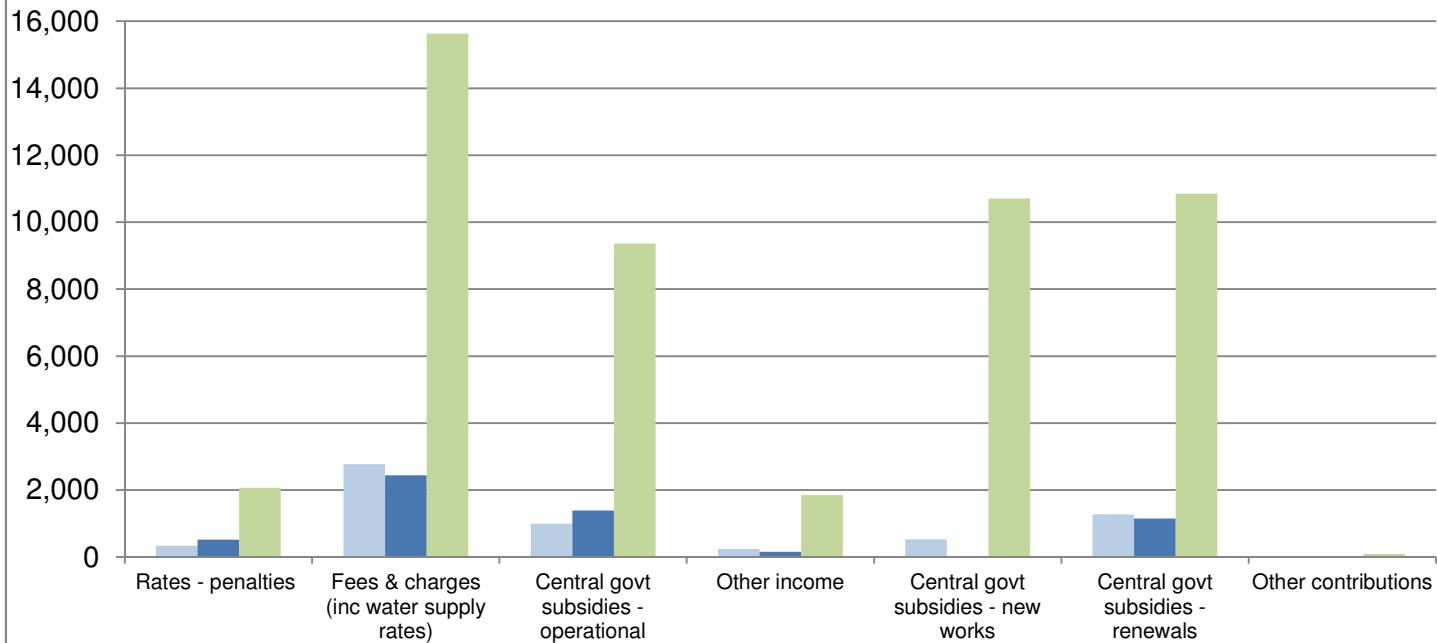
	Year to date			Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Full year		
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's			Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
<b>Operations</b>								
<b>Operational income</b>								
Rates - general (excl water supply rates)	15,402	14,109	1,294	18%	18%	84,651	84,651	0
Rates - penalties	340	518	(179)	16%	16%	2,073	2,073	0
Fees & charges (inc water supply rates)	2,775	2,437	337	18%	18%	15,633	15,633	0
Central govt subsidies - operational	994	1,392	(399)	11%	11%	9,358	8,846	(511)
Other income	241	160	82	13%	13%	1,851	1,851	0
<b>Capital income</b>								
Central govt subsidies - new works	529	0	529	5%	5%	10,710	11,057	347
Central govt subsidies - renewals	1,276	1,155	121	12%	13%	10,856	9,576	(1,280)
Other contributions	0	14	(14)	0%	0%	86	86	0
Development contributions	38	0	38	0%	0%	0	0	0
<b>Total operating income</b>	<b>21,594</b>	<b>19,786</b>	<b>1,808</b>			<b>135,218</b>	<b>133,773</b>	<b>(1,444)</b>
<b>Operating Expenditure</b>								
Payroll related costs	2,745	2,892	146	15%	15%	18,783	18,783	0
Other staffing related costs	199	264	64	12%	12%	1,622	1,622	0
General expenses	1,101	1,259	158	16%	16%	6,887	6,887	0
Rate remissions	2,085	1,875	(211)	96%	96%	2,165	2,165	0
Contractor & professional fees	4,694	6,177	1,483	12%	12%	39,902	39,674	229
Grants and donations	249	463	214	12%	12%	2,071	2,071	0
Allocations (direct and indirect)	2,515	2,756	241	15%	15%	16,533	16,533	0
Interest costs	278	624	345	7%	7%	3,742	3,742	0
<b>Sub-total</b>	<b>13,868</b>	<b>16,310</b>	<b>2,442</b>			<b>91,704</b>	<b>91,476</b>	<b>229</b>
Depreciation and other asset costs	5,279	5,279	0			31,673	31,673	0
<b>Total operating expenditure</b>	<b>19,147</b>	<b>21,590</b>	<b>2,443</b>			<b>215,081</b>	<b>123,149</b>	<b>457</b>
<b>Net operating surplus/(deficit)</b>	<b>2,447</b>	<b>(1,804)</b>	<b>4,251</b>			<b>(79,864)</b>	<b>10,625</b>	<b>90,488</b>

## Analysis of operating income & expenses by LTP Group

	Year to date			Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Full year		
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's			Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
<b>Income</b>								
Customer Services	1,993	1,709	285	20%	20%	10,184	10,184	0
District Facilities	2,917	2,737	179	18%	17%	16,362	16,709	347
Environmental Management	2,941	2,533	408	22%	22%	13,076	13,076	0
Governance & Strategic Administration	1,545	1,303	242	18%	18%	8,728	8,728	0
Roading and Footpaths	5,730	5,639	90	14%	14%	41,523	39,731	(1,791)
Solid Waste Management	1,035	942	93	19%	19%	5,482	5,482	0
Stormwater	835	715	120	20%	20%	4,256	4,256	0
Strategic Planning & Policy	1,264	1,049	215	20%	20%	6,247	6,247	0
Wastewater	2,048	2,072	(25)	11%	11%	18,810	18,810	0
Water Supply	1,287	1,087	200	12%	12%	10,551	10,551	0
<b>Total Operating Income by LTP Group</b>	<b>21,594</b>	<b>19,786</b>	<b>1,808</b>			<b>135,218</b>	<b>133,773</b>	<b>(1,444)</b>
<b>Expenditure</b>								
Customer Services	1,906	2,046	139	19%	19%	10,184	10,184	0
District Facilities	2,037	2,673	636	13%	13%	15,592	15,592	0
Environmental Management	2,054	2,087	33	16%	16%	13,076	13,076	0
Governance & Strategic Administration	2,798	2,771	(27)	37%	37%	7,514	7,514	0
Roading and Footpaths	5,175	5,744	569	13%	13%	38,862	38,633	229
Solid Waste Management	794	855	61	14%	14%	5,482	5,482	0
Stormwater	556	626	70	15%	15%	3,763	3,763	0
Strategic Planning & Policy	714	1,009	295	11%	11%	6,247	6,247	0
Wastewater	1,771	2,343	572	13%	13%	14,050	14,050	0
Water Supply	1,342	1,436	94	16%	16%	8,608	8,608	0
	19,147	21,590	2,443			123,377	123,149	229
<b>Total Operating Expenses by LTP Group</b>	<b>19,147</b>	<b>21,590</b>	<b>2,443</b>			<b>123,377</b>	<b>123,149</b>	<b>229</b>
<b>Net operating surplus/(deficit)</b>	<b>2,447</b>	<b>(1,804)</b>	<b>4,251</b>			<b>11,840</b>	<b>10,625</b>	<b>(1,673)</b>

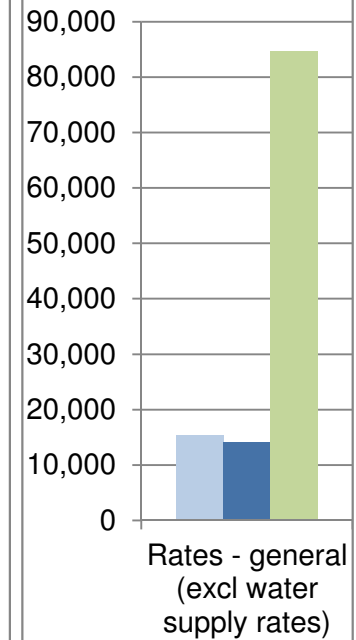
## Total Operating Income by Income Type

YTD Actual \$000's   YTD Budget \$000's   Total Annual Budget \$000's



YTD Actual \$000's

YTD Budget \$000's



INCOME - Variance Commentary is based on the actual income compared to the Budget timed for the current reporting period. Significant variances based on either \$ value and/or % of Total Budget received, these are reviewed and commented on.

For the month of August, where activities are predictable we would expect to see approximately 16% of budget received.

Rates- penalties are under budget:

- the unpredictable nature of this activity means the budget cannot be set with any certainty. When rate payers pay their rates determines if penalties are charged.

Central govt subsidies are under budget:

- The subsidies are generated by the operational work being undertaken. There are several roading activities that have been commented on under Professional fees that have not been undertaken as timed for in the budget.

Central Government subsidies – new works are over budget:

- The roading new works programme is still to be timed in the budget

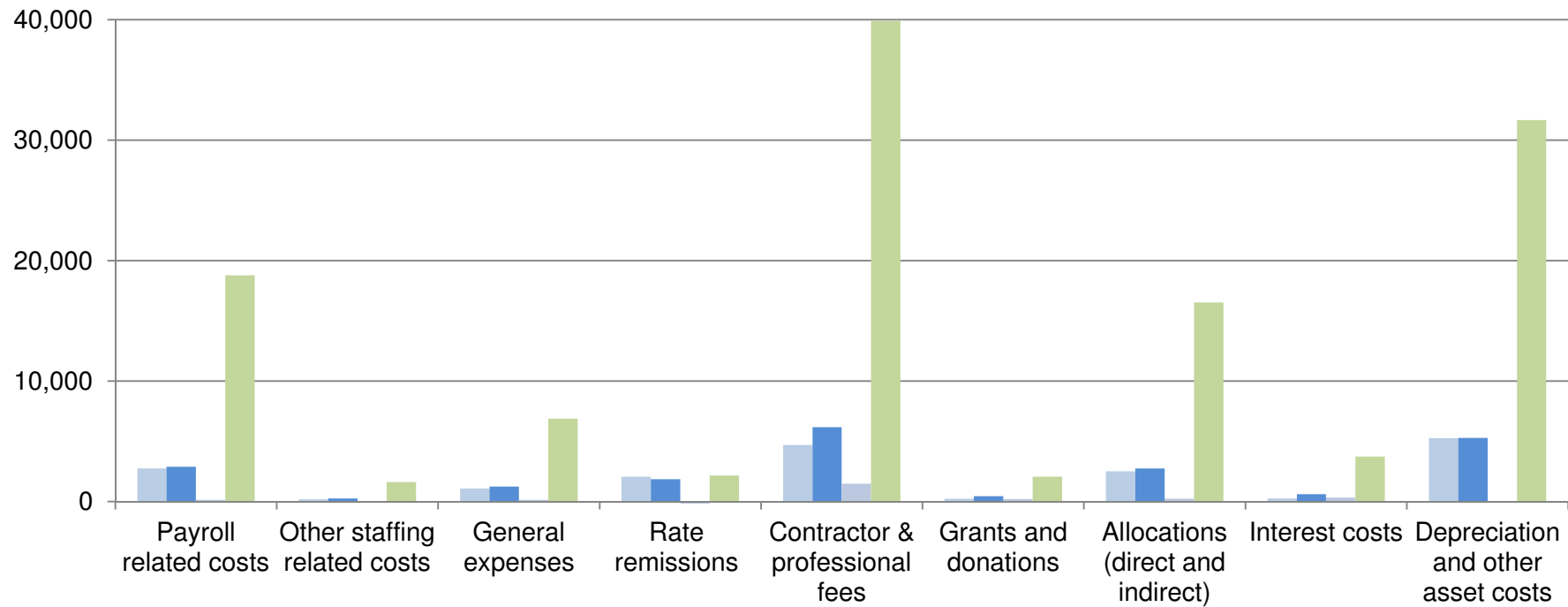
The Forecast Variance is a result of:

- a) Subsidy for Responsible Camping project being obtained
- b) Where NZTA approval is less than the FNDC budgets, these budgets have been reduced

## Total Operating Expenses by Expenditure Type

■ YTD Actual \$000's

■ YTD Budget \$000's





EXPENDITURE - Variance Commentary is based on the actual expenditure compared to the Budget timed for the current reporting period. Significant variances based on either \$ value and/or % of Total Budget spent, these are reviewed and commented on.

For the month of August, where activities are predictable, we would expect to see approximately 16% of budget spent.

Rate Remissions are primarily transacted in the first month for the whole year, where remissions have been approved. During the year as remissions are requested and approved these will be processed but this is unpredictable and based on new applications.

Contractor & professional fees are under budget:


- Request for payment of the Maritime Contract has not been received from FNHL.
- External services are behind budget in Public Toilets, Parks and Reserves, Swimming Pools and Town Maintenance. These budgets are for reactive works and cannot be accurately timed or budgeted for.
- Sports Northland contract payment for Community Sports advisor has not been made as yet.
- Weather tight homes legal fees budget, year to date has not been required.
- Economic & District Planning, legal & professional fees have only incurred minimal costs
- Wastewater sludge programme of work once determined will be reflected in the budget timings
- Community Roding Programme payments are to be made.
- Structural maintenance and sealed road maintenance contract work that has been undertaken by contractors is less than budgeted.

Interest costs are less than budgeted:

- the LTP opening balance of loans that are used for setting the interest budgets, were higher than this financial years actual loan opening balance. Capital works not progressing as expected creates a variance in the loan balances.

**Statement of Capital Financial Performance**  
**for the period ending**  
**31-August-2018**

NOTE: This report does not include Carry Forward values. The Carry Forward Report is included in the Audit Risk & Finance Agenda, 27 September 2018, for approval

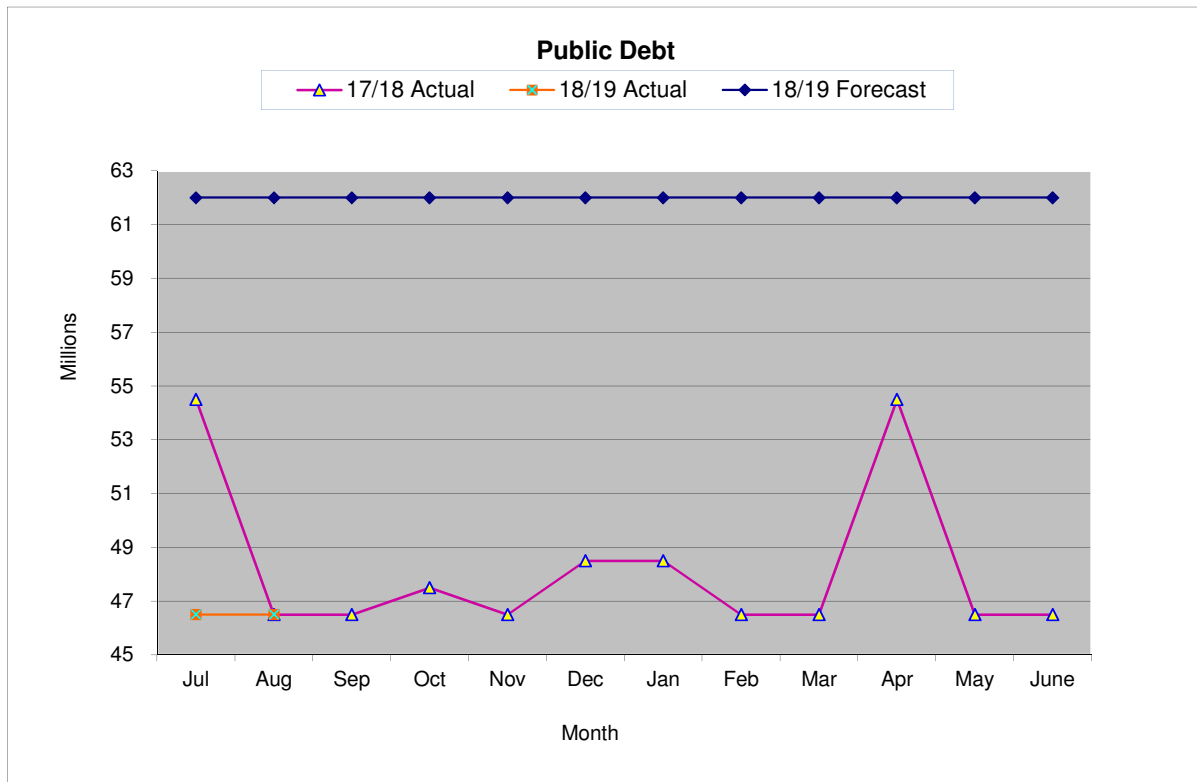
Actuals v Budget (Carry Forward + AP Budget)						
	Year to Date \$000's					Progress to Date
	YTD Actual	Carry Forward Budget	AP Budget	YTD Total Budget	Variance	against full year Total Budget
<b>Capital Works</b>						
District Facilities	817	0	28	28	(789)	17%
Stormwater	8	0	93	93	85	1%
Solid Waste	62	0	0	0	(62)	16%
Wastewater	1,328	0	525	525	(803)	6%
Water Supply	226	0	27	27	(199)	3%
	2,440	0	672	672	(1,768)	7%
Roading and Footpaths	2,778	0	1,750	1,750	(1,028)	12%
Environmental Management	11	0	0	0	(11)	2%
Governance & Strategic Administration	295	0	224	224	(71)	6%
Customer Services	96	0	47	47	(49)	19%
<b>Total Capital Works</b>	<b>5,621</b>	<b>0</b>	<b>2,694</b>	<b>2,694</b>	 (2,927)	<b>9%</b>

### Budget v Forecast Movements

	Full Year \$000's					Progress to date
	AP Budget	Carry forward budget		Reforecast Movement		against full year Forecast
<b>Capital Works</b>						
District Facilities	4,881	0		(347)	5,228	16%
Stormwater	1,290	0		-	1,290	1%
Solid Waste	393	0		-	393	16%
Wastewater	20,596	0		-	20,596	6%
Water Supply	6,596	0		-	6,596	3%
	33,756	0		(347)	34,103	
Roading and Footpaths	22,330	0		1,939	20,391	0%
Environmental Management	691	0		-	691	2%
Governance & Strategic Administration	5,193	0		-	5,193	6%
Customer Services	509	0		-	509	19%
						0%
	<b>62,479</b>	<b>0</b>		1,592	60,887	9%

## Borrowings and Investments

### Public Debt as at 31 August 2018



#### End of Year Borrowing position

As at 31 August 2018, Council borrowings total \$46.5 million as profiled in the Loans by Maturity table below. There has been no movement after June 2018.

Total \$000's	Due within 3 months \$000's	Due within 6 months \$000's	Due within 1 year \$000's	Due within 2-3 years \$000's	Due within 3-5 years \$000's	Due greater than 5 years \$000's
46,500				26,500	10,000	10,000
	0.00%	0.00%	0.00%	56.99%	21.51%	21.51%

Council's total banking facility comprises the ASB facility of \$20 million. As at 31 August 2018, funds drawn down on Council's banking facility was nil, providing a \$20 million headroom. The \$20 million committed facility matures in November 2018.

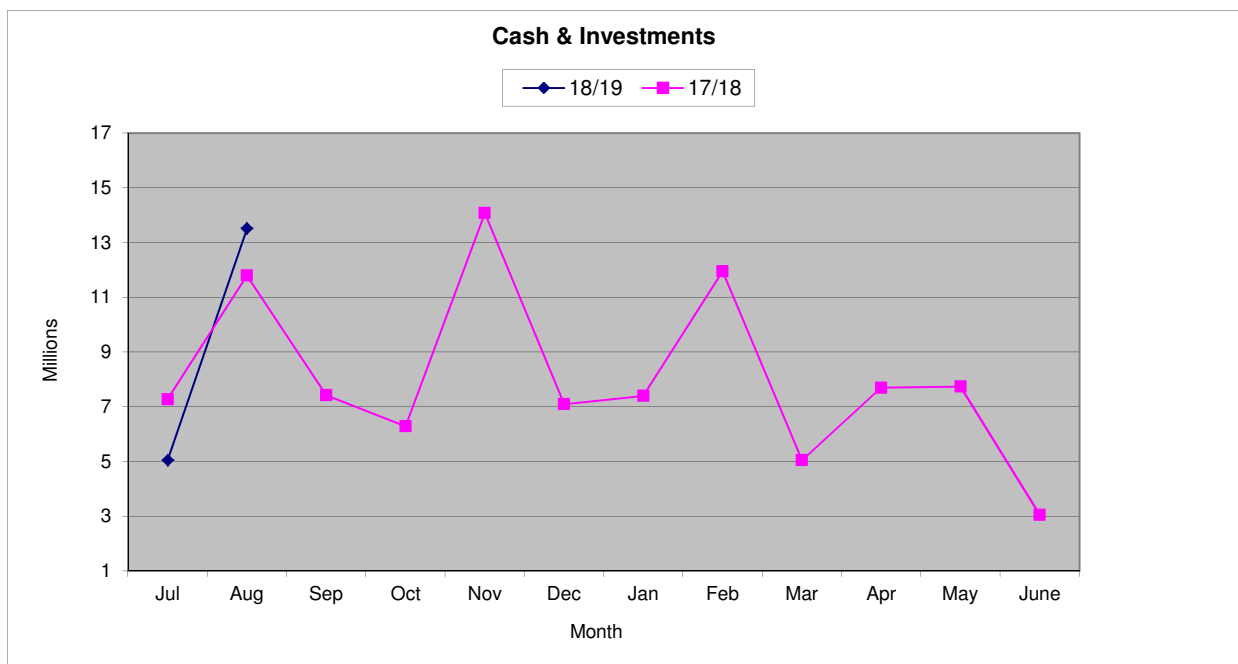
The banking facility is used for cashflow management and as such is viewed as an extended overdraft facility. The total sum drawn down is reflected as being due within two years at any given time.

#### Treasury policy compliance

As at 31 August 2018 the following core policy compliance requirements were achieved as shown in the table below.

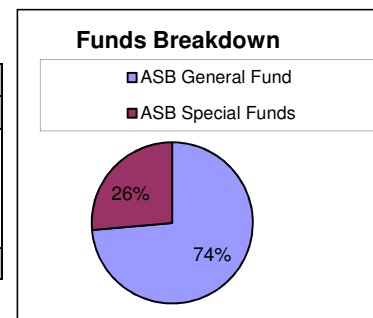
Ratio	Policy Limit	Actual	Compliance
Net debt as % total revenue	<175%	21%	Yes
Liquidity (access to funds)	>110%	179%	Yes
<b>Notes:</b> Total revenue is based on 2018/19 total forecast income excluding non government capital contributions (eg. developer contributions and vested assets). Liquidity is defined as external debt + committed loan facilities + liquid investments, including bank overdraft facility, divided by existing external debt.			

**Cash and Investments**  
as at 31 August 2018



**Cash & Investments**

	Aug-18	Aug-17
	\$000's	\$000's
ASB General Fund	13,519	6,813
ASB Special Funds	4,856	4,983
<b>Total</b>	<b>\$18,375</b>	<b>\$11,796</b>



The ASB Special Funds bank deposit account represents RMA Reserve Contribution account balances held. These are subject to restricted use under the Resource Management Act.

Cashflow Report August 2018	Month to Date	Year to Date
Opening Balance	\$5,052,795	\$3,046,027
Deposits:		
Banking	17,490,669	25,569,780
Direct Debits	6,076,270	7,221,428
Investments	0	0
ASB Facility Drawdown	0	3,000,000
External Loans Raised	0	0
Interest Received ASB	10,644	14,414
NZTA Subsidies	1,345,483	5,828,331
GST Refund	415,992	415,992
<b>Total Deposits</b>	<b>\$25,339,058</b>	<b>\$42,049,945</b>
Withdrawals:		
GST/FBT Payment	3,370,261	3,978,170
Direct Credits /Payments	206,814	374,792
Employees (Payroll)	1,503,810	3,674,568
Investments		
Interest Paid	134,564	393,204
ASB Facility Repaid	4,500,000	4,500,000
External Loans Repaid		
Accounts Payable	7,157,887	18,656,721
<b>Total Withdrawals</b>	<b>\$16,873,336</b>	<b>\$31,577,455</b>
<b>Closing balance</b>	<b>\$13,518,517</b>	<b>\$13,518,517</b>

The Cashflow Report shows movements in and out of the ASB General Fund bank account for the current month and year to date.