



I, Steven May, Tumu Whakarae Chief Executive Officer, hereby give notice that an Extraordinary Finance, Audit & Risk Committee Meeting will be held on:

Date: Tuesday, 11 June 2019
Time: 11.00am
Location: Council Chamber, Wairoa District Council,
Coronation Square, Wairoa

AGENDA

Extraordinary Finance, Audit & Risk Committee Meeting

11 June 2019

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

Order Of Business

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- 1 KARAKIA**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

5 GENERAL ITEMS

5.1 FINANCIAL PERFORMANCE TO 30 APRIL 2019

Author: Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager
Finance and Corporate Support

Authoriser: Kitea Tipuna, Pouwhakarae – Hapori / Whakatūtaki Group Manager
Community and Engagement

Appendices: 1. Financial Performance to 30 April 2019 [↓](#)

1. PURPOSE

- 1.1 This report provides information for the Committee on Council's financial performance for the 10 months ended 30 April 2019. No decisions are required by Committee at this stage.
- 1.2 The subject matter of this report is contained within the Committee's terms of reference.



RECOMMENDATION

The Group Manager: Finance and Corporate Support RECOMMENDS that Committee receive the report.

2. CURRENT SITUATION

- 2.1 The financial performance report for the half year ended 30 April 2019 is attached as **Appendix 1**.

Signatories

	
Author Gary Borg	Approved by Kitea Tipuna

FINANCIAL PERFORMANCE

TO 30 APRIL 2019



TE WAIROA
WAIROA DISTRICT

Summary

STATEMENT OF REVENUE AND EXPENDITURE
Whole of Council
For Year Ending 30th June 2019

	2018/19 Apr-19 Actuals	2018/19 Apr-19 Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Rates	10,569,377	10,628,959	(59,582)	12,683,379	12,754,751	(71,372)
Subsidies	6,909,858	4,053,860	2,855,998	8,466,186	4,864,639	3,601,547
Capital Subsidy	4,031,032	3,918,010	113,022	7,524,838	4,701,620	2,823,218
Petrol Tax	54,696	70,830	(16,134)	81,021	85,000	(3,979)
Fees and Charges	1,343,907	1,483,800	(139,893)	1,605,027	1,748,574	(143,547)
Investment Income	289,517	727,650	(438,133)	557,159	873,166	(316,007)
TOTAL INCOME	23,198,387	20,883,109	2,315,278	30,917,610	25,027,750	5,889,861
EXPENDITURE						
Staff Costs	4,514,394	4,560,100	(45,706)	5,469,866	5,472,049	(2,182)
Depreciation and Amortisation	4,360,000	4,364,700	(4,700)	5,237,615	5,237,615	0
Finance Costs	368,588	430,120	(61,532)	791,226	707,449	83,776
Other Operating Expense	13,097,366	10,333,530	2,763,836	17,513,197	13,081,303	4,431,894
TOTAL EXPENDITURE	22,340,347	19,688,450	2,651,897	29,011,903	24,498,416	4,513,488
NET SURPLUS/(DEFICIT)	858,040	1,194,659	(336,619)	1,905,707	529,334	1,376,373

As at 30 April 2019 Council reports a surplus of \$0.86 million, with a full year outlook of \$1.9 million, a favourable variance of \$1.376 million against budget.

This is the result of increased capital subsidy revenue received and expected in respect of reinstatement works on the roading network in response to emergency events in the winter of 2018. Most of the expenditure qualifies for the enhanced NZTA Funding Assistance Rate of 95% of expenditure.

Setting this revenue aside, Council would be reporting a year to date operating deficit of \$3.173 million, nearly \$0.5m adverse to budget.

The most material elements of this variance relate to escalating contractor and maintenance costs, particularly in water services, waste management and property.

These are explored in further detail below.

For the purposes of this report depreciation charges have been estimated at budget. They are not expected to be materially different.

Rates are currently accounted for at the whole of Council level only, and separately analysed in the annual report funding impact statements.

Some phasing differences persist but have been addressed for material items revenue and expense items.

STATEMENT OF FINANCIAL POSITION

	30th June 2018 ACTUAL (\$ 000)	30th April 2019 ACTUAL (\$ 000)	30th June 2019 FORECAST (\$ 000)	30th June 2019 LTP (\$ 000)	Variance
CURRENT ASSETS					
Cash and cash equivalents	3432	701	3395	2286	1109
Inventories	49	50	50	58	-8
Trade & other receivables from non-exchange transactions	2609	4558	2952	3138	-186
Financial assets at fair value	3068	2873	2048	2997	-949
Taxation Refundable	0	0	0	0	0
Total Current Assets	<u>9,158</u>	<u>8,182</u>	<u>8,445</u>	<u>8,479</u>	<u>(34)</u>
LESS CURRENT LIABILITIES					
Trade & other payables	4060	4558	4148	7908	-3760
Term Liabilities - Current Portion	5012	5374	4852	8297	-3445
Taxation Payable	0				0
Total Current Liabilities	<u>9,072</u>	<u>9,932</u>	<u>9,000</u>	<u>16,205</u>	<u>(7,205)</u>
Working Capital	86	(1,750)	(555)	(7,726)	7171
NON CURRENT ASSETS					
Property, Plant & Equipment	260474	265506	268334	273090	-4756
Loans & other receivables	33	0	0	0	0
Investments in Subsidiary	1250	1250	1250	1250	0
Investment Property	0				0
Biological asset - forestry	260	260	260	260	0
Available for sale financial assets	23	23	23	23	0
Intangible Assets	129	129	116.1	188	-71.9
Financial assets at fair value	7267	4962	2000	7125	-5125
Deferred Taxation	0	0	0	0	0
	<u>269,436</u>	<u>272,130</u>	<u>271,983</u>	<u>281,936</u>	<u>(9,953)</u>
NON CURRENT LIABILITIES					
Employee Entitlements	115	115	115	115	0
Landfill Aftercare	750	750	750	730	20
Quarry Aftercare	-	-	-	-	0
Borrowings	-	-	-	-	0
	<u>865</u>	<u>865</u>	<u>865</u>	<u>845</u>	<u>20</u>
Net Assets	<u>268,657</u>	<u>269,515</u>	<u>270,563</u>	<u>273,365</u>	<u>(2,802)</u>
Represented by					
Equity	<u>268,657</u>	<u>269,515</u>	<u>270,563</u>	<u>273,365</u>	<u>(2,802)</u>

Groups of Activities

Operating Statement

Community Facilities

For Year Ending 30th June 2019

	2018/19 Apr-19 Actuals	2018/19 Apr-19 Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Subsidies and Grants	118,321	50,050	68,271	123,252	60,068	63,184
Fees and Charges	53,022	54,250	(1,228)	63,627	65,110	(1,483)
Investment Income	300	-	300	360	-	360
TOTAL INCOME	171,643	104,300	67,343	187,239	125,178	62,061
EXPENDITURE						
Staff Costs	236,759	237,240	(481)	284,111	284,679	(568)
Depreciation and Amortisation	224,539	224,540	(1)	269,447	269,447	-
Finance Costs	1,049	21,940	(20,891)	26,327	26,327	-
Other Operating Expense	1,427,956	1,413,050	14,906	1,722,458	1,695,623	26,834
TOTAL EXPENDITURE	1,890,304	1,896,770	(6,466)	2,302,342	2,276,076	26,267
NET SURPLUS/(DEFICIT) BEFORE RATES	(1,718,661)	(1,792,470)	73,809	(2,115,104)	(2,150,898)	35,794

Additional grants and donations were received to support various community initiatives. Some revenue that was received last year but not expended has been brought forward.

Operating Statement
Leadership & Governance
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Subsidies & Grants	275,000	-	275,000	300,000	-	300,000
Petrol Tax	54,696	70,830	(16,134)	81,021	85,000	(3,979)
Fees and Charges	88,966	29,440	59,526	107,459	35,334	72,125
Investment Income	107,266	539,100	(431,834)	338,459	646,917	(308,458)
TOTAL INCOME	525,927	639,370	(113,443)	826,939	767,251	59,688
EXPENDITURE						
Staff Costs	688,397	694,660	(6,263)	826,519	833,598	(7,079)
Depreciation and Amortisation	21,323	21,320	3	25,587	25,587	-
Finance Costs	168,462	165,880	2,582	311,452	390,361	(78,909)
Other Operating Expense	1,866,173	1,481,280	384,893	2,293,680	1,777,501	516,179
TOTAL EXPENDITURE	2,744,354	2,363,140	381,214	3,457,239	3,027,047	430,192
NET SURPLUS/(DEFICIT) BEFORE RATES	(2,218,427)	(1,723,770)	(494,657)	(2,630,300)	(2,259,796)	(370,503)

Subsidy revenue is the receipt of funds from MBIE for the Wairoa Capability Support Project. There is a corresponding variance within operating expenses, where the funding was utilised for a feasibility study supporting Council's economic development strategy.

Most of the remaining adverse variance under operating expenses is offset by the favourable variance in revenue from fees and charges resulting from Council assuming the operation of the Gaiety Theatre. To date the theatre is achieving its financial objective of breaking even.

The adverse variance in investment income has two components, relating to Councils holding of fixed interest bonds:

- Reduction in interest received. Council has liquidated \$3 million of investments during the year to fund its capital renewals programme. At a weighted average interest rate of 5% this equates to \$150,000 in interest not earned. The budget forecast that a greater proportion of capital expenditure would be new CapEx, funded by borrowing, and now that Council is a member of the LGFA this will be revisited.
 - Council currently holds \$6 million in bond investments compared to \$5 million in external debt.
- A fair value adjustment of \$230,000 on the investment portfolio. This is a non-cash adjustment that reflects the reduction in expected future cash flows from Council's investments as they approach maturity.

A schedule of Council's investment portfolio is shown below:

Description	Maturity Date	Quantity	Yield/Price	Cost (NZD)	Capital Value	Accrued Interest	Market Value (NZD)	Est. Inc. (NZD)	% of Portfolio
Bank of New Zealand 5.57% 25/06/2019 (BNZ190)	25/06/2019	650,000	1.97%	\$673,841.35	\$ 653,575.00	\$ 12,517.00	\$666,092.30	\$36,205.00	10.12%
Auckland Council 4.728% 02/10/2019 (AKC1070)	2/10/2019	500,000	1.95%	\$500,000.00	\$ 505,850.00	\$ 1,785.00	\$507,634.62	\$23,640.00	7.71%
NZ Local Govt Funding Agency 6.00% 15/05/2021 (LGF040)	15/05/2021	750,000	1.83%	\$846,021.00	\$ 812,475.00	\$ 20,605.00	\$833,080.48	\$45,000.00	12.66%
ASB 4.245% 26/05/2021 (ABB040)	26/05/2021	750,000	2.26%	\$750,086.25	\$ 780,000.00	\$ 13,643.00	\$793,643.47	\$31,837.50	12.06%
Auckland Intl Airport 5.52% 28/05/2021 (AIA130)	28/05/2021	479,000	2.27%	\$486,516.80	\$ 510,422.00	\$ 11,192.00	\$521,614.41	\$26,440.80	7.93%
Fonterra Co-op Group 4.33% 20/10/2021 (FCG030)	20/10/2021	500,000	2.64%	\$509,246.00	\$ 520,050.00	\$ 582.00	\$520,631.71	\$21,650.00	7.91%
ASB 4.20% 24/02/2022 (ABB060)	24/02/2022	250,000	2.38%	\$250,000.00	\$ 262,325.00	\$ 1,184.00	\$264,208.66	\$10,500.00	4.01%
GMT Bond 5.00% 23/06/2022 (GMB030)	23/06/2022	250,000	2.98%	\$266,361.70	\$ 265,050.00	\$ 4,386.00	\$269,435.93	\$12,500.00	4.09%
Contact Energy 4.63% 15/11/2022 (CEN040)	15/11/2022	250,000	2.84%	\$261,041.75	\$ 265,050.00	\$ 2,403.00	\$267,452.88	\$11,575.00	4.06%
Spark Finance Ltd 4.51% 10/03/2023 (SPF560)	10/03/2023	450,000	2.60%	\$467,288.10	\$ 481,410.00	\$ 2,817.00	\$484,227.00	\$20,295.00	7.36%
Meridian Energy 4.53% 14/03/2023 (MEL030)	14/03/2023	500,000	2.89%	\$510,550.00	\$ 529,850.00	\$ 2,889.00	\$532,739.07	\$22,650.00	8.10%
Wellington Intl Airport 4.25% 12/05/2023 (WIA030)	12/05/2023	500,000	2.86%	\$500,000.00	\$ 526,250.00	\$ 9,901.00	\$536,150.71	\$21,250.00	8.15%
Meridian Energy 4.88% 20/03/2024 (MEL040)	20/03/2024	350,000	3.03%	\$366,786.35	\$ 379,155.00	\$ 1,920.00	\$381,074.77	\$17,080.00	5.79%
Total:				\$6,387,739.30	\$ 6,491,462	\$ 85,824	\$6,577,986.01	\$300,623.30	100%

Operating Statement
Planning & Regulatory
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Fees and Charges	353,119	273,780	79,339	367,008	296,530	70,478
TOTAL INCOME	353,119	273,780	79,339	367,008	296,530	70,478
EXPENDITURE						
Staff Costs	571,182	679,780	(108,598)	704,611	815,717	(111,106)
Depreciation and Amortisation	89,022	89,030	(8)	106,826	106,826	-
Finance Costs	9,679	18,750	(9,071)	25,573	22,496	3,077
Other Operating Expense	536,025	1,036,910	(500,885)	695,562	1,244,264	(548,702)
TOTAL EXPENDITURE	1,205,908	1,824,470	(618,562)	1,532,572	2,189,303	(656,731)
NET SURPLUS/(DEFICIT) BEFORE RATES	(852,790)	(1,550,690)	697,901	(1,165,564)	(1,892,773)	727,209

Fees and Charges

Nearly half of the favourable variance is from dog registrations. There are now over 3,000 dogs registered in the district. Most of the remainder relates to dog and freedom camping infringements.

Staff Costs

This is the net effect of the 2018 restructure and a vacant position that was filled in May 2019.

Other Operating Expenses

This variance relates to the district plan review. Most of the work to date has been completed in house, with the initial focus on the production of the ePlan.

Operating Statement
Property
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Fees and Charges	188,821	179,170	9,651	226,585	215,000	11,585
Investment Income	33,082	39,680	(6,598)	39,698	47,607	(7,909)
TOTAL INCOME	221,903	218,850	3,053	266,283	262,607	3,676
EXPENDITURE						
Staff Costs	30,379	8,340	22,039	36,455	10,000	26,455
Depreciation and Amortisation	419,258	419,260	(2)	503,110	503,110	-
Finance Costs	3,670	46,700	(43,030)	56,042	56,042	-
Other Operating Expense	376,566	183,640	192,926	450,552	220,392	230,159
TOTAL EXPENDITURE	829,874	657,940	171,934	1,046,159	789,544	256,614
NET SURPLUS/(DEFICIT) BEFORE RATES	(607,971)	(439,090)	(168,881)	(779,875)	(526,937)	(252,938)

The adverse variance in operating expenses is due to maintenance on several of Council's buildings, much of which became urgent after being deferred in previous years:

Community Centre: \$27,000

Pensioner Housing: \$95,000

Memorial Hall: \$19,000 (including disabled access improvements)

Council Offices: \$55,000 (including security works and refurbishments)

Some of this expenditure may qualify as capital and is under review.

Finance costs relate to internal borrowings for the upgrade to the community centre and will be charged at year end.

Operating Statement
Stormwater
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Investment Income	28,440	28,440	-	34,125	34,125	-
TOTAL INCOME	28,440	28,440	-	34,125	34,125	-
EXPENDITURE						
Staff Costs	-	-	-	-	-	-
Depreciation and Amortisation	150,925	150,920	5	181,110	181,110	-
Finance Costs	-	47,150	(47,150)	56,581	56,581	-
Other Operating Expense	246,846	165,790	81,056	276,230	198,959	77,272
TOTAL EXPENDITURE	397,771	363,860	33,911	513,921	436,650	77,272
NET SURPLUS/(DEFICIT) BEFORE RATES	(369,331)	(335,420)	(33,911)	(479,796)	(402,525)	(77,272)

Other operating costs include internal recharges of staff time that were not anticipated in the budget, and there is a corresponding credit in the transport activity. \$52,000 of the variance however, relates to contract management costs in the renewed 3 water maintenance contract that had not been considered in the budget.

Finance costs relate to internal borrowings for renewals in previous years and will be charged at year end.

Operating Statement
Transport
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Subsidies & Grants	6,516,537	4,003,810	2,512,727	8,042,935	4,804,571	3,238,364
Capital Subsidy	4,031,032	3,918,010	113,022	7,524,838	4,701,620	2,823,218
Fees and Charges	43,265	33,330	9,935	52,530	40,000	12,530
TOTAL INCOME	10,590,834	7,955,150	2,635,684	15,620,303	9,546,191	6,074,112
EXPENDITURE						
Staff Costs	372,881	348,930	23,951	447,457	418,713	28,744
Depreciation and Amortisation	2,305,213	2,309,900	(4,687)	2,771,871	2,771,871	-
Finance Costs	-	3,070	(3,070)	3,679	3,679	-
Other Operating Expense	7,812,907	5,809,440	2,003,467	10,836,222	6,971,312	3,864,910
TOTAL EXPENDITURE	10,491,002	8,471,340	2,019,662	14,059,230	10,165,576	3,893,654
NET SURPLUS/(DEFICIT) BEFORE RATES	99,832	(516,190)	616,022	1,561,073	(619,385)	2,180,457

As discussed in the summary this activity is forecast to report a surplus resulting from a higher than expected level of capital subsidy, and a higher average FAR due to the proportion of emergency reinstatement and response works to be completed.

Operating Statement
Waste Management
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Fees and Charges	315,827	404,160	(88,333)	404,490	485,000	(80,510)
Investment Income	-	-	-	-	-	-
TOTAL INCOME	315,827	404,160	(88,333)	404,490	485,000	(80,510)
EXPENDITURE						
Staff Costs	-	37,740	(37,740)	-	45,285	(45,285)
Depreciation and Amortisation	85,931	85,930	1	103,117	103,117	-
Finance Costs	-	42,410	(42,410)	50,892	50,892	-
Other Operating Expense	1,399,750	980,750	419,000	1,685,568	1,176,917	508,651
TOTAL EXPENDITURE	1,485,681	1,146,830	338,851	1,839,577	1,376,211	463,366
NET SURPLUS/(DEFICIT) BEFORE RATES	(1,169,853)	(742,670)	(427,183)	(1,435,087)	(891,211)	(543,876)

The waste management activity operated for several months out of contract on a day works basis. Furthermore, despite the level of service and charging regime being a key consultation item in the LTP, the contract tender process was prolonged by escalating costs in the market and a second public consultation was undertaken in December 2018.

The cost baseline has been reset for the Annual Plan 2019-20 and Council is currently reviewing a proposal to introduce a supplementary revenue stream that will also help avoid future compliance costs.

There is a favourable variance in staff costs because the budget contemplated some Council involvement in the weighbridge operation.

Operating Statement
Wastewater
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Fees and Charges	51,545	166,660	(115,115)	85,854	200,000	(114,146)
Investment Income	66,520	66,520	-	79,831	79,831	-
TOTAL INCOME	118,065	233,180	(115,115)	165,685	279,831	(114,146)
EXPENDITURE						
Staff Costs	-	-	-	-	-	-
Depreciation and Amortisation	391,876	391,880	(4)	470,251	470,251	-
Finance Costs	136,319	50,790	85,529	197,265	60,947	136,319
Other Operating Expense	976,704	721,640	255,064	1,109,557	865,995	243,562
TOTAL EXPENDITURE	1,504,899	1,164,310	340,589	1,777,074	1,397,193	379,881
NET SURPLUS/(DEFICIT) BEFORE RATES	(1,386,834)	(931,130)	(455,704)	(1,611,388)	(1,117,362)	(494,027)

The revenue budget for wastewater was predicated on several new connections to the network, particularly in Mahia, Opoutama and Blue Bay. There has been some activity, but the volume is lower than predicted.

Council's external borrowing was refinanced in July 2018. Since this activity was main reason for these borrowings, also for the largest single capital project in the LTP, the debt has been allocated to wastewater. A review of this, against the allocations in the internal loan model and the capital repayments received for the Mahia and Opoutama scheme will be completed as part of the Annual Report 2019. This will validate the adverse variance in finance costs.

The adverse variance in operating expenses is due to the inclusion of contract management costs in the renewed 3 waters maintenance contract that had not been anticipated in the budget.

Operating Statement
Water Supply
For Period Ending 2018/19

	2018/19 Year to Date Actuals	2018/19 Year to Date Annual Plan	2018/19 Year to Date Variance	2018/19 Full year Forecast	2018/19 Full Year Annual Plan	2018/19 Full Year Variance
INCOME						
Fees and Charges	247,552	333,750	(86,198)	295,327	400,500	(105,173)
Investment Income	53,910	53,910	-	64,686	64,686	-
TOTAL INCOME	301,462	387,660	(86,198)	360,013	465,186	(105,173)
EXPENDITURE						
Staff Costs	140,564	183,040	(42,476)	172,332	219,648	(47,316)
Depreciation and Amortisation	489,236	489,240	(4)	587,083	587,083	0
Finance Costs	-	990	(990)	1,183	1,183	-
Other Operating Expense	1,040,905	1,025,760	15,145	1,245,087	1,230,853	14,233
TOTAL EXPENDITURE	1,670,705	1,699,030	(28,325)	2,005,685	2,038,767	(33,083)
NET SURPLUS/(DEFICIT) BEFORE RATES	(1,369,242)	(1,311,370)	(57,872)	(1,645,671)	(1,573,581)	(72,090)

Metered water revenue is significantly below budget. Following recent revelations concerning water loss in the network it is possible that the budget was based on production volumes rather than consumption.

There is a favourable variance in staff costs because the budget assumed a higher FTE allocation to this activity.