



Council Financial Report

as at

31 October 2018

CONTENTS

Financial Performance

- 1** Financial Report Overview
- 2** Statement of Financial Performance
- 3** Statement of Capital Performance

Borrowings and Investments

- 4** Public Debt
- 5** Cash and Investments

FINANCIAL REPORT OVERVIEW

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

Operating position as at 31 October 2018

The net operating position for the year to date is a surplus of \$3.1m, against the year to date budget of a \$0.3m surplus, resulting in a positive variance of \$2.8m. Income for year to date is more than budgeted and expenses are less than budgeted year to date, predominantly due to:

- Operating Income variance of \$0.6m (more than budgeted).
Main variances are:
 - Rate income slightly ahead of budget (It has been identified that some NRC rates have been inadvertently coded to FNDC codes, this will be corrected in November)
 - Building and Resource consents income is more than budgeted and offsets an increase in contract work noted below.
offset by:
 - Subsidies for the roading operational and capital works programme have not been incurred as expected and as the subsidy is based on actual expenditure, subsidy is less than anticipated for this time of the year.
- Operating Expenditure variance of \$2.1m (less than budgeted).
Main variances are within:
 - Rate Remissions are primarily transacted in the first month for the whole year, where ongoing remissions have been approved. Additional remissions are received during the year but the timing of these is unpredictable.
 - Contractor & professional fees being less than budgeted:
 - Some contract payments have not yet been invoiced, i.e Community Roothing Programme, and Community Sports Facilitator. These were budgeted for in the first 2 months of the financial year and are now expected to be paid in November.
 - External services are under budget which is not unexpected as these budgets are for reactive works and will occur as needed.
 - Wastewater sludge programme of work has been determined and committed, however the delivery of this work has been delayed due to unfavourable weather conditions.
 - Weathertight home compensation payment has been made.
 - Contract work being undertaken in Building and Resources Consents exceeds budget.
These costs will be offset by an increase in fee income.

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

Capital expenditure as at 31 October 2018

- Capital expenditure as at 31 October 2018 is \$11.8m this is 16% of the Total Annual Budget \$71m. This is the LTP budget of \$62m and Carried Forward budget from 17/18 of \$9m.

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

Borrowing & Investments

Current Position

- Total debt is \$46.5m
- As at 31 October 2018 there were no funds drawn down on Councils banking \$20m facility. The Audit, Risk and Finance Committee recently agreed to renew the facility for two years to 2020
- Council's cash position was \$9.8m in the General Fund bank account at month end.

Compliance

- Our liquidity ratio (access to funds) is at 171% 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-October-2018

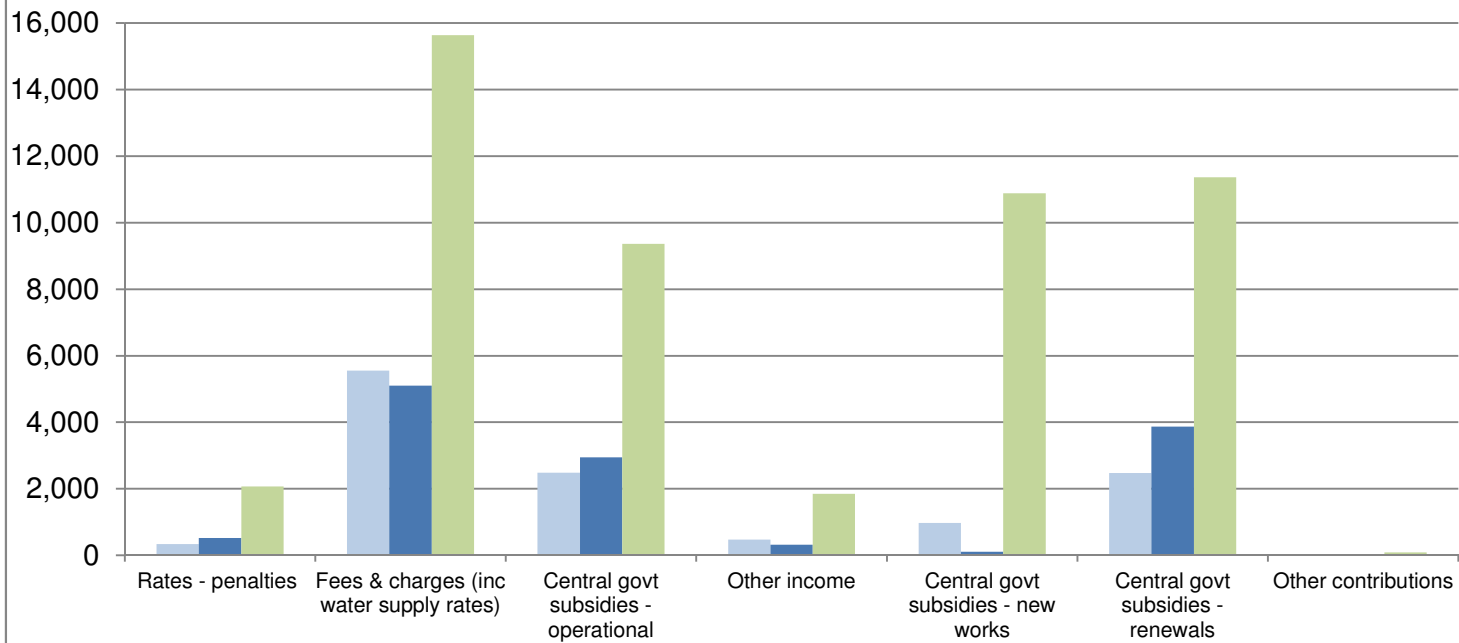
	Year to date			Full year				
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's	Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
Operations								
Operational income								
Rates - general (excl water supply rates)	29,434	28,217	1,217	35%	35%	84,651	84,651	0
Rates - penalties	340	518	(179)	16%	16%	2,073	2,073	0
Fees & charges (inc water supply rates)	5,552	5,103	448	36%	36%	15,633	15,633	0
Central govt subsidies - operational	2,487	2,944	(457)	27%	28%	9,358	8,737	(621)
Other income	474	319	155	26%	26%	1,851	1,851	0
Capital income								
Central govt subsidies - new works	971	106	865	9%	9%	10,881	11,162	281
Central govt subsidies - renewals	2,472	3,869	(1,398)	22%	21%	11,367	11,791	424
Other contributions	0	29	(29)	0%	0%	86	86	0
Development contributions	38	0	38	0%	0%	0	0	0
Total operating income	41,767	41,106	662			135,900	135,985	84
Operating Expenditure								
Payroll related costs	5,590	5,783	194	30%	30%	18,783	18,783	0
Other staffing related costs	450	537	88	28%	28%	1,622	1,622	0
General expenses	1,904	2,066	162	28%	28%	6,887	6,887	0
Rate remissions	2,211	1,945	(266)	102%	102%	2,165	2,165	0
Contractor & professional fees	10,179	12,385	2,205	25%	26%	40,236	39,842	394
Grants and donations	947	785	(162)	46%	46%	2,071	2,071	0
Allocations (direct and indirect)	4,652	5,510	858	28%	28%	16,533	16,533	0
Interest costs	835	1,247	413	22%	22%	3,742	3,742	0
Sub-total	26,767	30,259	3,492			92,037	91,643	394
Depreciation and other asset costs	10,610	10,557	(52)			31,673	31,673	0
Gain/Loss on Disposal	1,272	0	(1,272)			0	0	0
Total operating expenditure	38,649	40,816	2,167			123,711	123,317	394
Net operating surplus/(deficit)	3,118	289	2,829			12,190	12,668	478

Analysis of operating income & expenses by LTP Group

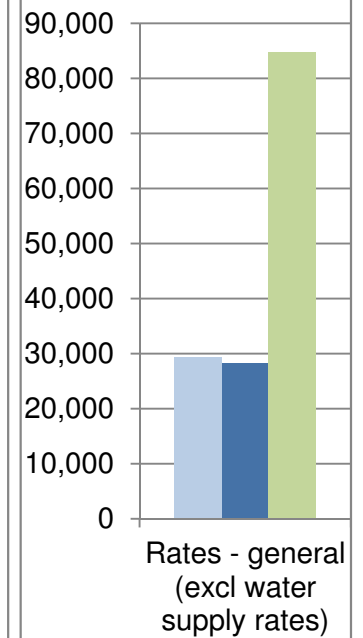
	Year to date			Full year			
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's	Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Total Annual Budget \$000's	Total Annual Forecast \$000's Forecast Variance \$000's
Income							
Customer Services	3,430	3,368	62	34%	34%	10,184	10,184 0
District Facilities	5,489	5,384	105	34%	33%	16,362	16,709 347
Environmental Management	5,087	4,655	433	39%	39%	13,076	13,076 0
Governance & Strategic Administration	2,635	2,559	76	30%	30%	8,728	8,728 0
Roading and Footpaths	12,700	13,135	(435)	30%	30%	42,205	41,943 (263)
Solid Waste Management	1,860	1,854	6	34%	34%	5,482	5,482 0
Stormwater	1,447	1,413	33	34%	34%	4,256	4,256 0
Strategic Planning & Policy	2,169	2,075	94	35%	35%	6,247	6,247 0
Wastewater	4,087	4,065	23	22%	22%	18,810	18,810 0
Water Supply	2,862	2,598	264	27%	27%	10,551	10,551 0
Total Operating Income by LTP Group	41,767	41,106	662			135,900	135,985 84
Expenditure							
Customer Services	3,238	3,600	362	32%	32%	10,184	10,184 0
District Facilities	4,488	5,062	574	29%	29%	15,592	15,592 0
Environmental Management	4,338	4,160	(179)	33%	33%	13,076	13,076 0
Governance & Strategic Administration	3,601	3,694	93	48%	48%	7,514	7,514 0
Roading and Footpaths	10,995	11,862	867	28%	29%	38,862	38,468 394
Solid Waste Management	1,685	1,717	32	31%	31%	5,482	5,482 0
Stormwater	1,054	1,241	187	28%	28%	3,763	3,763 0
Strategic Planning & Policy	1,413	2,004	590	23%	23%	6,247	6,247 0
Wastewater	3,786	4,640	854	26%	26%	14,383	14,383 0
Water Supply	2,779	2,837	59	32%	32%	8,608	8,608 0
	37,377	40,816	3,439			123,711	123,317 394
Gain/Loss on Disposal	1,272	0	(1,272)			0	0 0
Total Operating Expenses by LTP Group	38,649	40,816	2,167			123,711	123,317 394
Net operating surplus/(deficit)	3,118	289	2,829			12,190	12,668 (310)

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
■ Total Annual 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 below.

For the month of October, where activities are predictable we would expect to see approximately 33% of budget received.

Fee & Charges are over budget

-Building & Resource consent fees are more than budgeted partly due to the recovery of contract costs

Central Government subsidies - operational works under budget:

- Roothing Community Programme payment to Far North REAP is still to be requested for the first 4 months of the year, therefore subsidy has not been claimed.

- The roading operational works budgets were timed prior to the delivery programme being set, this is to be reviewed. Work is being delivered as expected.

Central Government subsidies – capital works under budget:

- The roading capital works budgets were timed prior to the delivery programme being set, this is to be reviewed. The Minor Improvement programme of works is the main area of work that is not being delivered as timed in the budget.

The Forecast Variance is a result of:

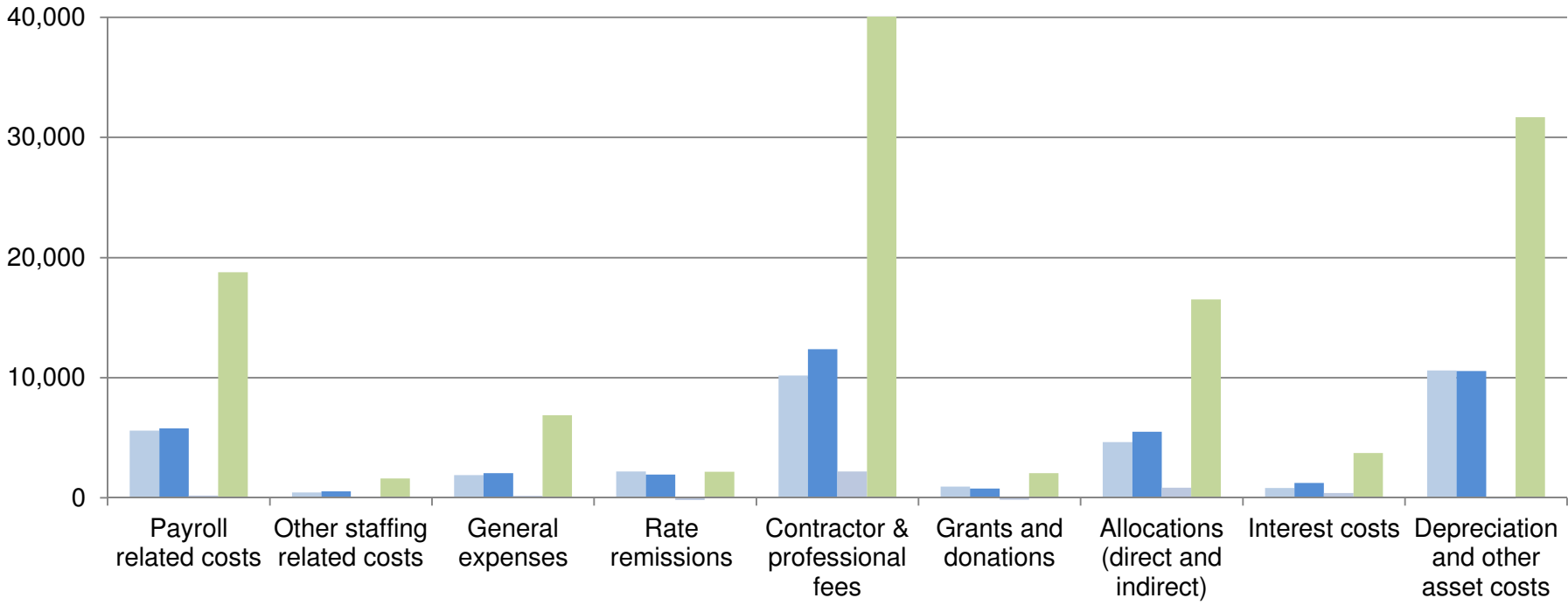
a) Subsidy for Responsible Camping project being obtained

b) Where NZTA approval is less than the FNDC budgets, these budgets have been reduced.

c) NZTA have approved an additional subsidised programme for emergency works resulting from the June 2018 weather event.

Total Operating Expenses by Expenditure Type

YTD Actual \$000's YTD Budget \$000's Variance \$000's Total Annual 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 below.

For the month of October, where activities are predictable, we would expect to see approximately 33% of budget spent.

Rate Remissions are primarily transacted in the first month for the whole year, where ongoing remission has 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:

- Contract work is under budget

Roading Community Programme has not been requested and is expected to be paid in November on Sealed pavement maintenance work.

While progress is being made, this differs to the timing of the budget.

Structural Maintenance budgets are more than the monthly contract payments being paid.

- External Services are under budget

Sludge programme of work has been committed but is dependent on weather conditions for this to be undertaken

District Facilities, budgets are set for reactive works which can not be accurately predicted in the budget timing.

Cycle trail external service budget is also for reactive maintenance work and work may be required to be undertaken on the Opuia to Kawakawa section.

- Professional Fees are under budget

Professional fees across 3 Waters, Strategic Planning and District Facilities are less than expected for this time of the financial year, however the majority of these budgets have been committed.

offset by:

- Compensation are over budget

Weathertight home compensation payment has been made.


- Contract professional fees are over budget



Contract work being undertaken in Building Consents is over budget. These costs are expected to be offset by an increase in fee income.

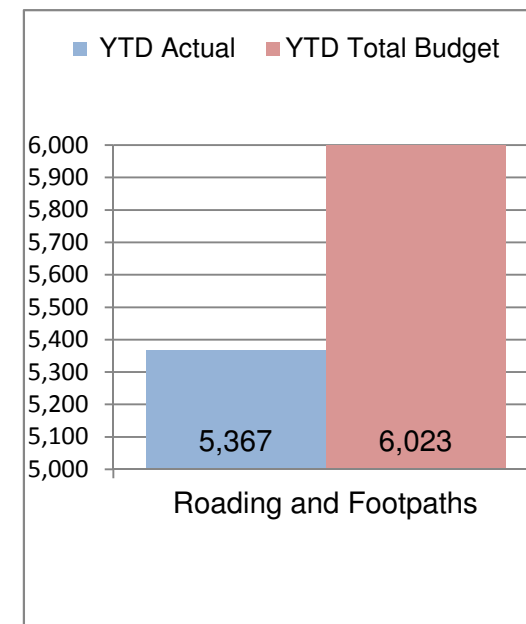
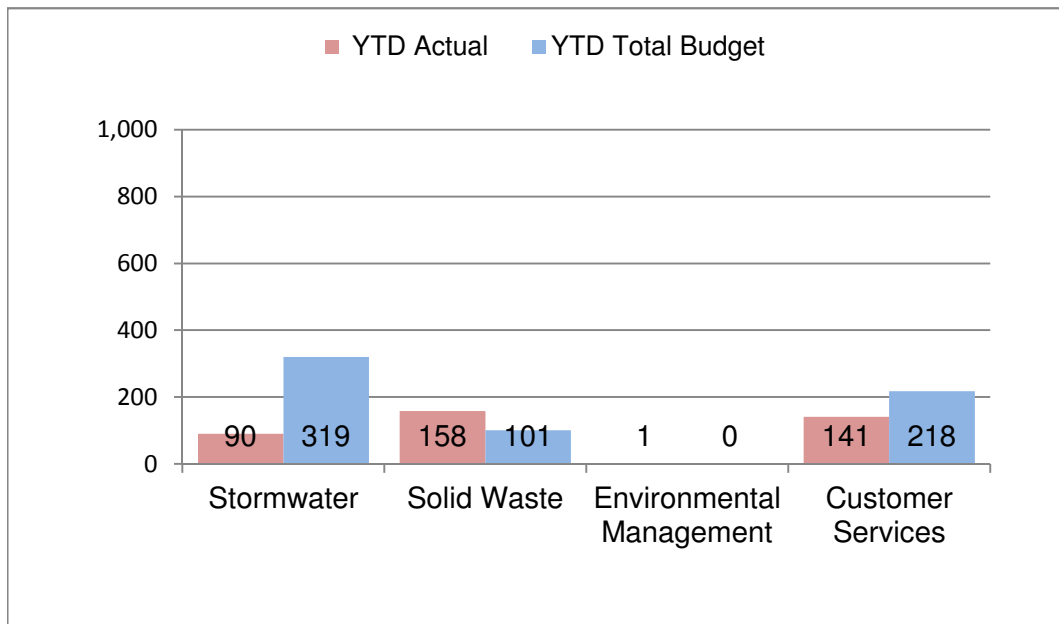
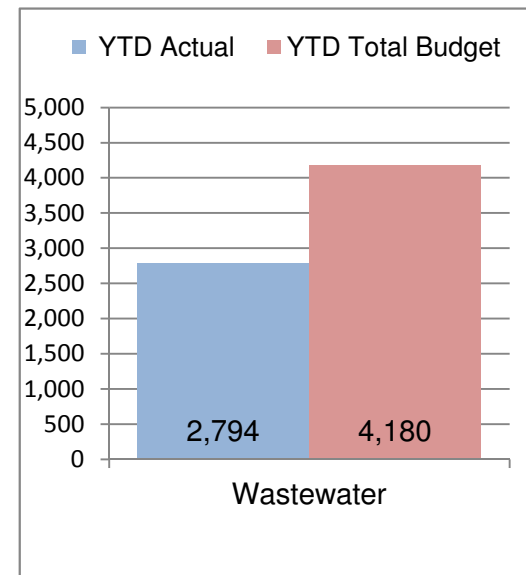
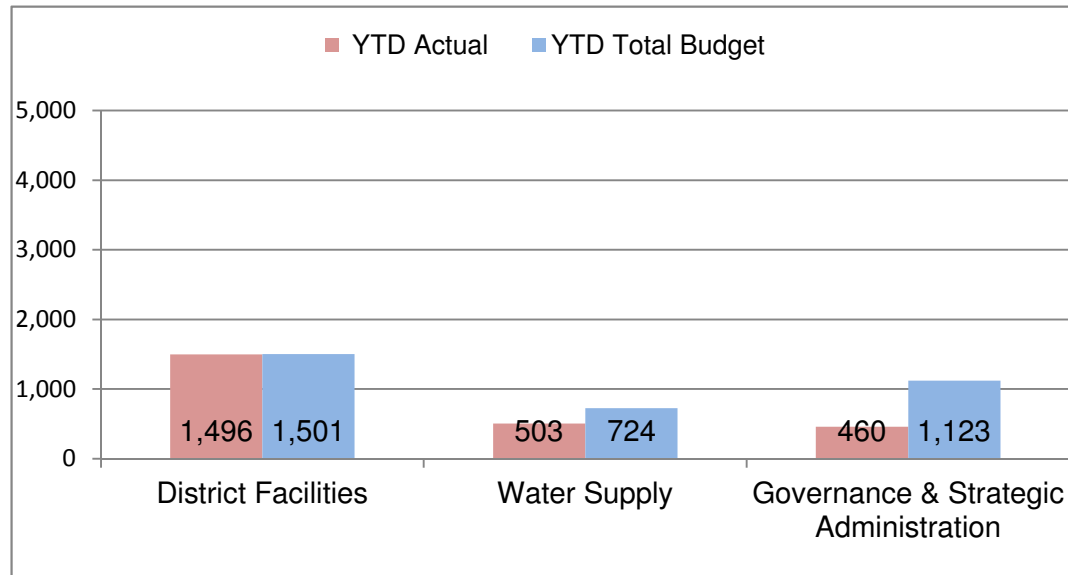
Interest costs are less than budget:

- 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-October-2018

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
Capital Works						
District Facilities	1,496	1,131	370	1,501	5	21%
Stormwater	90	55	264	319	230	5%
Solid Waste	158	59	42	101	(57)	35%
Wastewater	2,794	1,134	3,046	4,180	1,386	12%
Water Supply	503	41	684	724	221	7%
	5,040	2,420	4,405	6,825	1,785	1%
Roading and Footpaths	5,367	0	6,023	6,023	656	22%
Environmental Management	1	0	0	0	(1)	0%
Governance & Strategic Administration	460	401	722	1,123	663	7%
Customer Services	141	100	117	218	77	17%
Total Capital Works	11,008	2,921	11,268	14,189	 3,181	16%

Notes to the Graphs:  What we have spent at report date i.e paid for works completed
 What we expected to have spent of the Annual Plan Budget at report date



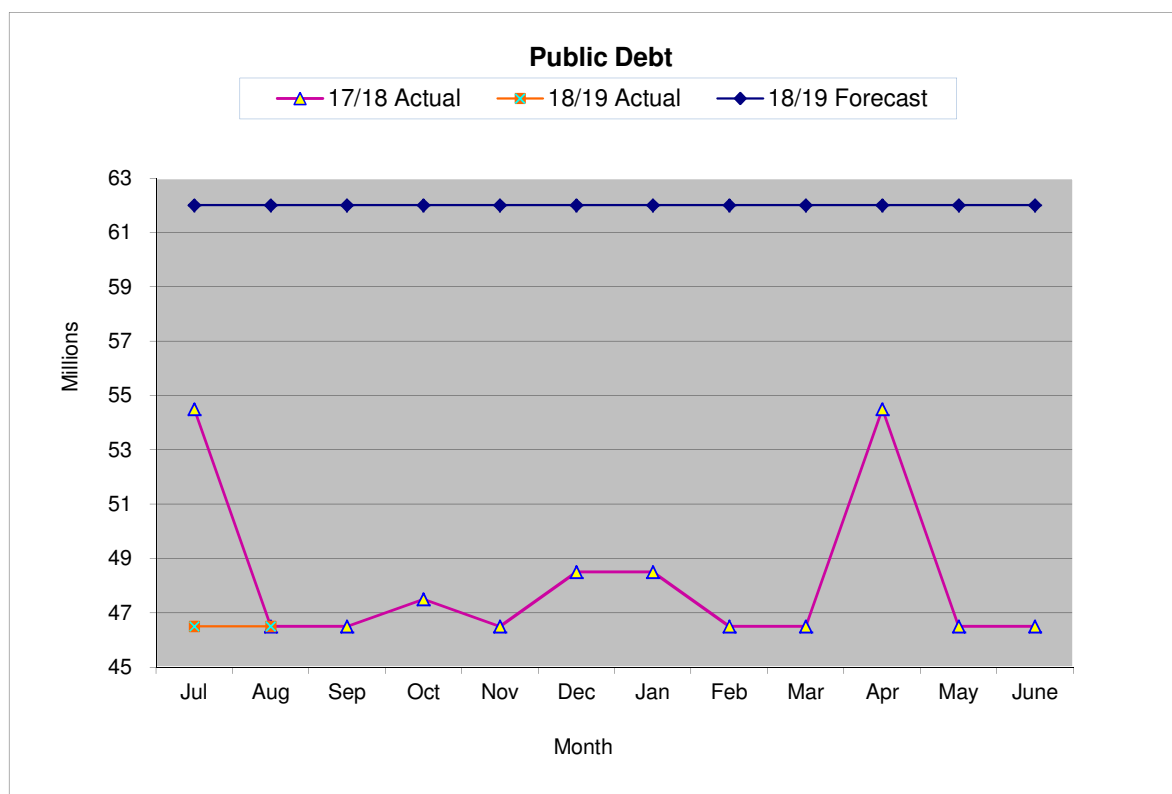
Budget v Forecast Movements

	Full Year \$000's					Progress to date against full year Forecast
	AP Budget	Carry forward budget		Reforecast Movement	Forecast Budget	
Capital Works						
District Facilities	4,881	2,334		(508)	7,722	19%
Stormwater	1,290	411		(7)	1,708	5%
Solid Waste	393	59		(121)	573	28%
Wastewater	20,596	1,781		-	22,377	12%
Water Supply	6,596	385		(54)	7,035	7%
	33,756	4,971		(690)	39,416	
Roading and Footpaths	22,330	1,980		(420)	24,729	22%
Environmental Management	691	289		-	981	0%
Governance & Strategic Administration	5,193	993		(10)	6,197	7%
Customer Services	509	296		(1)	805	17%
	62,479	8,528		(1,121)	72,128	15%

Borrowings and Investments

Public Debt

as at 31 October 2018



End of Year Borrowing position

As at 31 October 2018, Council borrowings total \$46.5 million as profiled in the Loans by Maturity table below. This is the same balance as at 30 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 October 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.

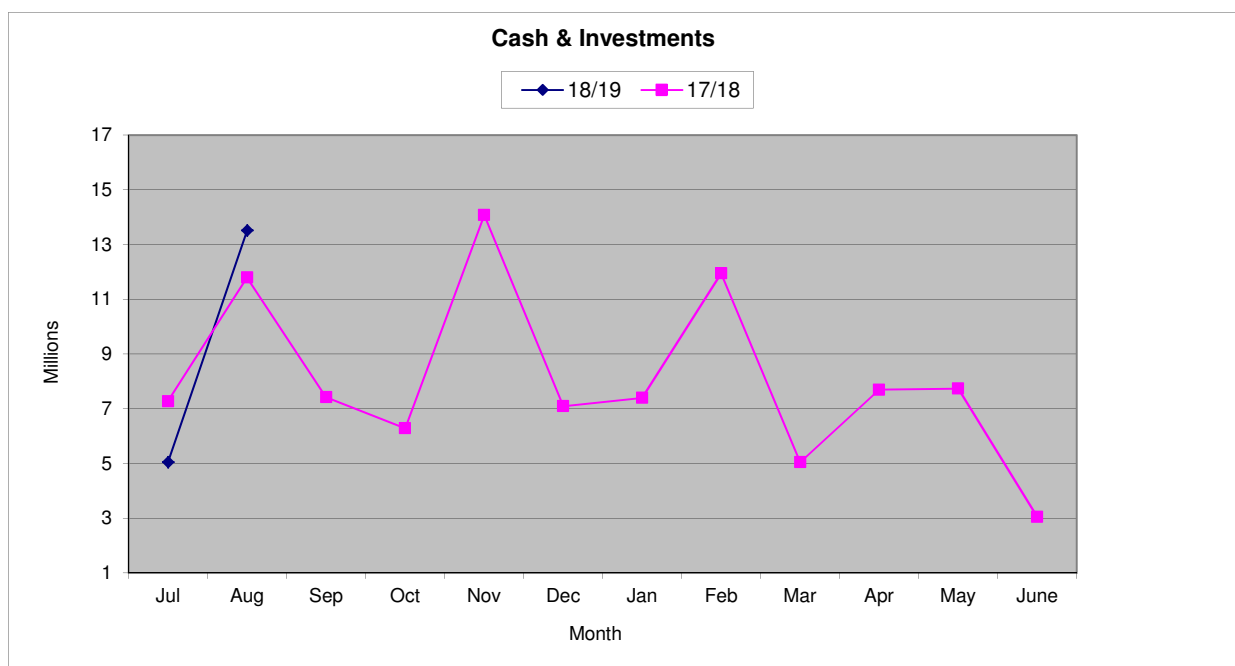
The banking facility is used for cashflow management and as such is viewed as an extended overdraft facility. The total sum drawn down is reflected as being due within two years at any given time.

Treasury policy compliance

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

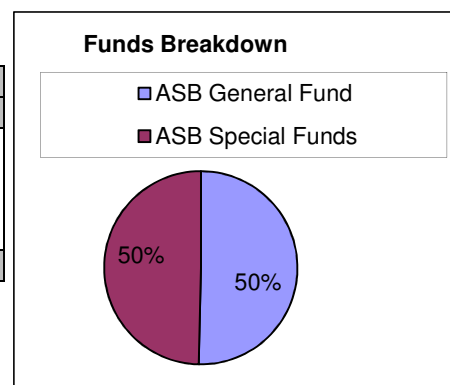
Ratio	Policy Limit	Actual	Compliance
Net debt as % total revenue	<175%	28%	Yes
Liquidity (access to funds)	>110%	171%	Yes
Notes: Total revenue is based on 2018/19 total forecast income excluding non government capital contributions (eg. developer contributions and vested assets). Liquidity is defined as external debt + committed loan facilities + liquid investments, including bank overdraft facility, divided by existing external debt.			

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



Cash & Investments

	Oct-18 \$000's	Oct-17 \$000's
ASB General Fund	4,942	1,271
ASB Special Funds	4,878	5,014
Total	\$9,820	\$6,285



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 October 2018	Month to Date	Year to Date
Opening Balance	\$7,138,086	\$3,046,027
Deposits:		
Banking	3,962,350	28,726,397
Direct Debits	1,410,638	8,521,737
Investments	0	0
ASB Facility Drawdown	0	3,000,000
External Loans Raised	0	0
Interest Received ASB	0	26,248
NZTA Subsidies	1,506,707	7,700,377
GST Refund	1,876,870	415,992
Total Deposits	\$8,756,566	\$48,390,751
Withdrawals:		
GST/FBT Payment	702,106	4,561,322
Direct Credits /Payments	134,536	554,640
Employees (Payroll)	1,537,646	5,172,663
Investments	0	
Interest Paid	222,886	539,869
ASB Facility Repaid	0	4,500,000
External Loans Repaid		
Accounts Payable	8,355,157	28,970,198
Total Withdrawals	\$10,952,331	\$44,298,692
Closing balance	\$4,942,321	\$7,138,086

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