

Quarterly Finance Report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 June 2020
Reporting officers: Christine Toms, Revenue Manager
Violeta Kayryakova, Financial Services Manager

Purpose/Ngā whāinga

To monitor financial performance.

Executive summary/Whakarāpopototanga

Commentary is provided on both land debt outstanding and sundry debtors. The April financial report is attached at the end.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report at 30 April 2020.

Context/Horopaki

Council Staff provide the Audit, Risk and Finance Committee (the Committee) with an update on year to date finances and debtors. Graphs have been provided to clarify debtors further.

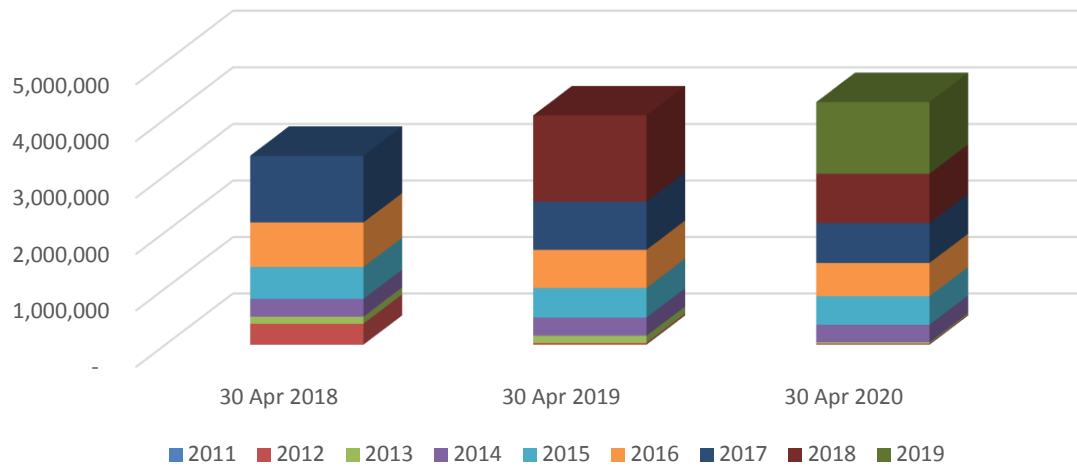
Discussion/Ngā kōrerorero

Rates Debtors as at 30 April 2020

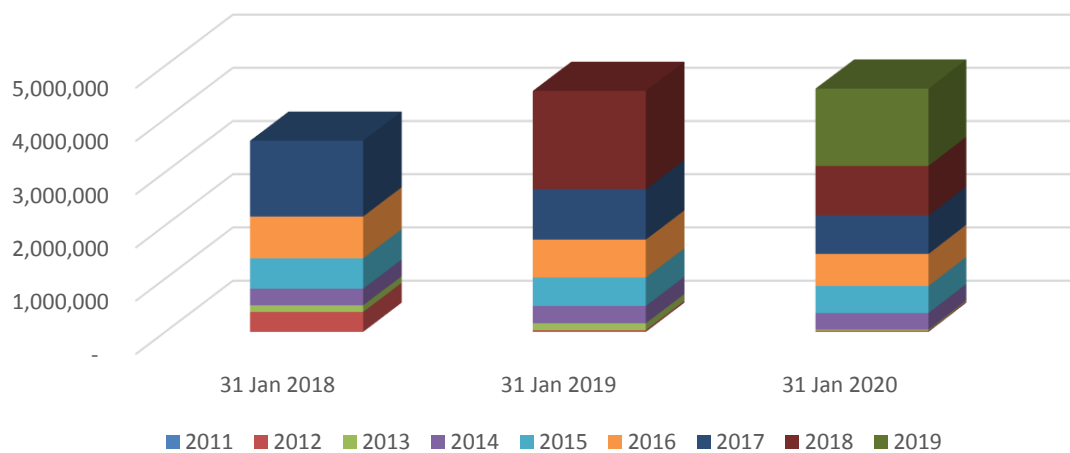
Nationwide COVID-19 restrictions and widespread economic uncertainty have seen many of our debt collection processes temporarily put on hold. Generally staff continue to converse with customers about their debt and are working with them to implement payment plans to assist them reduce the debt.

Earlier reports to the Committee focused on the land rates debt for the years up to June 2018 (previous year's arrears). This current rating year will see reports focused on the arrears up to 2019. System generated arrears reports exclude current debt, which means that the beginning of each year sees the opening debt balance increasing substantially due to the previous year debt being re-categorised as previous year arrears. The graph below shows the allocation of total land rates debt over the previous three years as at 30 April of each year.

Land Rate Arrears Summary by Year April 2020



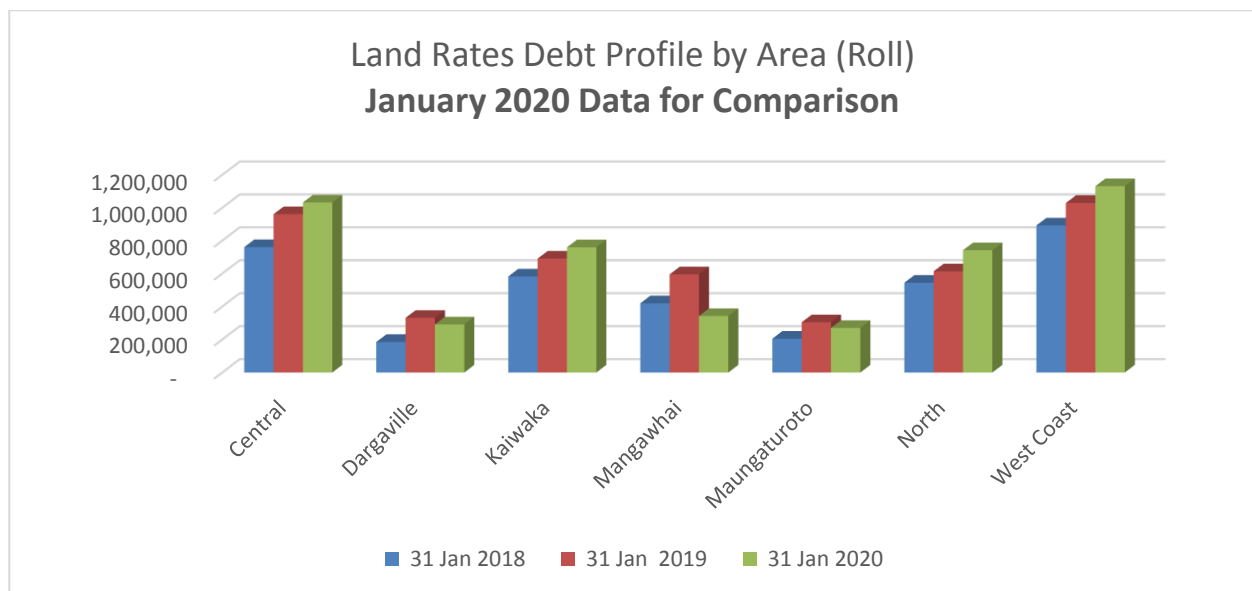
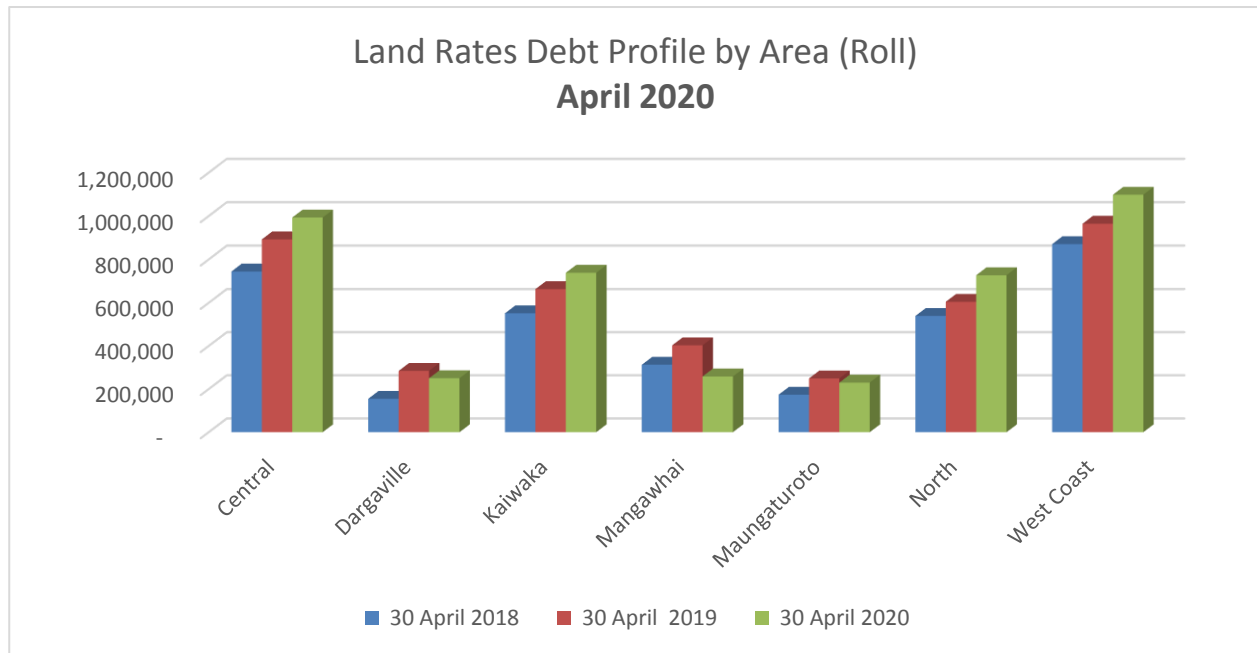
Land Rate Arrears Summary by Year January 2020 Data for comparison



The graphs above show that outstanding arrears for all years has decreased between July 2019 and April 2020. The graphs reflect what we would expect to see, with the majority of debt sitting in recent years due to Council's policy of allocating payments to the oldest debt first.

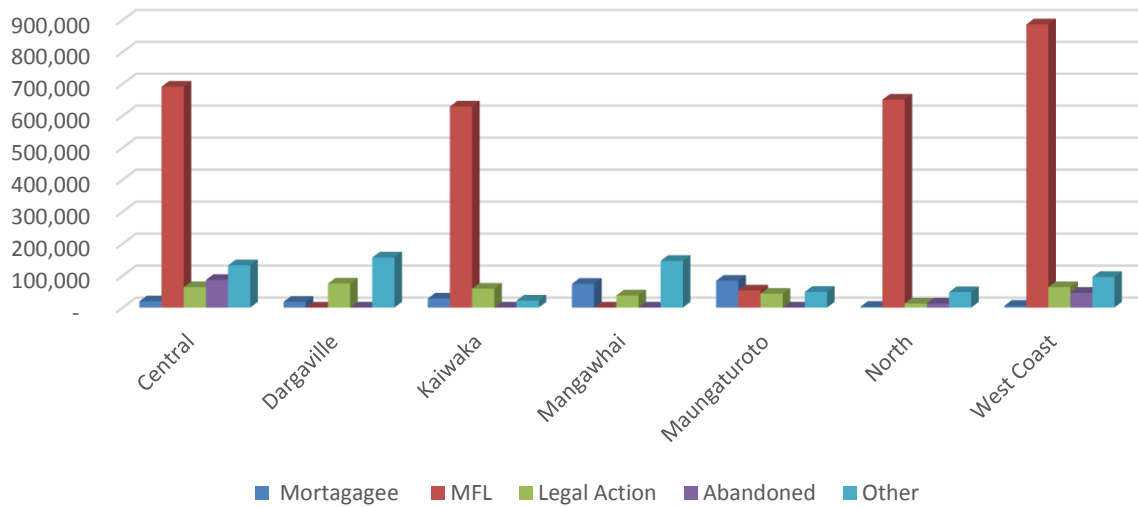
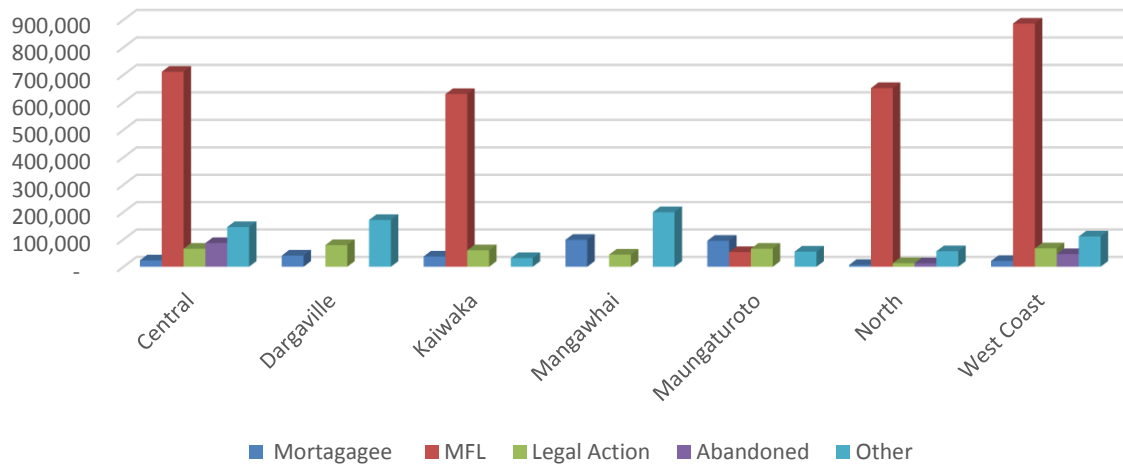
The total reported debt as at 30 June 2019 was \$7,389,300 and is now \$4,295,929. This shows an overall rates debt reduction for the ten months between July 2019 and April 2020 of \$3,093,347.

The chart below compares the debt over three years and shows by roll where the debt sits.



Rates debt has decreased by \$272,000 since last report dated 31 January 2020. The reductions have been seen across all areas, with the greatest reduction being noted in Mangawhai.

Debt Category by Area - April 2020

Debt Category by Area
January 2020 Data for Comparison

The table below summarises the data whilst the charts above show the distribution of the debt by category and area. Overall rates debt has decreased by \$2,728,752 during the period of 31 July 2019 and 30 April 2020, whilst over the same period the number of rates debtors had reduced by 1,736.

Arrears debt	31 July 2019			30 April 2020	
	No	\$		No	\$
Mortgaged Properties	725	1,926,486		67	232,990
Maori Freehold Land (MFL)	140	2,985,103		117	2,910,082
Legal Action	48	448,529		50	356,796
Abandoned Land	7	172,587		6	145,805
Other	1,275	1,491,976		219	650,256
TOTAL	2,195	7,024,681		459	4,295,929

Mortgaged Properties Category

Since last report the debt in this category has reduced by \$90,918. The remaining debt is due to a number of factors which include; staff have entered into payment arrangements with some customers that will see the debt paid off slowly in those cases, a couple of the big banks failed to pay all demands (these are being followed up on), some of these properties have private mortgagees which we have requested third party assistance with and the remainder have finance companies as mortgagees which again staff are following up on. Processes in this area have temporarily halted due to the COVID-19 restrictions. Other Councils have indicated that they have also postponed the mortgagee processes and are generally looking to review these later in year (around October/November) once the economy has settled again.

Maori Freehold Land

Staff have continued conversations with owners of Maori Freehold Land since the last report to this committee and we note a reduction of outstanding debt (\$22,533) in the category. There are pending changes to the legislation around rating of Maori Freehold Land, as highlighted in the previous Audit and Risk Committee report. Whilst the changes to the Local Government (Rating of Whenua Maori) Amendment Bill have yet to be enacted staff are still reviewing the situation to determine the implications for Kaipara District. During the period of COVID-19 lockdown staff focus has been on other matters, but as we return to business as usual, attention can return to this matter.

Legal Action

The Rogan litigation has come to an end and the outcome is favourable for both Kaipara District and Northland Regional Councils. All Court awarded costs associated with this litigation have now been paid.

As discussed in the previous Audit and Risk Committee report there are two remaining stayed defendants associated with this litigation. A Case Management Conference between the Court and Legal representatives was scheduled to be held at the end of March to discuss the next steps for any of the remaining stayed defendants at that time. This Case Management Conference was deferred due to the COVID-19 lockdown and a new date has yet to be set.

Staff have continued to work with those customers without mortgages and as a result debt in this category has reduced by 10% since the last report. It should be noted that further legal action in this space was put on hold during the COVID-19 lockdown period and will begin again once we are back into business as usual.

Abandoned Land

There have been no changes to the number of properties or debt levels in this category since the last report.

We had previously anticipated that the remaining six properties can be progressed through the District Court in the early part of the 2020 calendar year. Due to COVID-19 this action has been put on hold and will begin again once we are back into business as usual.

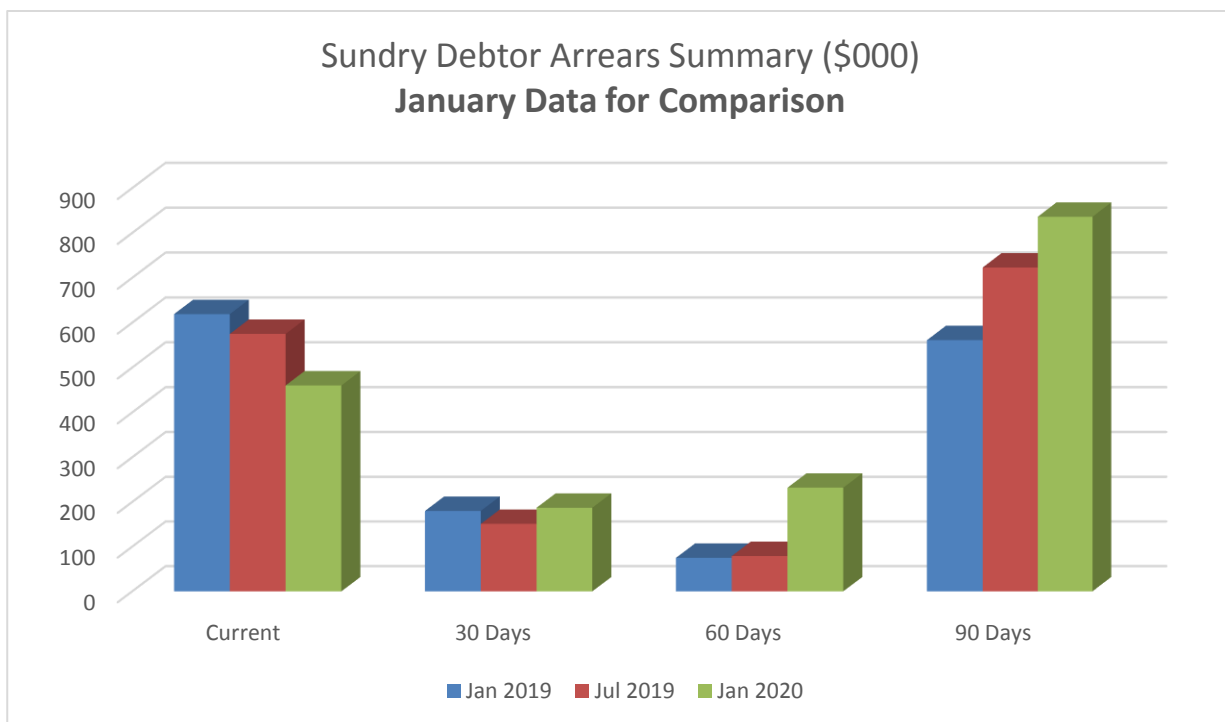
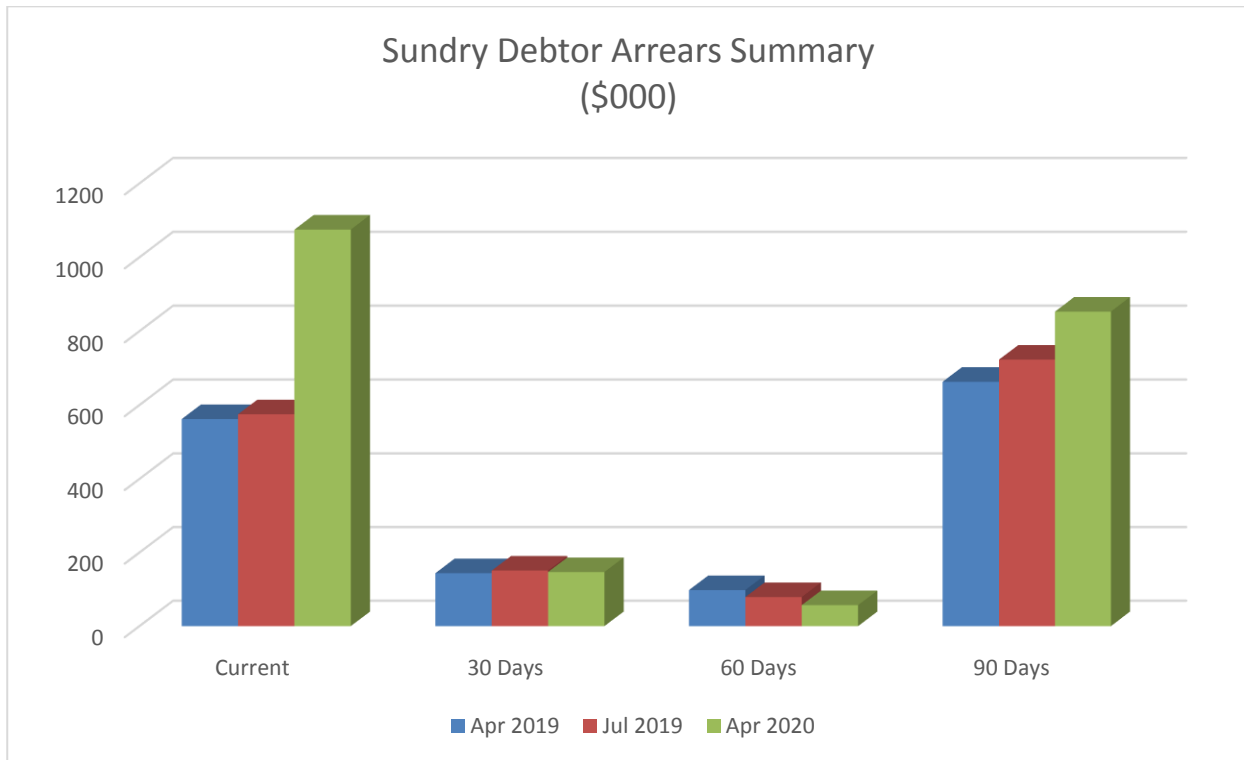
Other

Staff continue to make progress with customers in this category and have agreed to numerous payment plans that will see the debt repaid over the next one to two years. We have also seen a number of lump sum payments being made that have cleared the debt. Overall there has been a reduction in debt level of \$119,700 in this category since the previous report.

Due to COVID-19 no further debts have been referred to the third party debt collection agency (Credit Recoveries) since the last report.

Sundry Debtors

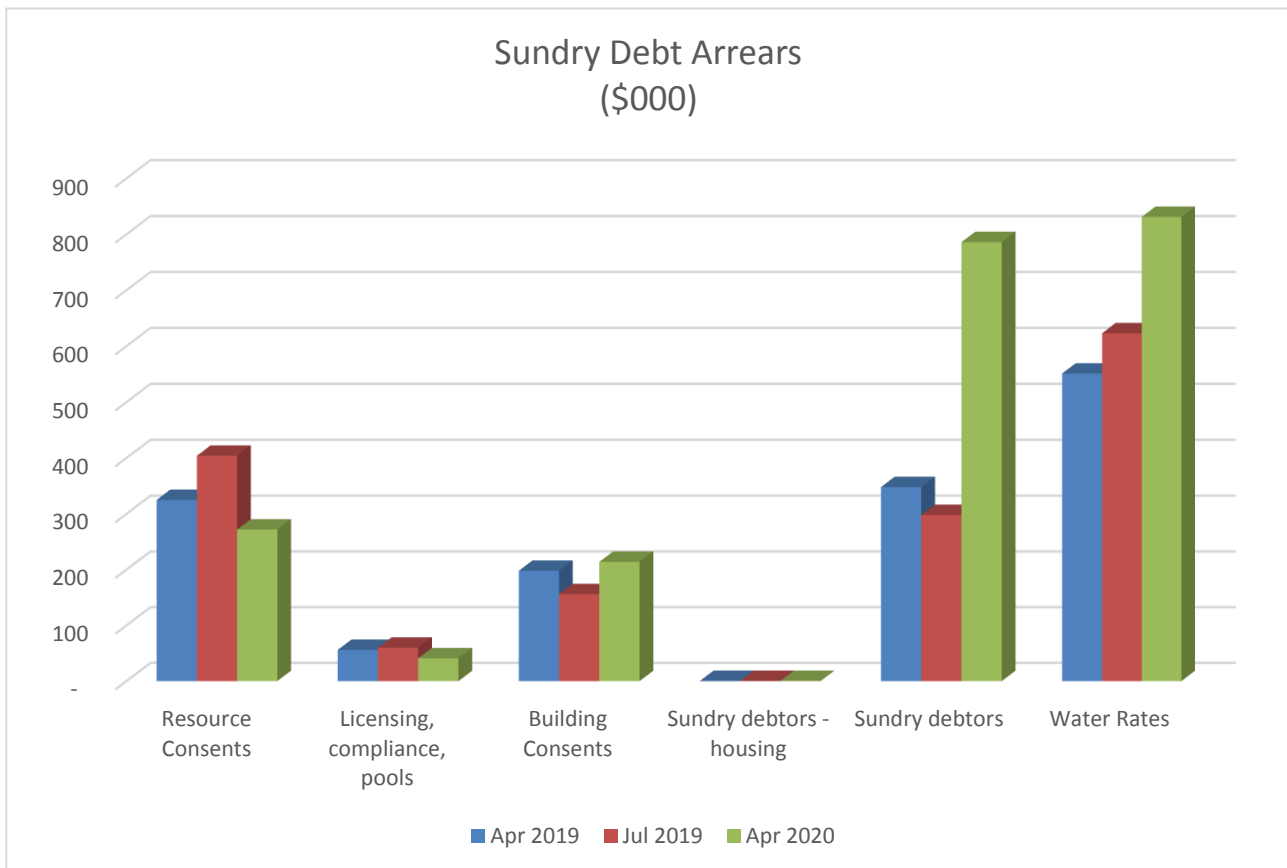
Sundry Debtors Summary \$000



The above graph demonstrates an increase in current debt with 30 and 60 days debt decreasing when comparing April and July 2019 figures to the April 2020 data. Staff have identified \$49k of older sundry debt that will be written off due to the statute bar time limitations. In addition \$46k of the older debt relates to an on-going dispute that has been recently escalated to General Manager Infrastructure to resolve. With the COVID-19 situation staff have put on hold moves to lodge older debt with the third party debt collector (Credit Recoveries). We anticipate a reduction in the older debt as a result of this action.

	Current	30 Days	60 Days	90 days	Total
Month of April 2020	1,075	147	57	853	2,132
Aging Percentage	50%	7%	3%	40%	100%
Month of July 2019	575	151	79	723	1,528
Aging Percentage	38%	11%	5%	47%	100%
Month of April 2019	562	144	98	663	1,467
Aging Percentage	38%	10%	7%	45%	100%

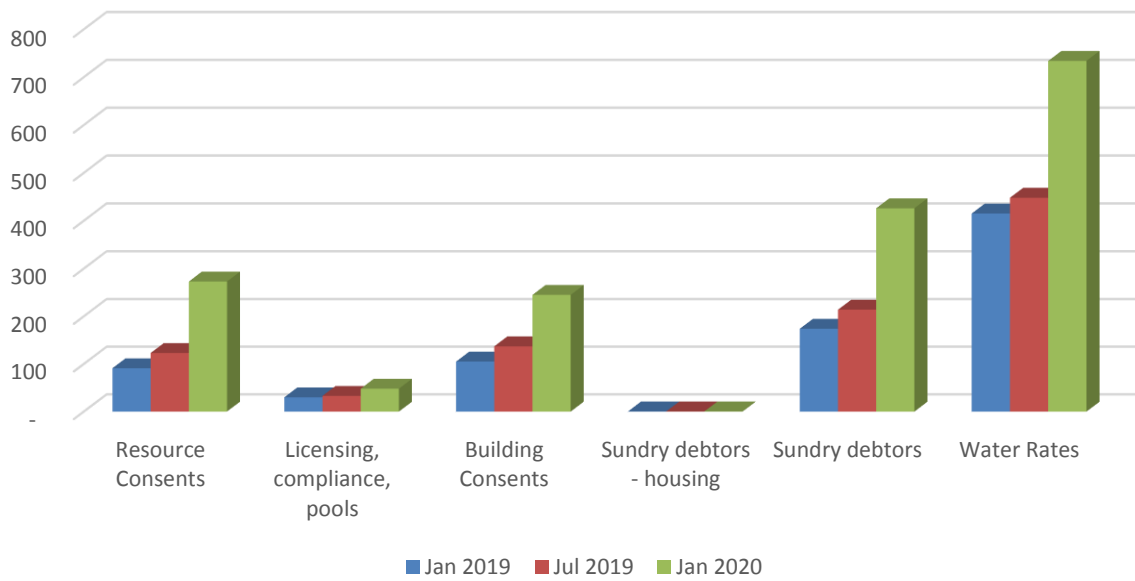
Summarising the aging of arrears for other debtors (\$000)



The total debt reported here is \$2.1m. Of this \$831,000 relates to water rates and \$787,000 to other sundry debt. We note an increase in current sundry debt which totals \$589k. Of this MBIE funding agreements that have been on charged to the value of \$327k and another large invoice to NTA for \$160k.

Staff continue to chase water debt at the same time as land rate debt.

Sundry Debt Arrears (000)
January Data for Comparison



April 2020 Financial Report

Statement of Operating and Capital Performance

	This Month 30 April 2020				Indicator	Year to 30 April 2020				Indicator	Whole Year	
	Actual \$'000	Annual Plan \$'000	Variance \$'000			Actual \$'000	Annual Plan \$'000	Variance \$'000			Annual Plan \$'000	Forecast \$'000
Whole of Council												
Rates	3,080	3,077	3	●		31,646	30,709	937	●		36,884	36,884
Activity Revenue and Other Income	83	575	(492)	●		5,798	5,758	40	●		6,839	6,839
Subsidies and Grants - Operational	643	564	79	●		4,913	5,402	(489)	●		8,786	8,786
Total Operating Income	3,806	4,216	(410)	●		42,357	41,870	487	●		52,508	52,508
Employee Benefits	1,095	1,048	(48)	●		10,518	10,552	34	●		12,683	12,683
Contractors	66	194	128	●		1,318	2,049	731	●		2,448	2,448
Professional Services	353	839	486	●		5,794	6,986	1,192	●		8,356	8,356
Repairs and Maintenance	418	857	440	●		7,182	8,593	1,411	●		11,861	11,861
Finance costs	183	232	48	●		1,939	2,317	378	●		2,780	2,780
Other Operating Costs	301	450	149	●		4,731	5,261	529	●		6,004	6,004
Total Operating Costs	2,416	3,619	1,204	●		31,482	35,758	4,276	●		44,133	44,133
Operating Surplus/(Deficit) (before Depreciation)	1,391	597	794	●		10,875	6,112	4,763	●		8,375	8,375
Capital Subsidies	551	228	323	●		5,483	6,582	(1,099)	●		23,219	23,219
Contributions	96	243	(147)	●		1,759	2,430	(671)	●		3,019	3,019
Other Capital Revenue	0	0	0	●		28	0	28	●		175	175
Total Capital Revenue	646	471	175	●		7,270	9,012	(1,742)	●		26,413	26,413
Capital Expenditure	613	1,859	1,246	●		13,644	15,210	1,566	●		38,936	41,556
Total Capital Payments	613	1,859	1,246	●		13,644	15,210	1,566	●		38,936	41,556
Subtotal Capital	33	(1,388)	1,421	●		(6,374)	(6,198)	(176)	●		(12,523)	(15,143)
Surplus/(Deficit) - before Loan Payments and Depreciation	1,424	(791)	2,215	●		4,501	(86)	4,587	●		(4,148)	(6,768)

Key: ● Within 5% of budget

● Over or under budget by 5 - 10%

● Over or under budget by more than 10%

Comments on major variances

Operating Income:

Account	Rationale	\$000
Rates Revenue	Penalties are ahead of budget for the year to date due to arrears penalties applied (July and January) and instalment penalties	603
Activity Revenue and Other Income	Tourism Infrastructure Funds received from Ministry of Business, Innovation and Employment – Matakohē Toilets & Footpath and Baylys Beach Increase in Kai Iwi lakes bookings for summer season Mangawhai Campground revenue share Additional revenue received for vehicle crossing permits, discharge fees, water rates penalties and reimbursement of costs from previous year Regulatory activity revenue: <ul style="list-style-type: none"> Decrease in Building Control revenue – April low Decrease in Monitoring and enforcement fees – April COVID-19 Decrease in Resource consenting income 	150 96 71 492 (84) (25) (660)
Operating Subsidies and Grants	Operational subsidies from NZTA are lower than budget – April COVID-19 PGF funding for Kaipara Kickstart Programme not received yet – can only claim at milestones	(432) (306)

Operating Costs:

Account	Rational	\$000
Contractors	Overall reduction of contractor's costs New contract for Mangawhai wastewater treatment plant operations and maintenance started in October 2019. The contract was negotiated at lower cost than budgeted	530
Professional Services	Costs overall are lower than budget Regulatory is ahead of budget: <ul style="list-style-type: none"> Resource consenting activity costs (but off set by reduction in employee costs of \$569k) Building consenting activity costs Roding professional services costs are ahead of budget (NTA) Budget is offset by Provincial Growth Fund and District Plan costs not committed yet – timing difference Stormwater, Wastewater and Water supply work schedule planning not started yet – timing difference	(473) (122) 1,023 463
Repairs and Maintenance	Overall costs are lower on budget year to date for all activities Dargaville wastewater desludging work is not started yet – timing difference Roding works maintenance programme is lower than budget for the month – due to COVID-19 lockdown. There are also some outstanding invoices from Broadspectrum that we have only just been notified of	816 442
Finance Costs	Below budget due to lower inter-period loan balances.	378
Other Operating Costs	Costs overall are lower than budget year to date.	536

Capital Revenue:

Account	Rationale	\$000
Capital Subsidies	Capital subsidies from NZTA are lower on budget for the month due to capital projects paused due to COVID-19 lockdown.	(1,179)
Contributions	The financial and development contributions are lower than budget for year to date as less subdivisions.	(671)

Statement of Financial Position

	Actual	Annual Plan	Annual Report
As at	30 April 2020	June 2020	June 2019
Accumulated comprehensive revenue and expense	410,064	425,697	401,364
Asset revaluation reserves	268,601	245,084	268,601
Restricted reserves	5,574	5,389	5,574
Council created reserves	(14,777)	(14,550)	(14,777)
Total net assets/equity represented by	669,462	661,620	660,762
Current assets			
Cash and Cash Equivalents	1,220	563	1,926
Trade and Other Receivables	14,946	6,548	8,317
Accrued Revenue	679	3,438	1,641
Other Financial Assets - Current	115	115	115
Non Current Assets Held for Sale	186	186	186
LGFA Borrower notes	32	0	32
Total current assets	17,179	10,849	12,217
<i>less</i>			
Current liabilities			
Trade and Other Payables	12,704	13,329	11,219
Provisions	135	148	135
Employee Entitlements	990	1,111	905
Public debt	0	600	1,000
Total current liabilities	13,829	15,188	13,258
Working capital/(deficit)	3,350	(4,340)	(1,042)
<i>plus</i>			
Non current assets			
Property, plant, equipment	718,711	720,724	714,402
LGFA Borrower notes	672	704	672
Biological Assets	1,045	1,017	1,045
Other financial assets	279	278	279
Total non current assets	720,707	722,723	716,398
<i>less</i>			
Non current liabilities			
Public debt	44,000	47,657	44,000
Provisions	4,599	4,679	4,599
Derivative Financial Liabilities	5,995	4,427	5,995
Total non current liabilities	54,594	56,763	54,594
Net assets	669,462	661,620	660,762

Comments on major variances:

Trade and Other receivables – increase is due to:

- Rates instalment four has been applied in April, payments are due on 20 May 2020.

Public Debt

The public debt position at 30 April 2020 is \$44 million and the net debt position (debt less cash) is \$42.8 million.

Public Debt and Requirements			
	June 2019 \$000's	30 April 2020 \$000's	June 2020 \$000's
Debt			
Public debt	45,000	44,000	48,257
Cash in bank (overnight deposits)	(1,926)	(1,220)	(563)
Net Debt	43,074	42,780	47,694
Reserves (future obligations)			
Development Contribution Reserve	(24,395)	(24,395)	(26,341)
Other reserves	15,192	15,192	17,180
Total reserves (future obligations)	(9,203)	(9,203)	(9,161)
Debt Requirements			
Public debt	45,000	44,000	48,257
Future obligations	15,192	15,111	17,180
Gross Debt Requirement	60,192	59,111	65,437
Less cash in bank	(1,926)	(1,220)	(563)
Net Debt Requirement	58,266	57,891	64,875

*Note: Reserves balances are only recalculated at end of year

Activities Net Cost for the period to 30 April 2020

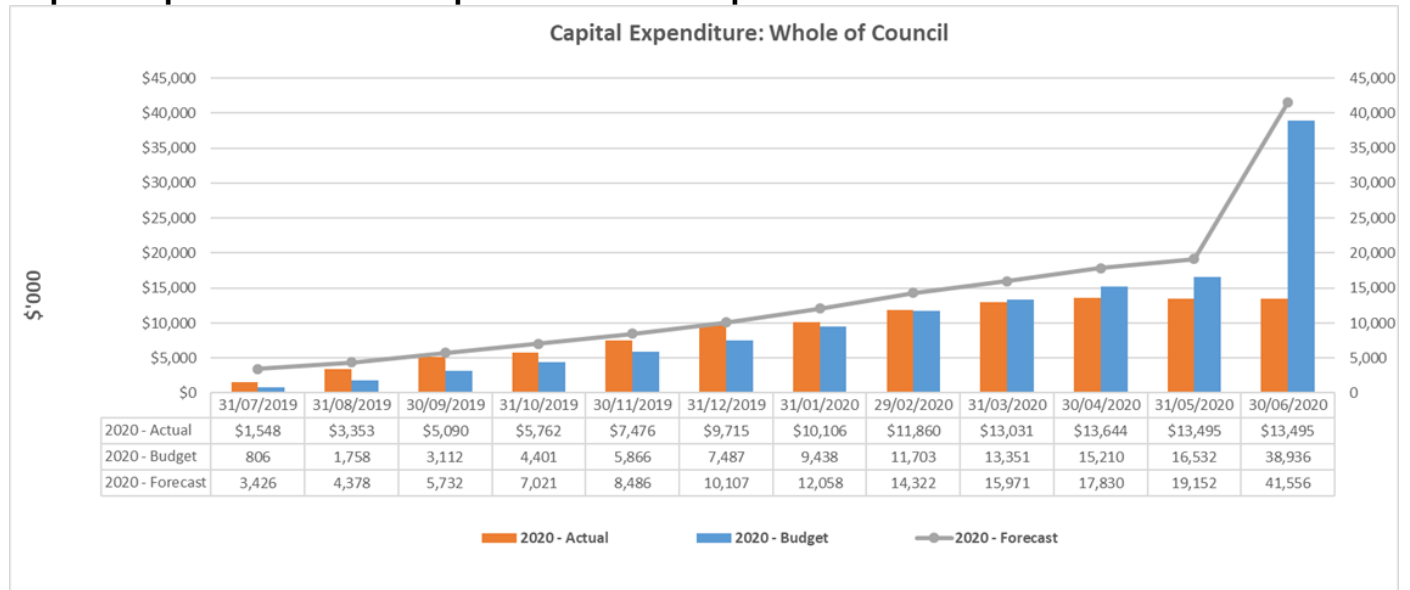
Activity	Actual as at 30 April 2020			Whole Year Annual Plan
	Operating Income \$000's	Operating Costs \$000's	Net Operating Surplus/(Deficit) \$000's	Net Operating Surplus/(Deficit) \$'000
Community Activities	5,163	4,189	973	150
District Leadership	6,447	6,869	(422)	(1,738)
Regulatory Management	5,705	6,003	(298)	51
Roads and Footpaths	12,492	8,772	3,720	4,116
Wastewater	6,495	2,318	4,177	2,970
Water Supply	2,866	1,742	1,124	1,540
Stormwater	1,514	387	1,126	836
Flood Control	596	438	158	143
Solid Waste	1,079	764	316	307
	42,357	31,482	10,875	8,375

Activities Capital projects for the period ended 30 April 2020

Activity - Capital Expenditure	Actual as at 30 April 2020			Whole Year	
	Actual \$000's	Annual Plan \$000's	Variance \$000's	Annual Plan \$000's	Forecast \$000's
Community Activities	1,001	1,296	296	2,643	3,184
District Leadership	1,566	1,437	(129)	6,175	6,407
Regulatory Management	0	0	0	0	0
Roads and Footpaths	8,515	8,705	190	24,618	25,276
Wastewater	1,871	2,049	178	2,911	3,835
Water Supply	544	1,201	657	1,952	2,068
Stormwater	68	216	148	216	316
Flood Control	57	306	249	421	421
Solid Waste	22	0	(22)	0	50
	13,644	15,210	1,566	38,936	41,556

NB In November 2019 the GM Infrastructure advised just over \$15m in Capital would need to be transferred to later years as design was still to be completed for some of the projects

Capital Expenditure – for the period ended 30 April 2020



Significant Capital projects for the period ended 30 April 2020

	Year to Date	Full Year
	Actual	Annual Plan
Roads Resurfacing 2019/2020	1,151,970	2,288,276
Tomorata Bridge Repairs	2,108,323	1,450,000
Upgrade Mangawhai Wastewater Existing Reticulation	36,900	1,000,000
Upgrade Mangawhai Wastewater Treatment Plant	663,178	800,000
Drainage Renewals 2019-2020	480,046	784,000
MCP Paths - Walkways and Cycleways 2019-2020	596,269	560,000
Insley/Moir Intersection (Intersection 1)	56,391	540,000
Moir/Molesworth Intersection (Intersection 2)	37,512	540,000
Matakohe West Rd - Road works sealed	335,109	520,000
Flexible workspace	425,689	480,000
Wood Street - Main street redevelopment	68,639	400,000
Racecourse SH14 watermain	15,691	400,000
Ararua Rd - Road works sealed	33,411	400,000
Total Significant Projects	6,009,128	10,162,276

Provincial Growth Fund

Programme performance:

	Actual from February 2019 to April 2020	Budget from February 2019 to April 2020	Forecast (All programme)
Operating Income	1,400,618	340,050	5,160,000
PGF100 Kaipara Kickstart Programme	596,362	340,050	1,300,000
PGF101 Kaipara Kickstart Kai	500,000	-	980,000
PGF102 Kaipara Kickstart Moana Investigation	150,000	-	950,000
PGF103 Kaipara Kickstart Waipoua River Road Investigation	25,088	-	120,000
PGF104 Kaipara Kickstart Waipoua Road Implementation	-	-	1,480,000
PGF105 Pouto Road Phase 2 (Investigation)	-	-	330,000
PGF108 Pouto Road Phase 1 (Physical Works)	79,168	-	-
PGF111 Kai Water	50,000	-	-
Operating costs	1,028,955	673,671	5,170,000
PGF100 Kaipara Kickstart Programme	356,846	673,671	1,300,000
PGF101 Kaipara Kickstart Kai	294,135	-	980,000
PGF102 Kaipara Kickstart Moana Investigation	318,565	-	950,000
PGF103 Kaipara Kickstart Waipoua River Road Investigation	25,088	-	130,000
PGF104 Kaipara Kickstart Waipoua Road Implementation	7,073	-	1,480,000
PGF105 Pouto Road Phase 2 (Investigation)	25,760	-	330,000
PGF108 Pouto Road Phase 1 (Physical Works)	1,488	-	-
Internal charges and recoveries	339,829		
PGF100 Kaipara Kickstart Programme	239,516	-	-
PGF101 Kaipara Kickstart Kai	51,233	-	-
PGF102 Kaipara Kickstart Moana Investigation	43,995	-	-
PGF105 Pouto Road Phase 2 (Investigation)	5,085	-	-
Capital expenditure	2,269,641	1,580,000	14,000,000
11152 Tomorata Bridge Repairs	2,108,323	1,450,000	2,150,000
9999 120 PGF Heavy metalling	-	-	-
PGF100 Kaipara Kickstart Programme	750	-	-
PGF103 Kaipara Kickstart Waipoua River Road Investigation	-800	-	-
PGF104 Kaipara Kickstart Waipoua Road Implementation	8,011	-	-
PGF105 Pouto Road Phase 2 (Investigation)	101,378	130,000	7,850,000
PGF107 Kaipara Moana Physical works	-	-	4,000,000
PGF108 Pouto Road Phase 1 (Physical Works)	51,921	-	-
PGF109 Pouto Road Phase 2 (Physical Works)	58	-	-
Grand Total	2,237,807	1,913,621	14,010,000

Please note these financials have been put together with a view of the Programme to Date. This programme of works officially commenced on 03 February 2019.

Kaipara KickStart Programme (PGF)

The overall programme is 3% behind the baseline schedule due to procurement and physical work delays impacting both Kaipara Wharves and Roding projects.

The team are managing this slippage and at this stage indicate that there are no long-term impacts on delivery timeframes.

The programme continues to be delivered within scope, budget and meeting all contractual obligations.

Two programme risks have been escalated to a 'High' level, which requires escalation to the Programme Steering Group, who meet 19 May. These risks are: -

1. 'Increased capital costs' – Two recent procurement processes have indicated increased costs over those estimated pre COVID-19 in capital costs. With limited PGF funding limits, additional financial management will be required. Also, the team are reviewing contingencies for roading and wharves capital projects.

2. 'Securing the Unsealed Network Funding' - with the prioritised list of roads developed, the focus of the Roding team is to work with NZTA to determine NLTF funding available. This is the next agreed step in securing this funding, however with the additional central government funds to support COVID-19 stimulus packages for infrastructure projects, a focus is required to confirm this funding urgently.

Policy and planning implications

These reports are in line with the Terms of Reference for monitoring the finances of the Council.

Financial implications

These are the latest Council reports. Capital expenditure is low as this is the first month of the financial year.

Risks and mitigations

Best value for the community would be delivering on the projects we stated in the Long Term Plan. The community will be more satisfied if we plan appropriately this year.

If the Council does not deliver on its projects and debt is not required as has been previously calculated, then there is a risk that this can impact on the advice our treasury advisers have provided and Council does not meet its treasury requirements.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.