



# Council Financial Report

as at

28 February 2019

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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 28 February 2019. Variances of more or less than \$500k will be reported on.

### Operating position as at 28 February 2019

The net operating position for the year to date is a surplus of \$8.3m, against the year to date budget of a \$4.2m surplus, resulting in a positive variance of \$4.1m. Income year to date is less than budgeted and expenses are less than budgeted year to date, predominantly due to:

- **Operating Income variance of \$3.8m (less than budgeted)**

Main variances are:

- Rates income - there were a number of additional properties rated at the time of the initial rates strike.
- Rates penalties - approved customer requests being applied.
- Fees and charges - water by meter charges have increased due to usage as well as building consent applications.
- Central govt subsidies – operational - the roading programme for particular work categories is only just commencing and works being reprioritised due to weather conditions.
- Central govt subsidies – new works and renewals -
  - There a number of bridges and minor improvements that have not commenced.
  - Kerikeri Wastewater Treatment Plant subsidy was paid out earlier than planned in 17/18, so we will see a shortfall in the year the project is completed.
  - Rawene/Omanaia Water Treatment Plant subsidy has not been invoiced. Construction has commenced and completion is expected by August 2019.

- **Operating Expenditure variance of \$7.9m (less than budgeted)**

Main variances are:

- Payroll related cost - a number of vacancies is in recruitment phase and accrued leave is not being used by staff due to resourcing across the organisation.
- General expenses - doubtful debt penalties are not fully realised due to a number of accounts applying for remissions as well as statute barred write-offs.
- Contractor & professional fees - consultants are being engaged in the building consent area, offset by,

The Roothing Network for particular work categories is only just commencing and works being reprioritised due to weather conditions. Ferries repairs and maintenance scheduled was not required.

Water and Wastewater Alliance has advised that contract overruns are due to increased power usage, operations and maintenance variations as well as chemical invoices were delayed due to the procurement system.

Budget is no longer required due to the closure of the Ahipara Landfill

Consultants have not yet been engaged across the organisation, particularly in Infrastructure & Asset Management, Economic Planning and the District Plan.

- Allocations (direct and indirect) is less than budget, corporate costs have a number of commitments in progress.
- Interest costs - review of the capital programme is continuing so that we have a robust deliverable programme.

#### **Capital expenditure as at 28 February 2019**

- Capital expenditure as at 28 February 2019 is \$18.5m this is 26% of the Total Annual Budget of \$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 Performance.

#### **Borrowing & Investments**

##### **Current Position**

- Total debt is \$66.5m.
- As at 28 February 2019, 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 \$35.4m in the General Fund bank account at month end.

##### **Compliance**

- Our liquidity ratio (access to fund) is at 188% 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**  
**28-February-2019**

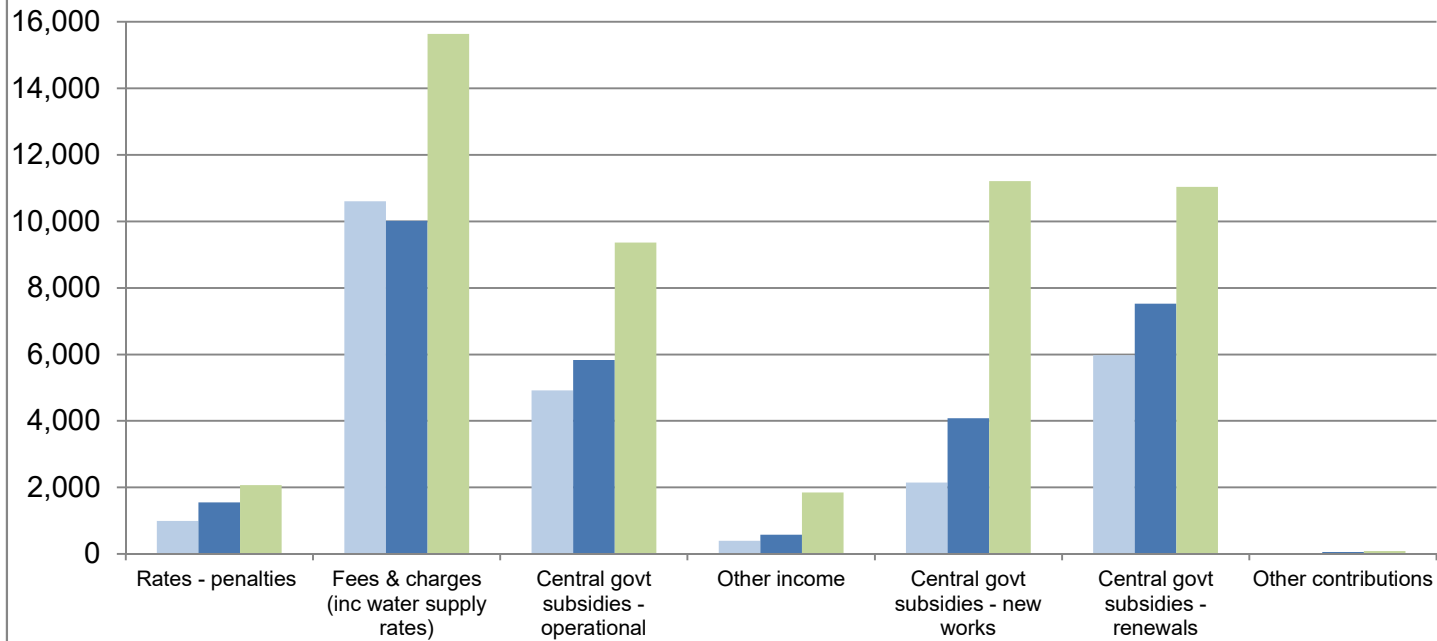
	Year to date					Full year		
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's	Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
<b>Operations</b>								
<b>Operational income</b>								
Rates - general (excl water supply rates)	57,205	56,434	771	68%	68%	84,651	84,651	0
Rates - penalties	994	1,555	(561)	48%	48%	2,073	2,073	0
Fees & charges (inc water supply rates)	10,600	10,015	585	68%	66%	15,633	16,123	489
Central govt subsidies - operational	4,914	5,835	(921)	53%	56%	9,358	8,737	(621)
Other income	398	584	(186)	22%	18%	1,851	2,195	344
<b>Capital income</b>								
Central govt subsidies - new works	2,143	4,078	(1,935)	19%	18%	11,211	11,946	734
Central govt subsidies - renewals	5,980	7,528	(1,548)	54%	52%	11,037	11,442	405
Other contributions	0	57	(57)	0%	0%	86	86	0
Development contributions	84	0	84	0%	0%	0	0	0
<b>Total operating income</b>	<b>82,319</b>	<b>86,086</b>	<b>(3,767)</b>			<b>135,900</b>	<b>137,252</b>	<b>1,352</b>
<b>Operating Expenditure</b>								
Payroll related costs	11,752	12,283	531	63%	62%	18,783	19,004	(221)
Other staffing related costs	886	1,075	189	55%	55%	1,622	1,609	13
General expenses	3,927	4,887	960	57%	55%	6,887	7,078	(191)
Rate remissions	2,414	2,035	(378)	111%	111%	2,165	2,165	0
Contractor & professional fees	22,275	25,343	3,068	55%	54%	40,236	41,102	(866)
Grants and donations	1,360	1,647	287	66%	61%	2,071	2,234	(163)
Allocations (direct and indirect)	9,333	11,023	1,689	56%	56%	16,533	16,533	0
Interest costs	1,947	2,495	547	52%	52%	3,742	3,742	0
<b>Sub-total</b>	<b>53,894</b>	<b>60,788</b>	<b>6,894</b>			<b>92,037</b>	<b>93,466</b>	<b>(1,429)</b>
Depreciation and other asset costs	20,896	21,116	220			31,673	31,673	0
Gain/Loss on Disposal	(757)	0	757			0	0	0
<b>Total operating expenditure</b>	<b>74,033</b>	<b>81,904</b>	<b>7,871</b>			<b>123,711</b>	<b>125,139</b>	<b>(1,429)</b>
<b>Net operating surplus/(deficit)</b>	<b>8,286</b>	<b>4,182</b>	<b>4,104</b>			<b>12,190</b>	<b>12,113</b>	<b>(77)</b>

## Analysis of operating income & expenses by LTP Group

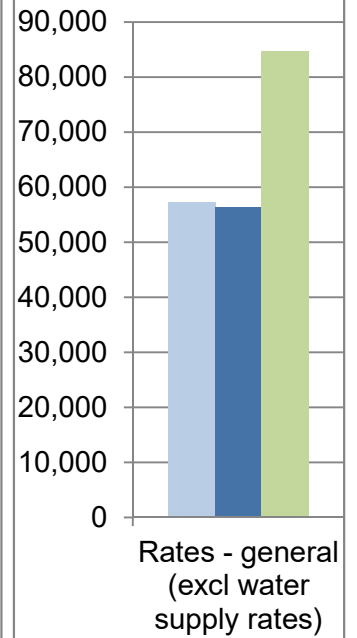
	Year to date			Full year			
	YTD Actual \$000's	YTD Budget \$000's	Variance \$000's	Actuals YTD as a % of Total Budget	Actuals YTD as a % of Annual Forecast	Total Annual Budget \$000's	Total Annual Forecast \$000's Forecast Variance \$000's
<b>Income</b>							
Customer Services	6,708	6,807	(100)	66%	66%	10,184	10,184 0
District Facilities	11,034	10,865	170	67%	66%	16,362	16,777 415
Environmental Management	9,271	8,874	397	71%	68%	13,076	13,732 657
Governance & Strategic Administration	4,261	5,166	(905)	49%	49%	8,728	8,728 0
Roading and Footpaths	25,037	26,796	(1,759)	59%	59%	42,205	42,409 203
Solid Waste Management	3,585	3,683	(97)	65%	67%	5,482	5,337 (144)
Stormwater	2,805	2,842	(37)	66%	66%	4,256	4,256 0
Strategic Planning & Policy	4,234	4,172	62	68%	65%	6,247	6,468 221
Wastewater	9,656	10,235	(579)	51%	51%	18,810	18,810 0
Water Supply	5,727	6,646	(918)	54%	54%	10,551	10,551 0
<b>Total Operating Income by LTP Group</b>	<b>82,319</b>	<b>86,086</b>	<b>(3,767)</b>			<b>135,900</b>	<b>137,252 1,352</b>
<b>Expenditure</b>							
Customer Services	6,222	6,965	743	61%	61%	10,184	10,195 (11)
District Facilities	9,257	10,607	1,350	59%	59%	15,592	15,760 (169)
Environmental Management	8,655	8,595	(60)	66%	62%	13,076	14,033 (957)
Governance & Strategic Administration	5,269	5,600	331	70%	70%	7,514	7,515 (1)
Roading and Footpaths	22,742	24,326	1,584	59%	59%	38,862	38,443 419
Solid Waste Management	3,670	3,654	(16)	67%	69%	5,482	5,330 152
Stormwater	2,130	2,507	377	57%	57%	3,763	3,763 0
Strategic Planning & Policy	2,935	4,133	1,198	47%	45%	6,247	6,574 (327)
Wastewater	8,366	9,748	1,382	58%	57%	14,383	14,784 (401)
Water Supply	5,544	5,768	224	64%	63%	8,608	8,741 (133)
	74,790	81,904	7,114			123,711	125,139 (1,429)
Gain/Loss on Disposal	(757)	0	757			0	0 0
<b>Total Operating Expenses by LTP Group</b>	<b>74,033</b>	<b>81,904</b>	<b>7,871</b>			<b>123,711</b>	<b>125,139 (1,429)</b>
<b>Net operating surplus/(deficit)</b>	<b>8,286</b>	<b>4,182</b>	<b>4,104</b>			<b>12,190</b>	<b>12,113 2,780</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  
Total Annual Budget \$000's



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

For the month of February, where activities are predictable we would expect to see approximately 67% of budget received.

Fees & charges (inc water supply rates) is over budget

- Water by meter charges have increased due to the usage.
- Building consents have increased and the use of consultants is required to keep up with demand

Central Govt Subsidies - Operational is under budget

- Network Asset Management costs have exceeded what is expected for this time of the year; offset by Unsealed Pavement, Structures Maintenance & Traffic Services programme of work is progressing behind the expected delivery.
- Structures maintenance, Sealed Pavement maintenance, Unsealed Pavement Maintenance and REAP is behind budget.

Other Income is over budget

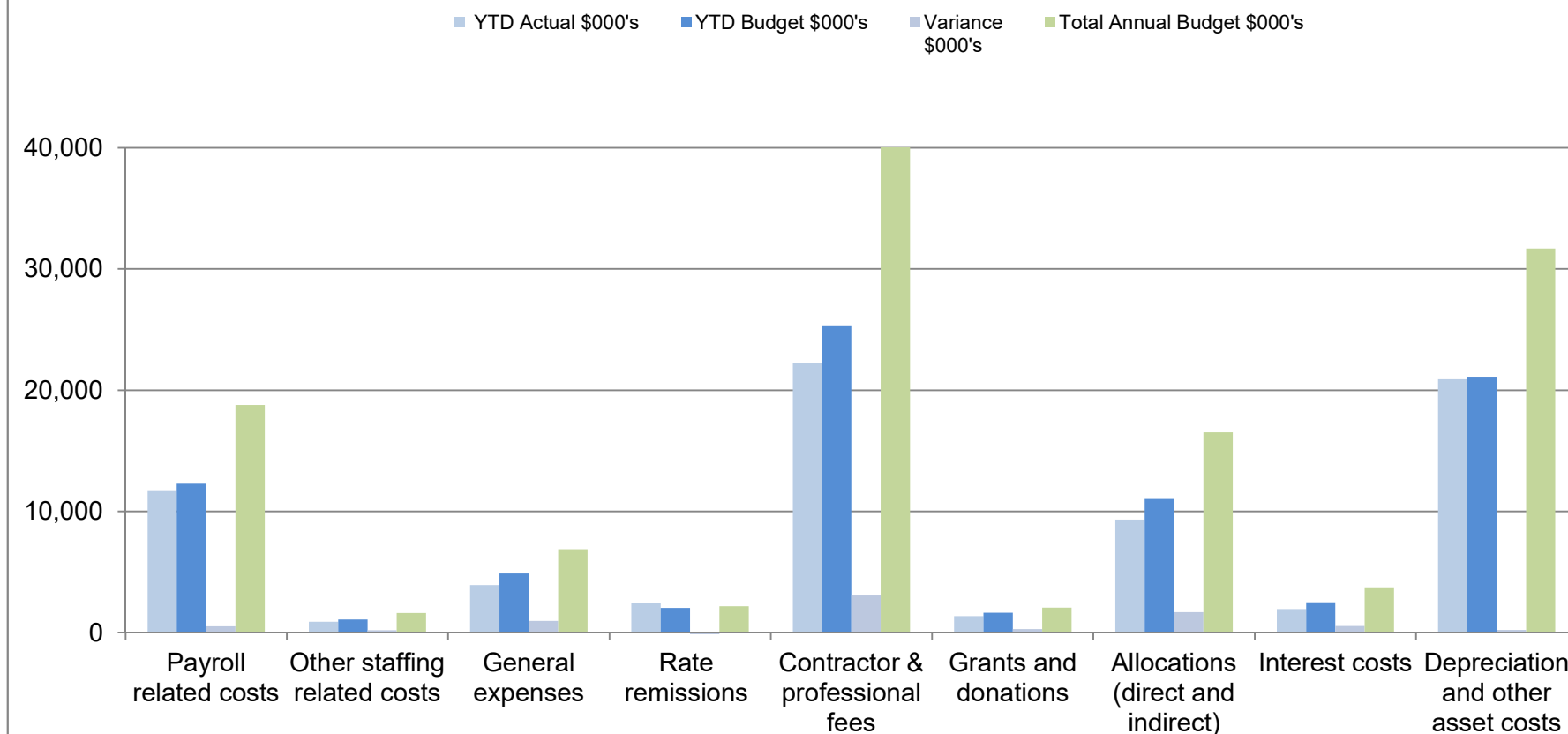
- Payment of contribution received from Heritage NZ for the Cycle Trail

Central Govt Subsidies - New Works is under budget

- Resilience slips and LED Streetlight works from 2017/18 are being completed in minor improvements, however, the following bridges have not commenced West Coast Road, Zidich Road, Otua Rd, Sawyers Rd, and Tipatipa Rd. Budget has been reviewed to reflect the program of works, however work is progressing behind the expected delivery.
- Kerikeri Wastewater Treatment Plant subsidy was due to the Ministry of Health allowing for this to be paid out earlier than planned according to the agreed milestones. We will see a shortfall when the project is completed.
- Rawene Water Treatment Plant subsidy has not been paid by the Ministry of Health.



## Total Operating Expenses by Expenditure Type



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 February, where activities are predictable, we would expect to see approximately 67% of budget spent.

Payroll related costs is under budget

- A number of vacancies have not yet been filled across the organisation.
- Accrued leave is not being used by staff due to resourcing across the organisation.

General expenses is under budget

- Doubtful debt penalties are not fully realised due to a number of accounts applying for remissions as well as statute barred write-offs.

Contractor & professional fees is under budget (To complete)

- Consultants have been engaged in the Building and Resource Consent activity but will recover costs through their income.
- The Roding Network for particular work categories is only just commencing and works being reprioritised due to weather conditions. Ferries repairs and maintenance scheduled was not required.

Water and Wastewater Alliance contract had overruns in power, operations and maintenance variations as well as chemical invoices were delayed due to internal systems.

The closure of Ahipara Landfill.

Consultants have not yet been engaged across the organisation, particularly in Infrastructure & Asset Management, Economic Planning and the District Plan.


Allocations (direct and indirect) is under budget



- Corporate costs have a number of commitments in progress.

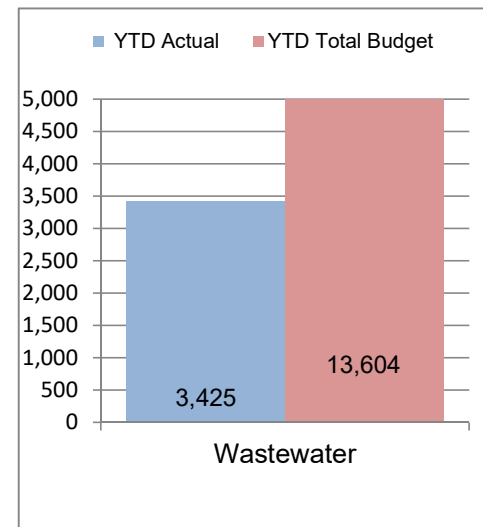
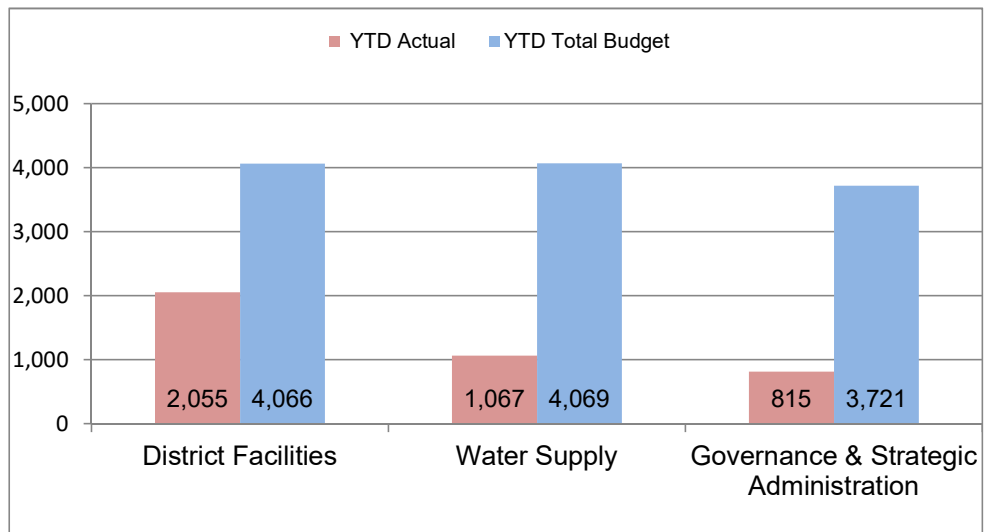
Interest is under budget

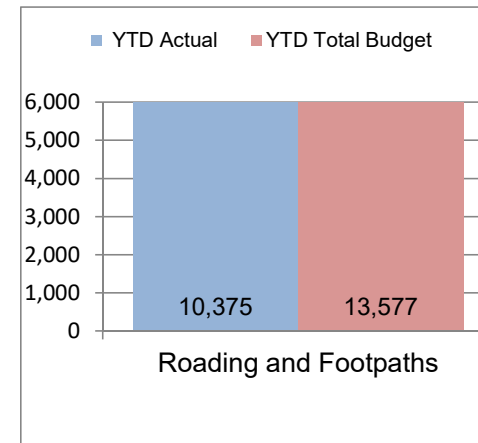
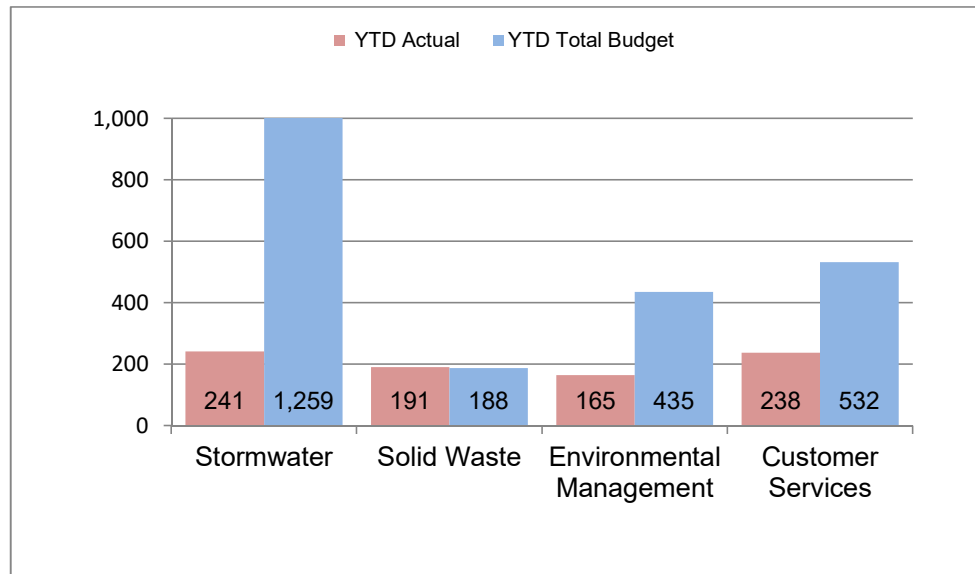
- Review of the capital programme is continuing so that we have a robust deliverable programme.

**Statement of Capital Financial Performance**  
**for the period ending**  
**28-February-2019**



Actuals v Budget (Carry Forward + AP Budget)						
	Year to Date \$000's					Progress to Date against full year Total Budget
	YTD Actual	Carry Forward Budget	AP Budget	YTD Total Budget	Variance	
<b>Capital Works</b>						
District Facilities	2,055	2,334	1,732	4,066	2,011	28%
Stormwater	241	411	848	1,259	1,018	14%
Solid Waste	191	59	129	188	(3)	42%
Wastewater	3,425	1,781	11,822	13,604	10,179	15%
Water Supply	1,067	385	3,683	4,069	3,002	15%
	6,979	4,971	18,215	23,185	16,206	3%
Roading and Footpaths	10,375	1,980	11,598	13,577	3,202	43%
Environmental Management	165	289	146	435	271	17%
Governance & Strategic Administration	815	993	2,728	3,721	2,906	13%
Customer Services	238	296	236	532	295	30%
<b>Total Capital Works</b>	<b>18,572</b>	<b>8,528</b>	<b>32,923</b>	<b>41,452</b>	 22,880	26%

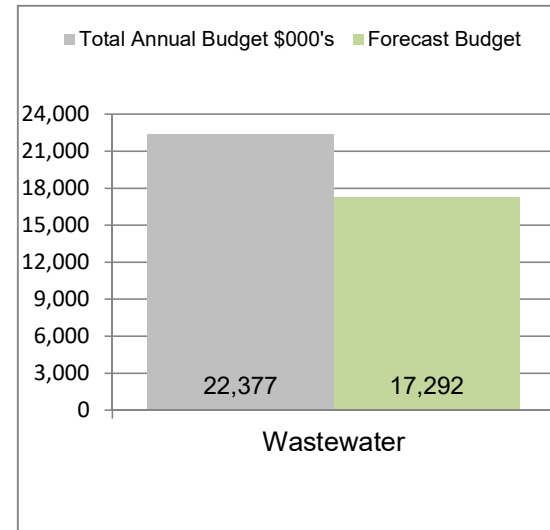
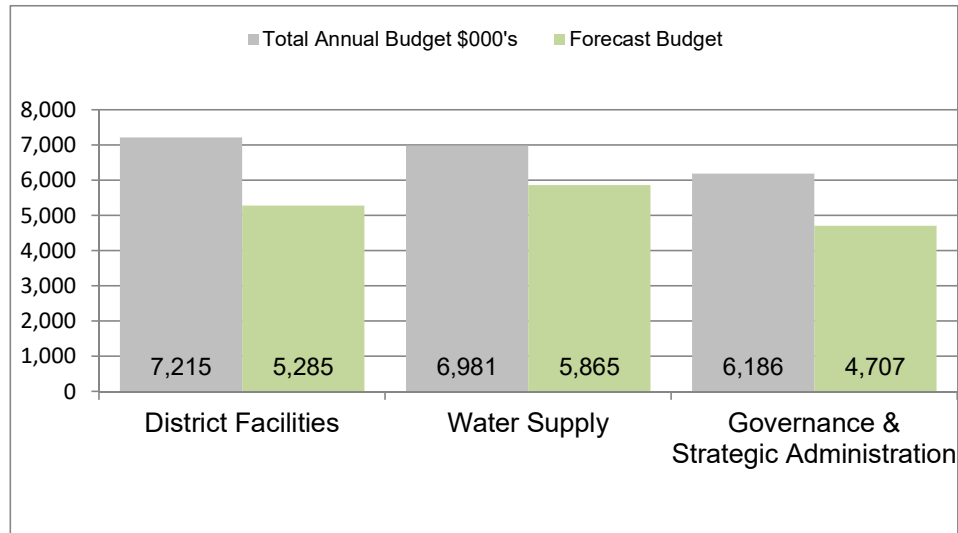
Notes to the Graphs:  What we have spent at report date i.e paid for works completed  
 What we expected to have spent of the Annual Plan Budget at report date

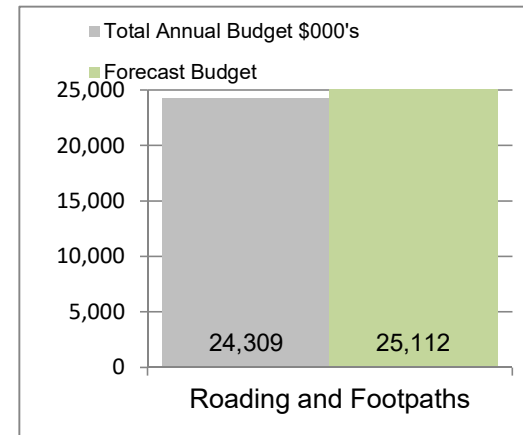
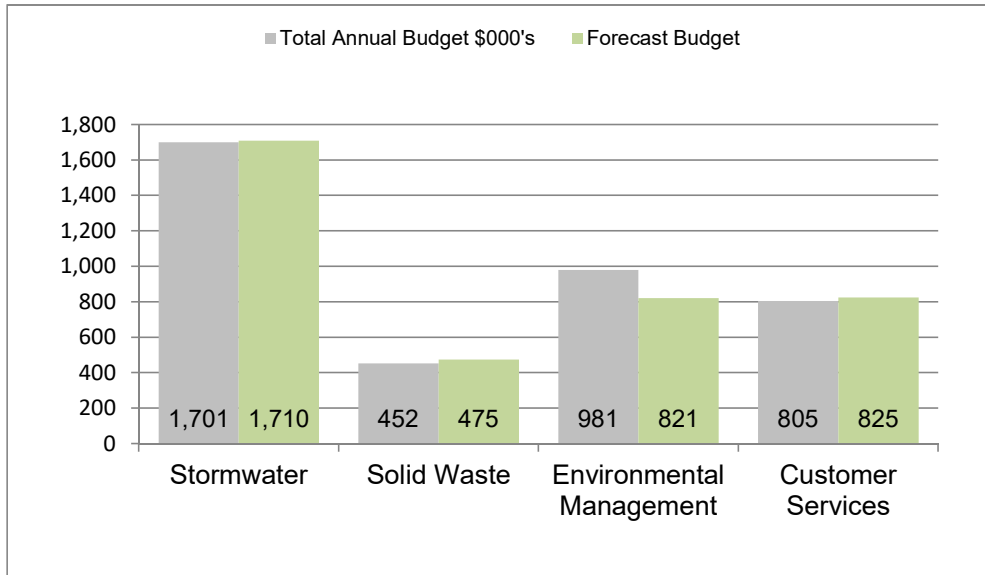




Budget v Forecast Movements						
	Full Year \$000's					Progress to date against full year Forecast
	AP Budget	Carry forward budget		Reforecast Movement		Forecast Budget
<b>Capital Works</b>						
District Facilities	4,881	2,334		1,930		5,285
Stormwater	1,290	411		(9)		1,710
Solid Waste	393	59		(23)		475
Wastewater	20,596	1,781		5,085		17,292
Water Supply	6,596	385		1,116		5,865
	33,756	4,971		8,099		30,627
Roading and Footpaths	22,330	1,980		(803)		25,112
Environmental Management	691	289		160		821
Governance & Strategic Administration	5,193	993		1,480		4,707
Customer Services	509	296		(20)		825
	<b>62,479</b>	<b>8,528</b>		8,916		62,091
						30%

Notes to the Graphs:  Annual Plan Budget 2017/2018 (excludes Carry Forwards)  
 Reforecast



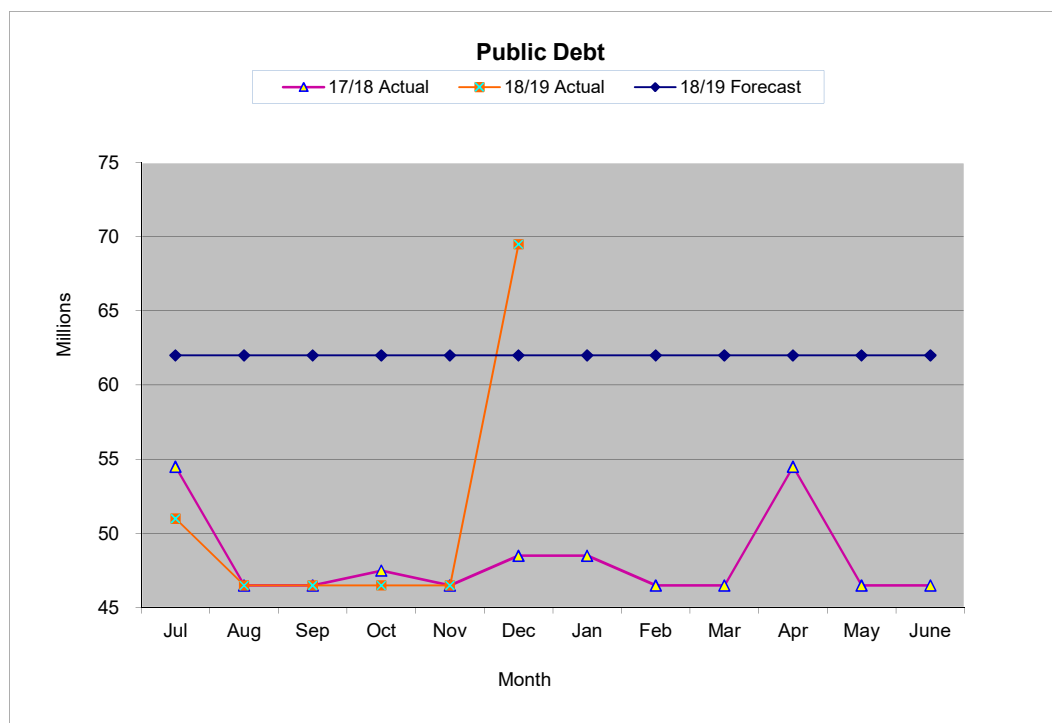




## Borrowings and Investments

### Public Debt

as at 28 February 2019



### End of Year Borrowing position

As at 28 February 2019, Council borrowings total \$66.5 million as profiled in the Loans by Maturity table below. This is up 20.5 million from 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
66,500	20,000		6,500	20,000	10,000	10,000
	30.08%	0.00%	9.77%	30.08%	15.04%	15.04%

Council's total banking facility comprises the ASB facility of \$20 million. As at 28 February 2019, funds drawn down on Council's banking facility was nil, providing a \$20 million headroom. The \$20 million committed facility was extended to November 2020 at the September Audit, Risk and Finance Committee meeting. \$20 million was borrowed in December and invested for 6 months as per the resolution of the committee 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 28 February 2019 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%	23%	Yes
Liquidity (access to funds)	>110%	188%	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.			