

# Quarterly finance report

**Meeting:** Audit, Risk and Finance Committee  
**Date of meeting:** 10 December 2020  
**Reporting officers:** Christine Toms, Revenue Manager  
Graeme Coleman, Finance & Risk Manager

## Purpose/Ngā whāinga

To monitor financial performance.

## Executive summary/Whakarāpopototanga

Commentary is provided on both land debt outstanding and sundry debtors. The October 2020 financial report is attached at the end.

## Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report at 31 October 2020.

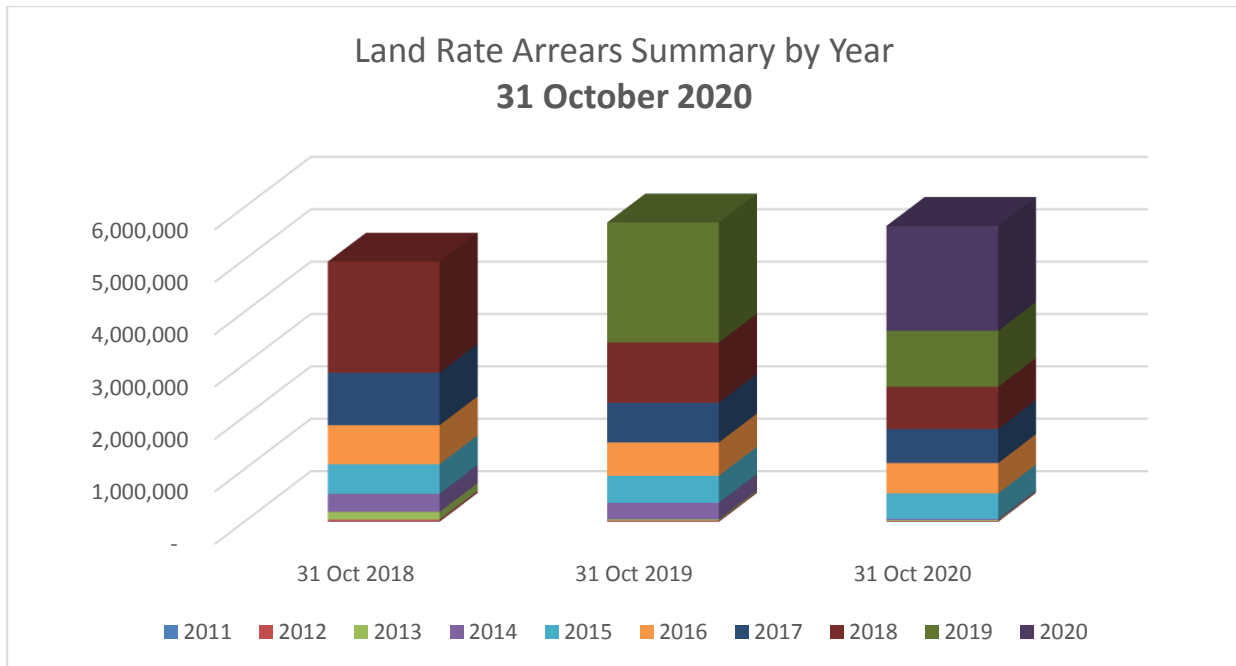
## Context/Horopaki

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 31 October 2020

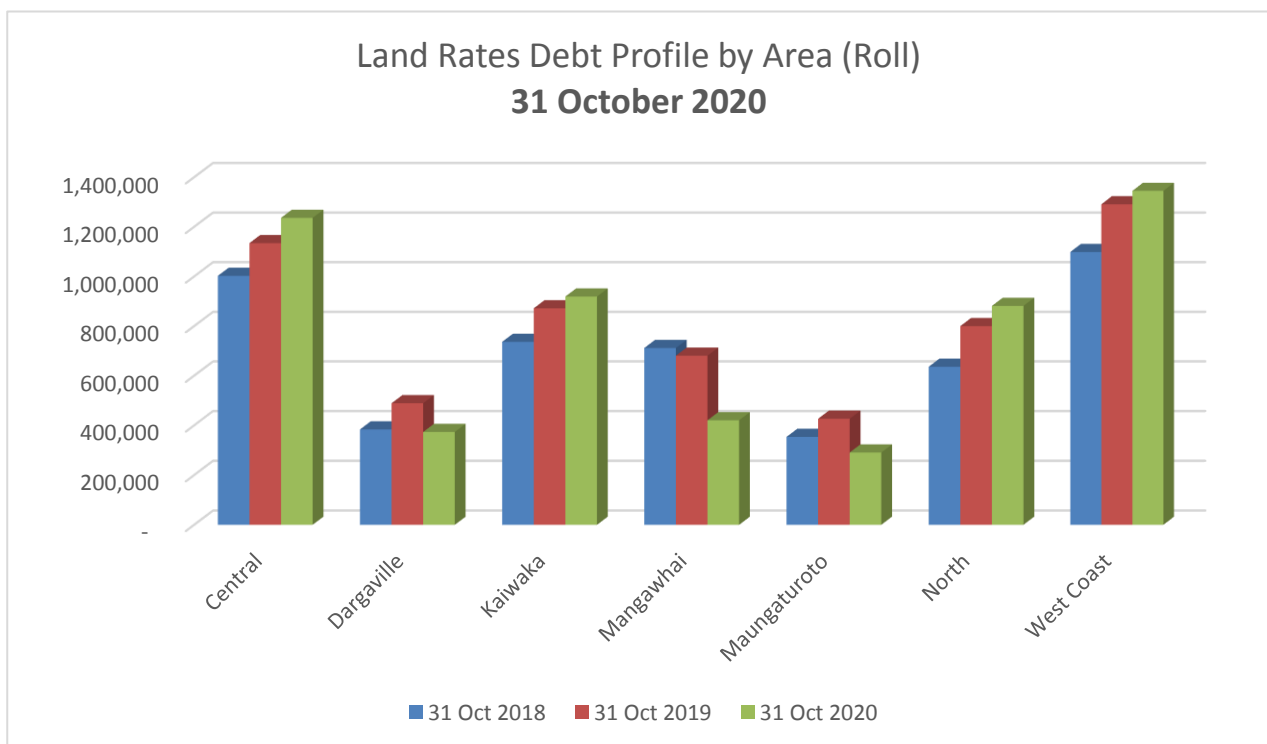
Earlier reports to the Committee focused on the land rates debt for the years up to 30 June 2019 (previous year's arrears). This current rating year will see reports focused on the arrears up to 31 July 2020. System generated arrears reports exclude current debt, which means that the beginning of each 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 31 October of each year.



The graph above shows that outstanding rate arrears have decreased. It also reflects 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.

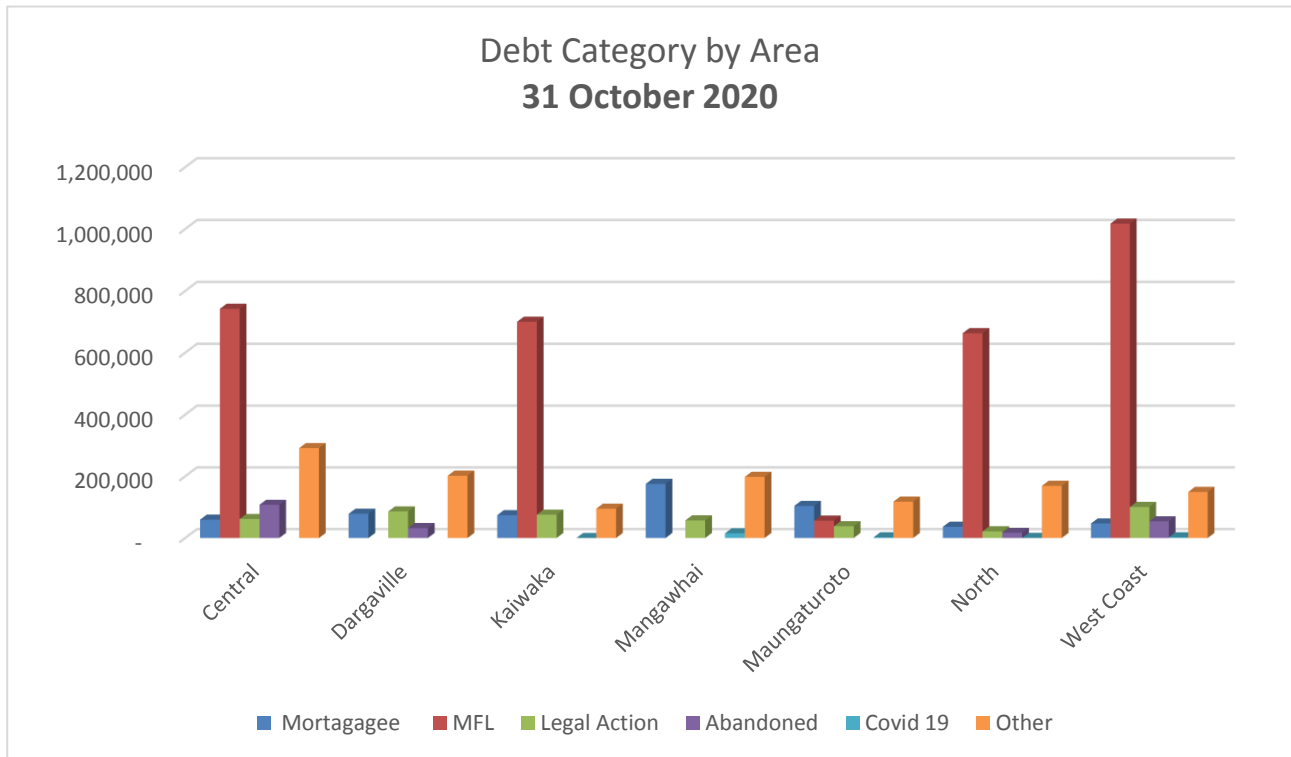
At 30 June 2020 rates debt was \$6,927,330, at 31 October 2020 the debt was \$5,647,318 (a reduction of \$1,280,012).

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



Key changes between 31 October 2019 and 31 October 2020 are: Dargaville, Mangawhai and Maungaturoto rates debt levels have reduced noticeably. All other areas have seen increases in the level of rates debt which has been further increased with the addition of the arrears penalty in July. As discussed in earlier reports the Central (which covers the area including Turiwiri,

Arapohue, Okaho, Ruawai and Matakohē), Northland West Coast (covering Waipoua through to Te Kopuru and Poutu) areas have a high proportion of Maori Land, which carry a high level of rates debt. This is shown graphically below.



The table below summarises all categories whilst the chart above shows the distribution of the debt by category and area.

The September Audit and Risk report showed 692 properties within the 'Other' category at 31 July 2020, with the number of properties at 31 July 2019 being 1,275. This didn't appear to be correct, given that the level of debt increased. Upon review it was found that the property numbers for 31 July 2019 included properties with a zero balance. Going forward the number of properties in each category will only reflect the number of properties with an outstanding balance.

Arrears debt	31 July 2020			31 October 2020	
	No	\$		No	\$
<b>Mortgaged Properties</b>	336	837,111		216	574,902
<b>Maori Freehold Land (MFL)</b>	107	2,932,615		114	3,178,728
<b>Legal Action</b>	45	429,286		47	440,608
<b>Abandoned Land</b>	6	183,740		7	210,522
<b>Other</b>	692	1,970,910		334	1,222,708
<b>Payment arrangements – COVID-19</b>	40	56,470		8	19,849
<b>TOTAL</b>	<b>1,226</b>	<b>6,410,132</b>		<b>719</b>	<b>5,647,317</b>

There is a marked decrease in both the number of properties and the level of arrears falling into the Covid-19 category. This indicates that the customers who identified as being affected by the Covid-19 lockdowns have been able to successfully adhere to payment plans to get rates up-to-date, with a few plans still continuing.

## **Mortgaged Properties Category**

The previous report advised that the mortgagee demand process had been delayed due to Covid-19 lockdowns and future economic uncertainty within the community. A plan was in place to progress with mortgagee demands, however it has been decided that the process should be delayed until the 2021-22 rating year to allow customers time to recover from any Covid-19 related financial impacts.

Staff continue to communicate with these customers and advise them when a penalty has been applied to their rates account, whilst also discussing the rates rebate scheme, payment plans and direct debit options.

The properties reported in this category currently are those that were identified last year as having a mortgage. When this information is updated future reporting will reflect the updated number of properties and associated debt.

## **Maori Freehold Land**

Staff attended a regional hui during November, which focused on the upcoming changes to the Rating of Whenua Maori Amendment Bill, in preparation for this progressing through Parliament. The hui was attended by Far North District Council, Whangarei District Council and a representative from the Maori Land Court. All three councils are aiming to consistently implement any changes associated with the way Maori Freehold Land is rated when the Bill is introduced. Discussions will continue next calendar year.

The Revenue Collections Officer continues to collaborate with the Iwi Relations Manager so as to identify and engage with the relevant parties to discuss rate arrears. She is also proactively identifying land that would meet our existing Maori Freehold Land remission policy and apply this where relevant.

## **Legal Action**

A couple of files have progressed to legal action over the past few months. This is a last resort, and relates to ratepayers who have not adhered to payment plans, don't have a mortgage and who have lost contact. This action will secure the debt and ensure that it is not written off at the statute time limited period of 6 years.

Of the 47 properties in this legal action category, 11 have charging orders registered against their title. This prevents the property changing ownership without the rates debt first being paid, Councils interest is protected. These charging orders are different from other charging orders in that they do not expire after 2 years and remain in force until a memorandum of satisfaction is registered.

Next steps for these properties would be to proceed to have judgment enforced by sale or lease of the rating unit, in accordance with the Local Government (Rating) Act 2002.

## **Abandoned Land**

There has been no further progress in this area to report.

The next step is to proceed with abandoned land sales. A number of interested parties have contacted staff to register their interest in purchasing some of these blocks of land.

## **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. There have also been a number of lump sum payments made that have cleared the debt.

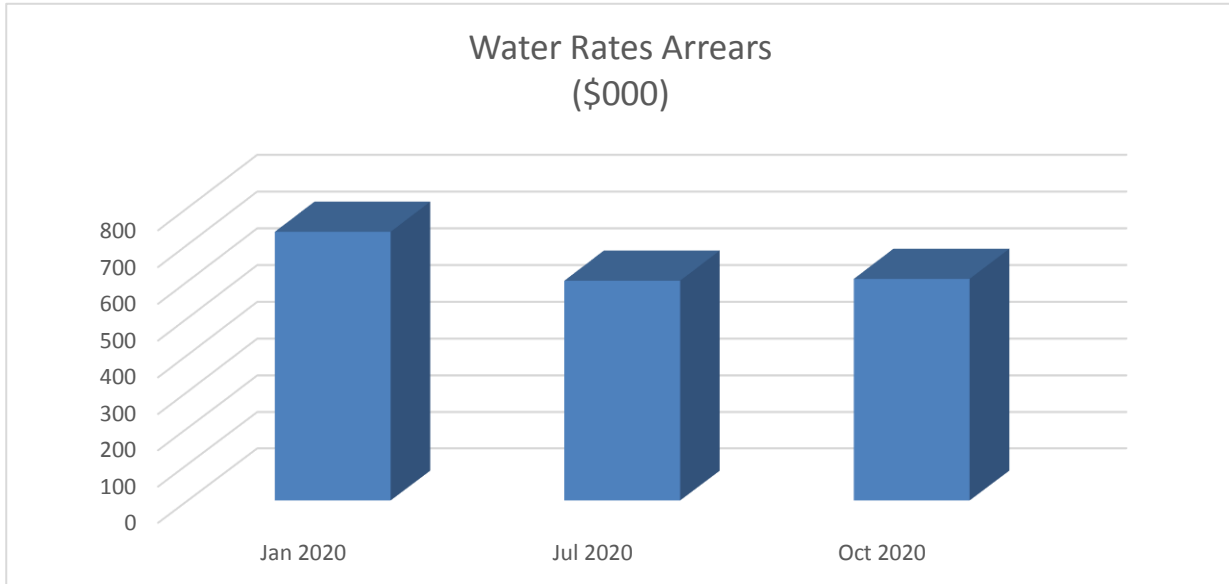
Customers continue to be advised when they receive a penalty for late payment of their rates. This process is generally well accepted by the community, with people setting up direct debit payments to prevent future missed payments, other customers contact the team to make payment or set up payment plans to ensure rates are paid in future.

No further files have been sent to the third-party debt collection agency (Credit Recoveries).

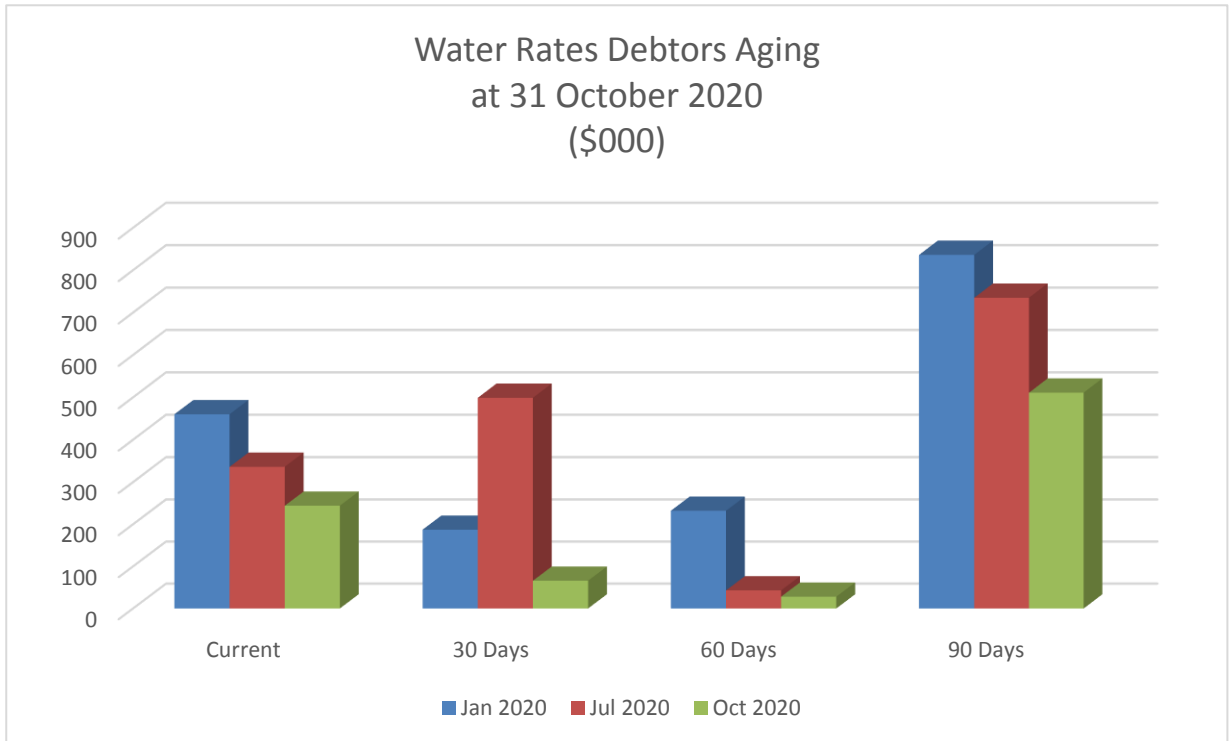
To date we have 1,820 (12%) customers receiving rates by email and 3,480 (24%) customers paying rates by direct debit.

## Water Rates Debtors

*Water Rates Debtors Summary \$000*



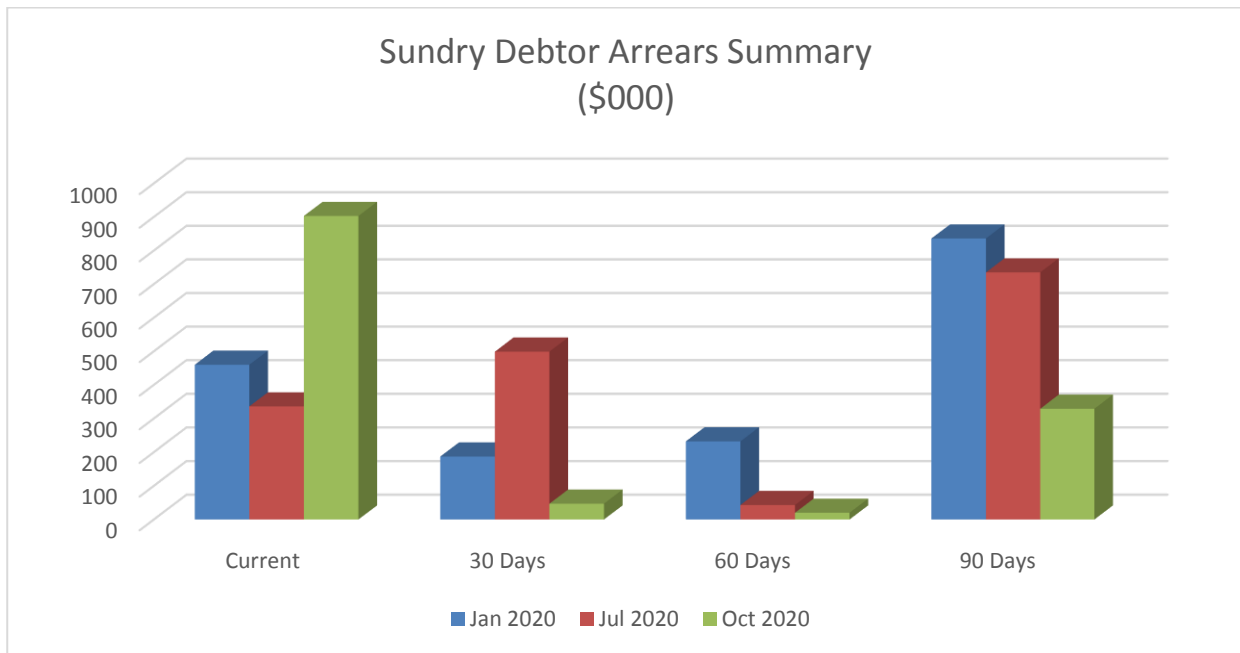
The table above illustrates a reduction in water rates debt from January 2020 to October 2020. The aging of water debt is shown in the graph below.



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

## Sundry Debtors

*Sundry Debtors Summary \$000*

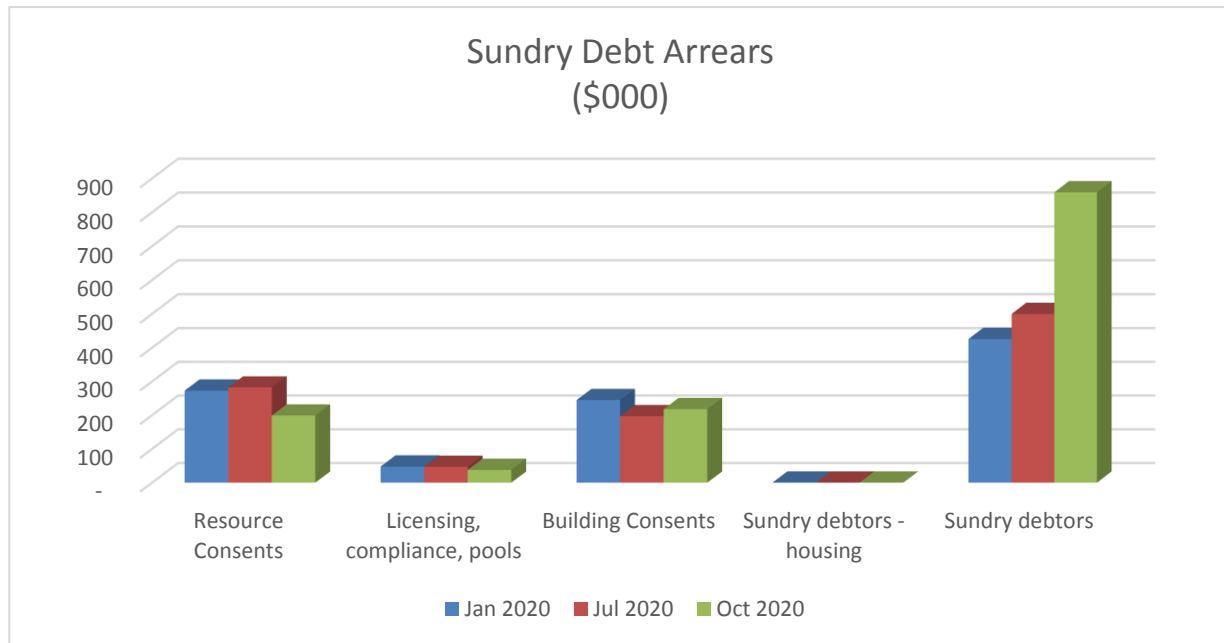


The above graph demonstrates an increase in current debt whilst other time periods show decreases in the debt level when comparing January and July 2020 figures to the October 2020 data. Water rates debt is included in January and July figures but has been removed from the reporting for October.

Current sundry debt increases relate to multiple Central Government invoices relating to feasibility studies, water reforms and the like. It is anticipated that these invoices will be paid during the current month.

	Current	30 Days	60 Days	90 days	Total
<b>January 2020</b>	460	187	232	836	1,715
<b>Aging Percentage</b>	27%	11%	14%	49%	100%
<b>July 2020</b>	336	499	43	735	1,613
<b>Aging Percentage</b>	21%	31%	3%	46%	100%
<b>October 2020</b>	903	47	20	329	1299
<b>Aging Percentage</b>	70%	4%	2%	25%	100%

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



The total debt reported here is \$1,299,000. As discussed above, the increased sundry debt mainly relates to multiple recent Central Government invoices that are anticipated to be paid during the current month.

The table below shows the number of debtors that contribute to the outstanding debt.

	Current	30 Days	60 Days	90 Days	Total
<b>Resource Consents</b>	48	7	9	56	120
<b>Licensing, compliance, pools</b>	17	13	11	36	77
<b>Building Consents</b>	20	7	2	30	59
<b>Sundry debtors – housing</b>	24			1	25
<b>Sundry debtors</b>	17	11	5	20	53
<b>Total</b>	<b>126</b>	<b>38</b>	<b>27</b>	<b>143</b>	<b>334</b>

# October 2020 Financial Report

## Statement of Operating and Capital Performance

	This Month 31 October 2020				Year to 31 October 2020				Whole Year	
	Actual \$'000	Annual Plan \$'000	Variance \$'000	Indicator	Actual \$'000	Annual Plan \$'000	Variance \$'000	Indicator	Annual Plan \$'000	Forecast \$'000
<b>All</b>										
Rates	3,213	3,148	65	●	13,591	13,045	546	●	38,780	38,780
Activity Revenue and Other Income	653	477	176	●	2,621	1,842	779	●	6,454	6,454
Subsidies and Grants - Operational	1,112	363	749	●	5,000	1,575	3,425	●	4,809	6,192
<b>Total Operating Income</b>	<b>4,978</b>	<b>3,988</b>	<b>989</b>	●	<b>21,212</b>	<b>16,461</b>	<b>4,750</b>	●	<b>50,042</b>	<b>51,426</b>
Employee Benefits	1,120	1,159	39	●	4,544	4,592	48	●	13,142	13,142
Contractors	187	130	(56)	●	564	608	44	●	1,888	1,888
Professional Services	548	448	(100)	●	2,224	1,676	(547)	●	4,724	4,863
Repairs and Maintenance	1,402	996	(406)	●	5,038	3,266	(1,772)	●	10,240	12,560
Finance costs	272	238	(33)	●	870	953	84	●	2,860	2,860
Other Operating Costs	352	519	167	●	2,374	2,882	508	●	7,040	7,070
<b>Total Operating Costs</b>	<b>3,881</b>	<b>3,490</b>	<b>(390)</b>	●	<b>15,613</b>	<b>13,977</b>	<b>(1,637)</b>	●	<b>39,894</b>	<b>42,383</b>
<b>Operating Surplus/(Deficit) (before Depreciation)</b>	<b>1,097</b>	<b>498</b>	<b>599</b>	●	<b>5,598</b>	<b>2,485</b>	<b>3,114</b>	●	<b>10,148</b>	<b>9,042</b>
Capital Subsidies	637	1,360	(723)	●	1,451	4,634	(3,183)	●	15,081	16,851
Contributions	244	254	(11)	●	1,192	1,017	176	●	3,046	3,046
Other Capital Revenue	0	0	0	●	11	0	11	●	0	0
<b>Total Capital Revenue</b>	<b>880</b>	<b>1,614</b>	<b>(733)</b>	●	<b>2,655</b>	<b>5,651</b>	<b>(2,996)</b>	●	<b>18,127</b>	<b>19,898</b>
Capital Expenditure	1,879	1,368	(511)	●	4,608	7,692	3,084	●	27,822	33,236
<b>Total Capital Payments</b>	<b>1,879</b>	<b>1,368</b>	<b>(511)</b>	●	<b>4,608</b>	<b>7,692</b>	<b>3,084</b>	●	<b>27,822</b>	<b>33,236</b>
<b>Subtotal Capital</b>	<b>(999)</b>	<b>246</b>	<b>(1,245)</b>	●	<b>(1,953)</b>	<b>(2,042)</b>	<b>(89)</b>	●	<b>(9,695)</b>	<b>(13,339)</b>
<b>- before Loan Payments and Depreciation</b>	<b>98</b>	<b>744</b>	<b>(646)</b>	●	<b>3,645</b>	<b>443</b>	<b>3,025</b>	●	<b>453</b>	<b>(4,296)</b>

Key: ● Within 5% of budget

● Over or under budget by 5 - 10%

● Over or under budget by more than 10%



## Statement of Operating and Capital Performance

Comments on major variances

### Operating Income:

Account	Rationale	YTD Variance \$000
<b>Rates Revenue</b>	Penalties are ahead of budget for the year to date due to arrears penalties applied (July 2020) and instalment penalties.	117
	Water by meter rates overall ahead of budget due to high water readings in Dargaville area. Some of this a timing difference	267
	Targeted rates for wastewater are overall ahead of budget due to growth in Mangawhai area.	167
<b>Activity Revenue and Other Income</b>	Activity revenue: <ul style="list-style-type: none"> <li>• Increase in Building Control revenue year to date. This month up \$74k on budget.</li> <li>• Increase in Resource consenting income year to date. This month up \$71k on budget.</li> <li>• Increase in Licences and Registrations fee year to date, primarily for dog control and due mainly to a timing difference</li> <li>• Increase in external recovery costs for the month and year to date.</li> <li>• Campground fee - Kai Iwi Lakes pre booking for the summers season and Labour weekend.</li> </ul>	282 156 99 56 115
<b>Operating Subsidies and Grants</b>	Te Tai Tokerau Redeployment Package the "Shovel Ready" project subsidies were invoiced in the month of September.	1,185
	Operational subsidies from NZTA are ahead of budget year to date due to maintenance work completed earlier than scheduled.	1,512
	Revenue raised for PGF funding for Kaipara Kickstart Programme milestone claims.	805
	<b><i>This month:</i></b> Further revenue raised for Kaipara Kickstart Programme.	

### Operating Costs:

Account	Rationale	\$000
<b>Employee Benefits</b>	Employee benefits costs are on budget for the year to date	
<b>Contractors</b>	The contractor's costs are on budget for the year to date.	
	<b><i>This month:</i></b> Wastewater and Water Supply - Additional costs for chemicals supplies and plant operations expenditure.	58
<b>Professional Services</b>	The professional services costs are ahead of budget:	547
	<b><i>This month:</i></b> Further increase of costs for the Kaipara Kickstart, Kaipara Kai and Kaipara Moana Investigation projects and Mangawhai Shared path project –work completed ahead of claim been raised - timing difference	
<b>Repairs and Maintenance</b>	<b>Community activities</b> – Te Tai Tokerau Redeployment Package the "Shovel Ready" project started August 2020 - removal of trees at Mangawhai Community Park and design, build and construct 5 mountain bike tracks at Harding Park.	983
	<b><i>This month:</i></b> The Te Tai Tokerau Redeployment Package project costs for the month of October are \$136,449. The total cost of this project is offset by the funding noted above under subsidies and grants.	387
	Roading works maintenance programme is ahead of budget – due earlier completion of scheduled unsealed roads maintenance work.	499
	<b><i>This month:</i></b> Increase of cost due to Rotu Water Intake Emergency slip repairs work undertaken.	

<b>Finance Costs</b>	Below budget due to lower inter-period loan balances.	<b>84</b>
<b>Other Operating Costs</b>	Costs overall are lower than budget. <ul style="list-style-type: none"> <li>• Civic Grants not yet distributed to the community groups – timing difference</li> <li>• Software licenses not yet paid – timing difference</li> <li>• Office administration costs</li> </ul>	<b>248</b> <b>152</b> <b>158</b>
<b>Account</b>	<b>Rationale</b>	<b>\$000</b>
<b>Contractors</b>	Overall reduction of contractor's costs.	<b>98</b>
<b>Professional Services</b>	Costs overall are lower than budget. Resource consenting activity costs are ahead of budget. Roothing professional services costs are ahead of budget (NTA). Community Activities, Stormwater, Wastewater and Water supply work schedule planning not started yet – timing difference	<b>29</b> <b>35</b>
<b>Repairs and Maintenance</b>	Roothing works maintenance programme is ahead of budget – due earlier completion of scheduled maintenance work	<b>229</b>
<b>Finance Costs</b>	Below budget due to lower inter-period loan balances.	<b>81</b>
<b>Other Operating Costs</b>	Costs overall are lower than budget.	<b>907</b>

**Capital Revenue:**

<b>Account</b>	<b>Rationale</b>	<b>\$000</b>
<b>Capital Subsidies</b>	Capital subsidies from NZTA are lower than budget year to date, due to projects work not started yet: <ul style="list-style-type: none"> <li>• Roothing – capital works is behind projected schedule – timing difference</li> <li>• District Leadership – PGF projects funding (project milestone to be completed before funding can be claimed)</li> </ul>	<b>(1,473)</b> <b>(1,710)</b>
<b>Contributions</b>	The contributions are overall ahead of budget year to date. <ul style="list-style-type: none"> <li>• Development contributions are lower than budget for this month and year to date</li> <li>• Financial contributions are ahead of budget for the month and year to date</li> </ul>	<b>176</b>

## Public Debt:

The public debt position at 31 October 2020 is \$44 million and the net debt position (debt less cash) is \$36.4million.

<b>Public Debt and Requirements</b>			
	<b>June 2020</b>	<b>31 October 2020</b>	<b>June 2021</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Debt</b>			
Public Debt	44,000	44,000	51,320
Cash in bank (overnight deposits)	(4,398)	(7,645)	(1,926)
<b>Net Debt</b>	<b>39,602</b>	<b>36,355</b>	<b>49,393</b>
<b>Reserves (future obligations)</b>			
Development Contribution Reserve	(24,702)	(24,702)	(25,415)
Other Reserves	17,848	17,849	13,021
<b>Total reserves (future obligations)</b>	<b>(6,854)</b>	<b>(6,854)</b>	<b>(12,395)</b>
<b>Debt Requirements</b>			
Public Debt	44,000	44,000	51,320
Future obligations	17,848	17,849	13,021
Gross Debt Requirement	61,848	61,849	64,340
Less cash in bank	(4,398)	(7,645)	(1,926)
<b>Net Debt Requirements</b>	<b>57,451</b>	<b>54,204</b>	<b>62,414</b>

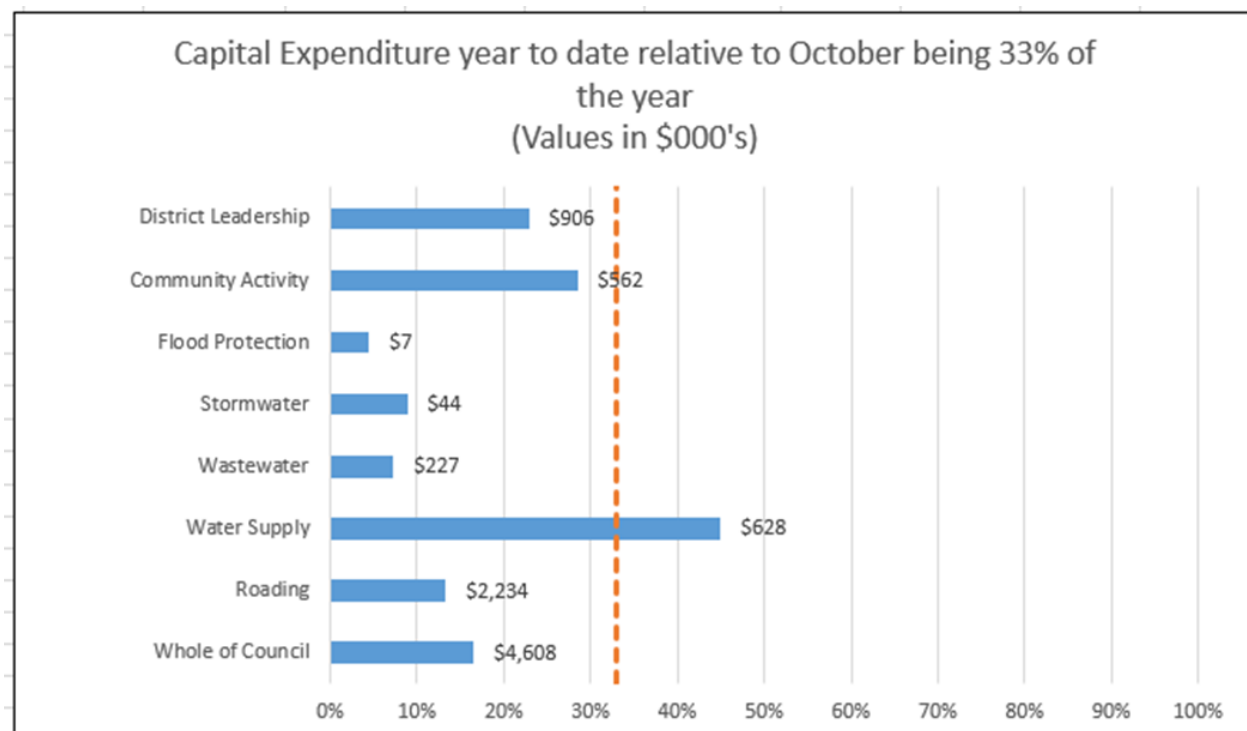
\*Note: Reserves balances are only recalculated at end of year.

**Activities Net Cost for the period to 31 October 2020:**

Activity	Actual as at 31 October 2020			Whole Year Annual Plan
	Operating Income \$000's	Operating Costs \$000's	Net Operating Surplus/(Deficit) \$000's	Net Operating Surplus/(Deficit) \$000's
Community Activities	3,104	2,708	396	199
District Leadership	3,387	3,474	(87)	(739)
Regulatory Management	2,652	2,172	480	49
Roads and Footpaths	6,613	4,133	2,480	4,427
Wastewater	2,711	1,202	1,509	3,083
Water Supply	1,446	1,183	263	1,614
Stormwater	663	288	375	917
Flood Control	263	126	137	293
Solid Waste	373	327	46	305
	<b>21,212</b>	<b>15,613</b>	<b>5,599</b>	<b>10,148</b>

**Capital Expenditure for the period ended 31 October 2020:**

Activity - Capital Expenditure	Actual as at 31 October 2020				Whole Year	
	Actual YTD \$000's	Annual Plan \$000's	Variance \$000's	Indicator	Annual Plan \$000's	Forecast \$000's
Community Activities	562	703	141	●	1,722	3,099
District Leadership	906	2,015	1,109	●	3,809	3,935
Roads and Footpaths	2,234	3,583	1,349	●	17,148	19,793
Wastewater	227	488	261	●	3,096	3,363
Water Supply	628	522	(106)	●	1,396	2,253
Stormwater	44	226	182	●	496	638
Flood Control	7	155	148	●	155	155
Solid Waste	0	0	0	●	0	0
	<b>4,608</b>	<b>7,692</b>	<b>3,084</b>		<b>27,822</b>	<b>33,236</b>



**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.