

FINANCIAL REPORT OVERVIEW

This report provides a summary on the current financial performance of the Far North District Council as at 31 August 2019.

Operating position as at 31 August 2019

The net operating position for the year to date is a surplus of \$59k, against the year to date budget of a \$3.2m surplus, resulting in a negative variance of \$3.1m. Income year to date is less than budgeted and expenses are less than budgeted year to date, predominantly due to:

- **Operating Income variance of \$2.6m (less than budgeted)**

Main variances are:

- Rates penalties – penalties charged against outstanding accounts.
- Fees and charges - water by meter charges is lower than usual due to lower consumption.
- Central govt subsidies – operational – Tourism Infrastructure Fund (TIF) received in advance from Ministry of Business, Innovation & Employment (MBIE) for the Responsible Camping Working Group for seasonal public toilets in the eastern and northern areas.
- Other income – Northland Regional Council (NRC) operational grant towards stormwater improvements in Moerewa.
A private contribution has been made towards stormwater improvements at a residential property in Opononi.
- Central govt subsidies – new works and renewals – Tourism Infrastructure Fund (TIF) received in advance from Ministry of Business, Innovation & Employment (MBIE) to purchase mobile toilets for the usage in high tourist areas as well as funding received for the public toilet projects; Waitangi Mountain Bike Trail, Waitangi Boat Ramp, Opononi and Mitimiti.

Subsidy milestones have not yet been completed for the Kerikeri Wastewater Treatment Plant and Rawene/Omanaia Water Treatment Plants.

- **Operating Expenditure variance of \$505k (more than budgeted)**

Main variances are:

- Payroll related cost - a number of vacancies are in recruitment phase and accrued leave is not being used by staff due to resourcing across the organisation.
- General expenses – unbudgeted power supply provided to the Kerikeri Wastewater Treatment Plant and Rawene/Omanaia Water Treatment Plant.
Overall, there are a number of budgets that have not yet been spent.
- Rates remissions – Approved remission applications have been applied under the current policies.
- Contractor & professional fees - Annual management fee for the Kaitia Airport.
Water and Wastewater Alliance contract have had overruns in electricity, internal labour and direct plant costs.

A number of software licences have been renewed, offset by;
The number of consultants has not yet been engaged across the organisation.

- Grants & donations – approved grant applications have been paid to a number of applicants earlier than planned.

Capital expenditure as at 31 August 2019

- Capital expenditure as at 31 August 2019 is \$5.9m this is 7% of the Total Annual Budget of \$90m. This is the Annual Plan budget of \$64m and Carried Forward budget from 18/19 of \$26m.
- \$5m of carry forward is not full realised in the report due to NTA revising their programme. Further detail can be found in the Statement of Capital Performance.

Borrowing & Investments

Current Position

- Total debt is \$46.5m.
- As at 31 August 2019, there were no funds drawn down on Councils banking \$20m facility.
- Council's cash position was \$4.3m in the General Fund bank account at month end.

Compliance

- Our liquidity ratio (access to fund) is at 146% 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.

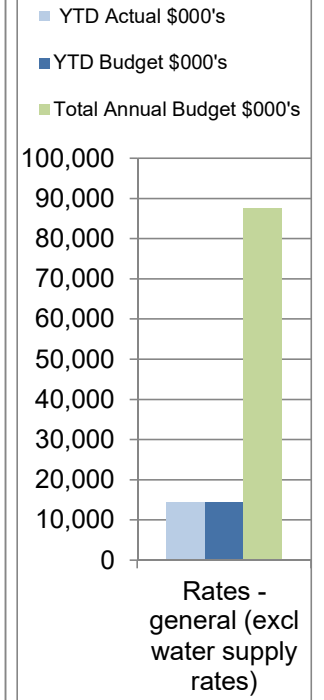
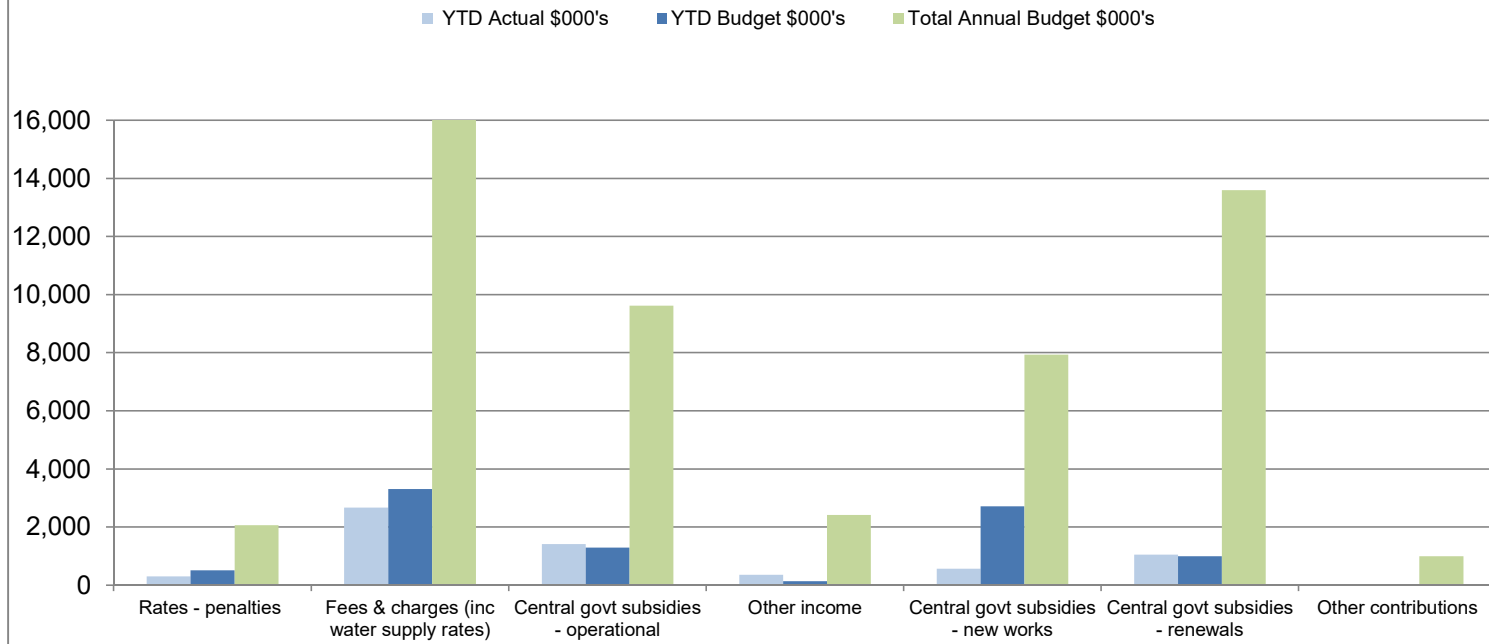
**Statement of Financial Performance
for the period ending
31-August-2019**

	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	LTP Budget \$000's	Carry forward budget \$000's	Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
Operations										
Operational income										
Rates - general (excl water supply rates)	14,584	14,588	(5)	17%	17%	87,530	0	87,530	87,530	0
Rates - penalties	302	518	(216)	15%	15%	2,073	0	2,073	2,073	0
Fees & charges (inc water supply rates)	2,677	3,317	(640)	12%	12%	21,839	0	21,839	21,839	0
Central govt subsidies - operational	1,417	1,303	114	15%	15%	9,591	32	9,623	9,623	0
Other income	361	143	219	15%	15%	2,349	75	2,424	2,424	0
Capital income										
Central govt subsidies - new works	577	2,718	(2,141)	7%	7%	2,428	5,514	7,942	7,942	0
Central govt subsidies - renewals	1,057	1,005	51	8%	8%	12,769	828	13,597	13,597	0
Other contributions	13	0	13	1%	1%	0	1,000	1,000	1,022	22
Total operating income	20,988	23,593	(2,604)			138,579	7,449	146,028	146,049	22
Operating Expenditure										
Payroll related costs	4,389	4,561	172	15%	15%	29,610	0	29,610	29,610	0
Other staffing related costs	275	224	(51)	13%	13%	2,167	0	2,167	2,160	7
General expenses	2,034	1,760	(274)	21%	21%	9,600	6	9,606	9,603	3
Rate remissions	1,587	1,436	(151)	72%	72%	2,208	0	2,208	2,208	0
Contractor & professional fees	6,165	5,722	(444)	14%	14%	44,318	0	44,318	44,901	(583)
Grants and donations	661	320	(342)	35%	35%	1,850	32	1,882	1,882	0
Interest costs	303	376	73	13%	13%	2,253	0	2,253	2,253	0
Sub-total	15,415	14,398	(1,017)			92,007	38	92,045	92,618	(573)
Depreciation and other asset costs	5,578	6,026	447			36,153	0	36,153	36,153	0
Gain/Loss on Disposal	(65)	0	65			0	0	0	0	0
Total operating expenditure	20,929	20,424	(505)			128,160	38	128,198	128,771	(573)
Net operating surplus/(deficit)	59	3,169	(3,109)			10,419	7,411	17,830	17,278	(552)

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	LTP Budget \$000's	Carry forward budget \$000's	Total Annual Budget \$000's	Total Annual Forecast \$000's	Forecast Variance \$000's
Income										
Customer Services	1,726	1,723	3	16%	16%	10,555	0	10,555	10,555	0
District Facilities	3,179	2,679	500	19%	19%	15,913	1,112	17,025	17,047	22
Environmental Management	2,651	2,532	119	19%	19%	14,233	0	14,233	14,233	0
Governance & Strategic Administration	1,317	1,248	69	15%	15%	8,770	0	8,770	8,770	0
Roading and Footpaths	5,767	5,549	218	13%	13%	43,685	882	44,567	44,567	0
Solid Waste Management	910	914	(4)	16%	16%	5,649	0	5,649	5,649	0
Stormwater	927	869	58	18%	18%	5,183	69	5,252	5,252	0
Strategic Planning & Policy	1,208	1,212	(4)	17%	17%	7,268	6	7,274	7,274	0
Wastewater	2,000	4,257	(2,257)	11%	11%	12,480	4,914	17,395	17,395	0
Water Supply	1,301	2,608	(1,307)	8%	8%	14,842	466	15,308	15,308	0
Total Operating Income by LTP Group	20,988	23,593	(2,604)			138,579	7,449	146,028	146,049	22
Expenditure										
Customer Services	1,507	1,648	141	15%	15%	9,755	0	9,755	9,755	0
District Facilities	2,443	2,507	64	15%	15%	15,732	32	15,764	15,764	0
Environmental Management	2,413	2,275	(138)	17%	16%	14,233	0	14,233	14,733	(500)
Governance & Strategic Administration	2,469	1,953	(517)	32%	33%	7,687	0	7,687	7,431	256
Roading and Footpaths	5,823	5,721	(102)	14%	14%	40,332	0	40,332	40,332	0
Solid Waste Management	796	932	136	14%	14%	5,649	0	5,649	5,649	0
Stormwater	656	625	(30)	14%	14%	4,698	0	4,698	4,698	0
Strategic Planning & Policy	876	1,131	254	12%	11%	7,318	6	7,324	7,653	(329)
Wastewater	2,513	2,085	(428)	19%	19%	13,549	0	13,549	13,549	0
Water Supply	1,496	1,547	51	16%	16%	9,208	0	9,208	9,208	0
	20,994	20,424	(570)			128,160	38	128,198	128,771	(573)
Gain/Loss on Disposal	(65)	0	65			0	0	0	0	0
Total Operating Expenses by LTP Group	20,929	20,424	(505)			128,160	38	128,198	128,771	(573)
Net operating surplus/(deficit)	59	3,169	(3,109)			10,419	7,411	17,830	17,278	595

Total Operating Income by Income Type



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 August, where activities are predictable we would expect to see approximately 17% of budget received.

Rates Penalties is under budget

- Penalties charged against outstanding accounts.

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

- Water by meter charges is lower than usual due to lower consumption.

Central Govt Subsidies - Operational is over budget

- Tourism Infrastructure Fund (TIF) received in advance from Ministry of Business, Innovation & Employment (MBIE) for the Responsible Camping Working Group for seasonal public toilets in the eastern and northern areas.

Other Income is over budget

- Received Northland Regional Council (NRC) operational grant towards stormwater improvements in Moerewa.
- A private contribution has been made towards stormwater improvements at a residential property in Opononi.

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 August, where activities are predictable, we would expect to see approximately 16% 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 over budget

- Power supply provided to the Kerikeri Wastewater Treatment Plant and Rawene/Omanaia Water Treatment Plant.
- Overall, there are a number of budgets that have not yet been spent.

Rates remissions is over budget

- Approved remission applications have been applied under the current policies.

Contractor & professional fees is over budget

- Annual management fee for the Kaitaia Airport.
- Water and Wastewater Alliance contract have had overruns in electricity, internal labour and direct plant costs.
- A number of software licences have been renewed.


offset by;



- The number of consultants have not yet been engaged across the organisation.

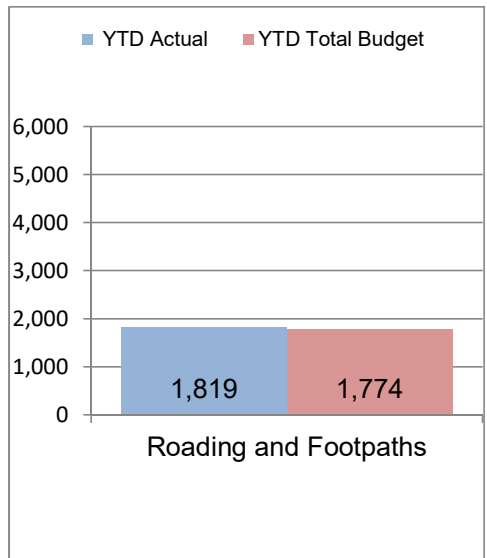
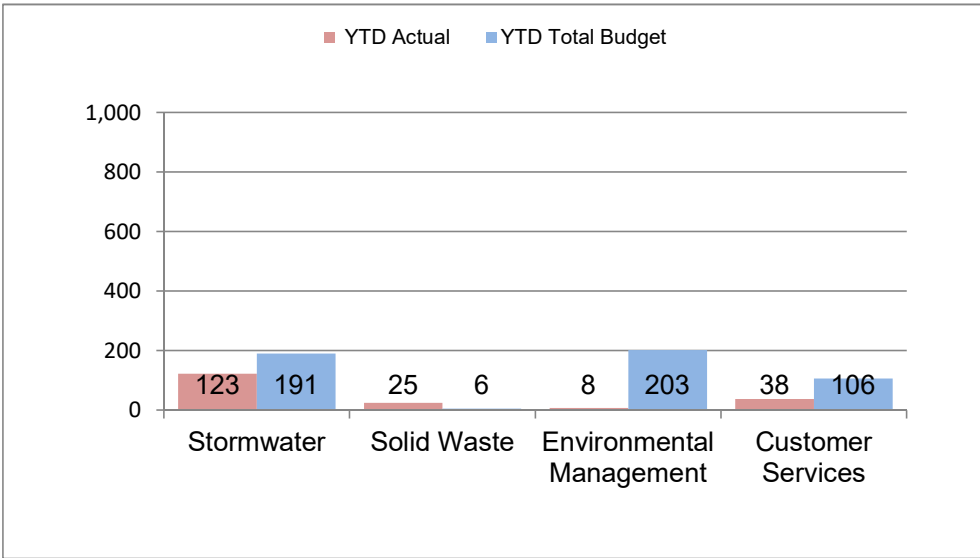
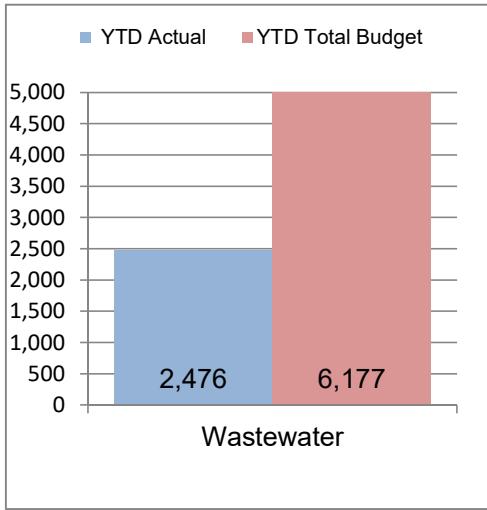
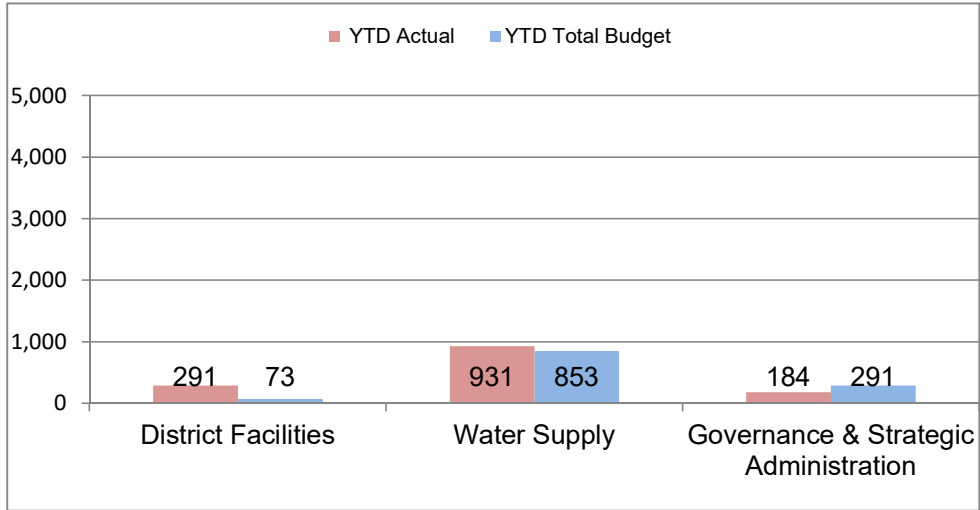
Grants & donations is over budget

- Approved grant applications have been paid to a number of applicants earlier than planned.



Statement of Capital Financial Performance
for the period ending
31-August-2019

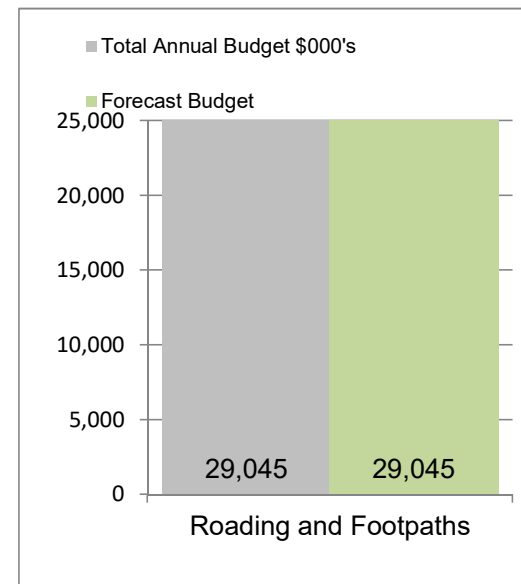
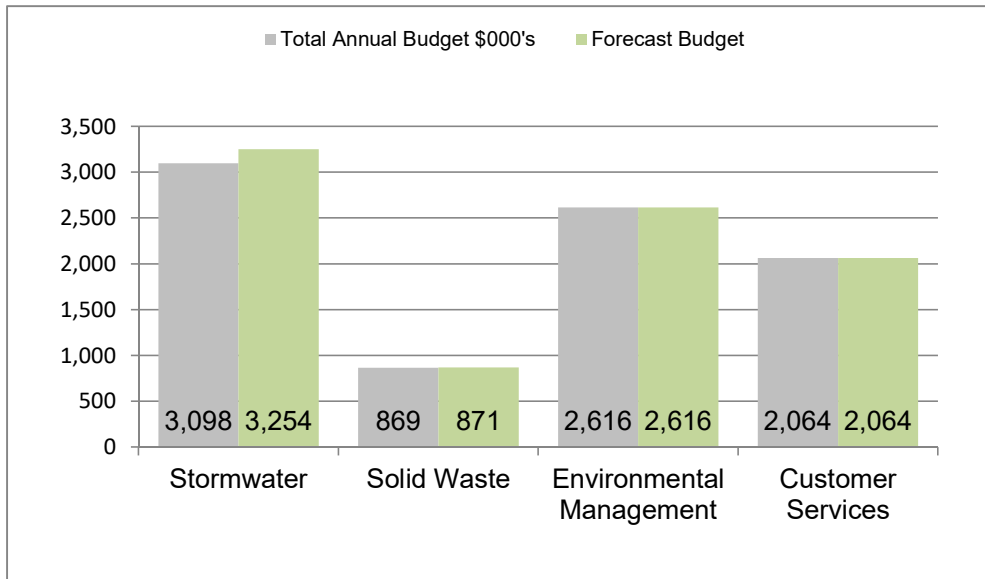
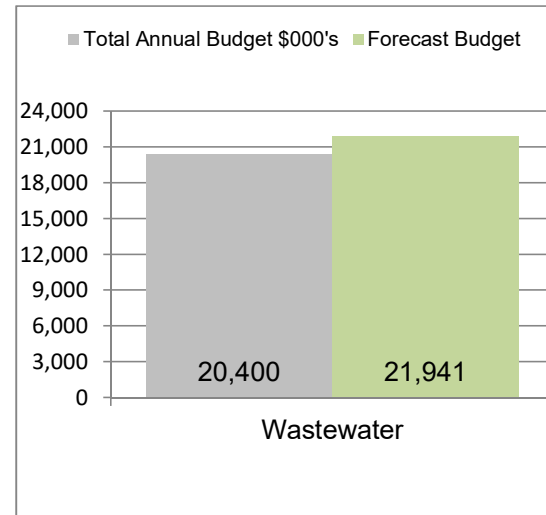
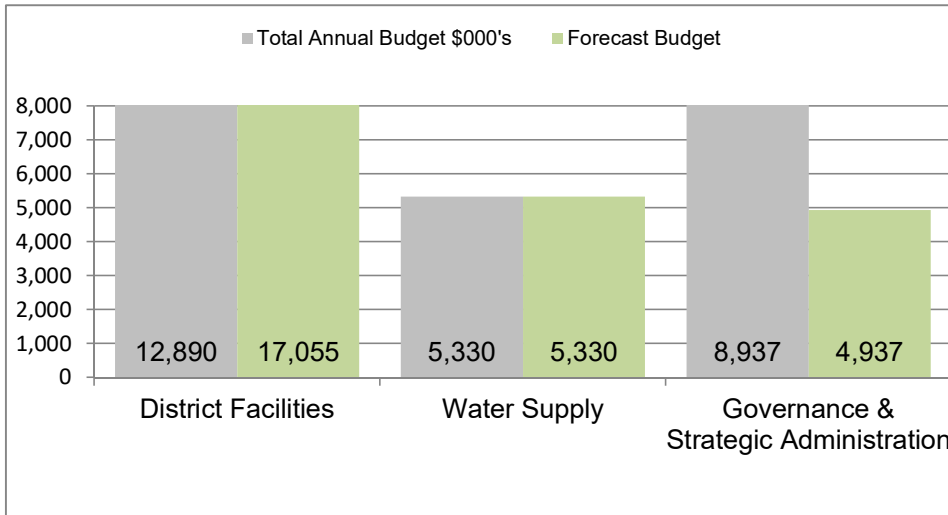
Actuals v Budget (Carry Forward + AP Budget)						
	Year to Date \$000's					Progress to Date against full year Total Budget
	YTD Actual	Carry Forward Budget	AP Budget	YTD Total Budget	Variance	
Capital Works						
District Facilities	291	63	10	73	(219)	2%
Stormwater	123	146	45	191	68	4%
Solid Waste	25	4	2	6	(19)	3%
Wastewater	2,476	4,530	1,647	6,177	3,701	12%
Water Supply	931	793	61	853	(78)	17%
	3,847	5,535	1,764	7,299	3,452	2%
Roading and Footpaths	1,819	287	1,487	1,774	(45)	6%
Environmental Management	8	203	0	203	195	0%
Governance & Strategic Administration	184	109	182	291	108	2%
Customer Services	38	15	91	106	68	2%
Total Capital Works	5,896	6,149	3,525	9,674	 3,778	7%

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

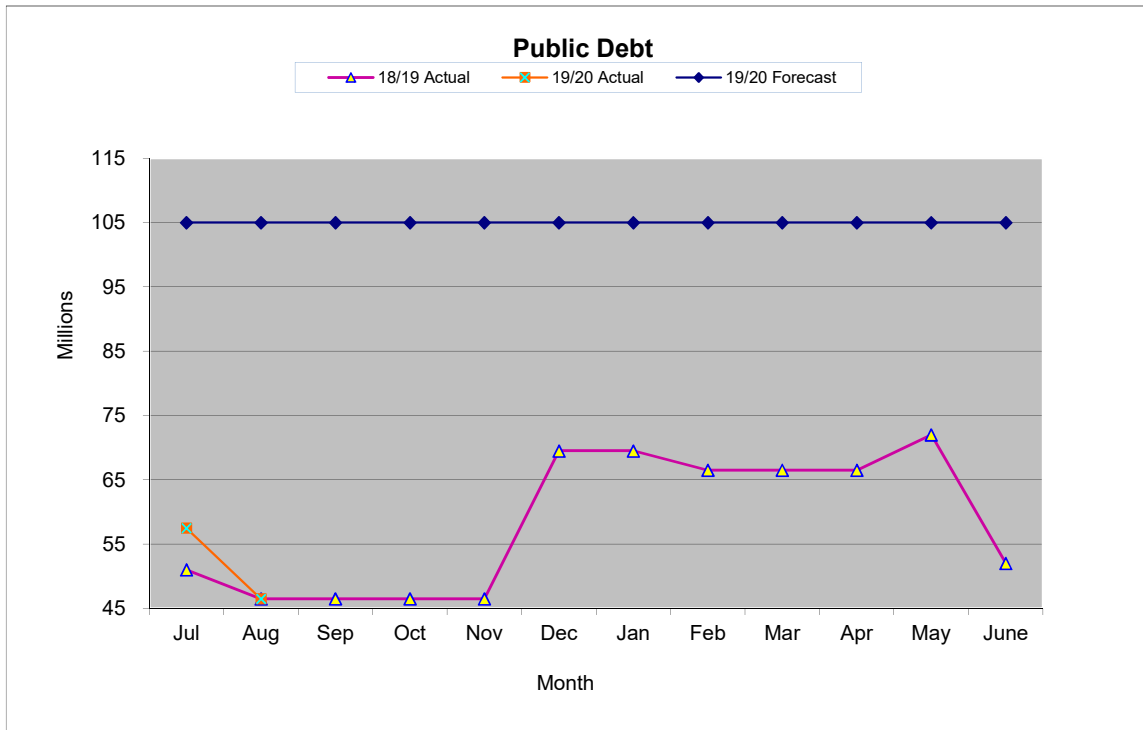


Budget v Forecast Movements						
	Full Year \$000's					Progress to date
	AP Budget	Carry forward budget		Reforecast Movement	Forecast Budget	against full year Forecast
Capital Works						
District Facilities	10,309	2,582		(4,165)	17,055	2%
Stormwater	1,776	1,322		(156)	3,254	4%
Solid Waste	594	275		(2)	871	3%
Wastewater	9,415	10,985		(1,541)	21,941	11%
Water Supply	3,748	1,582		-	5,330	17%
	25,841	16,745		(5,864)	48,450	
Roading and Footpaths	27,400	1,644		-	29,045	6%
Environmental Management	2,093	523		-	2,616	0%
Governance & Strategic Administration	6,677	2,260		4,000	4,937	4%
Customer Services	1,760	304		-	2,064	2%
	63,771	21,477		(1,864)	87,112	7%

Notes to the Graphs:  Annual Plan Budget 2019/2020 (excludes Carry Forwards)
 Reforecast



Public Debt
as at 31 August 2019



End of Year Borrowing position

As at 31 August 2019, Council borrowings total \$46.5 million as profiled in the Loans by Maturity table below. This is down 5.5 million from 30 June 2019.

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		6,500	10,000	20,000		10,000
	0.00%	13.98%	21.51%	43.01%	0.00%	21.51%

Council's total banking facility comprises the ASB facility of \$20 million. As at 31 August 2019, funds drawn down on Council's banking facility was nil, providing a \$20 million headroom.

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 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%	28%	Yes
Liquidity (access to funds)	>110%	146%	Yes

Notes:

Total revenue is based on 2019/20 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.