

Quarterly finance report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
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 January 2021 financial report is attached at the end.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report as at January 2021.

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.

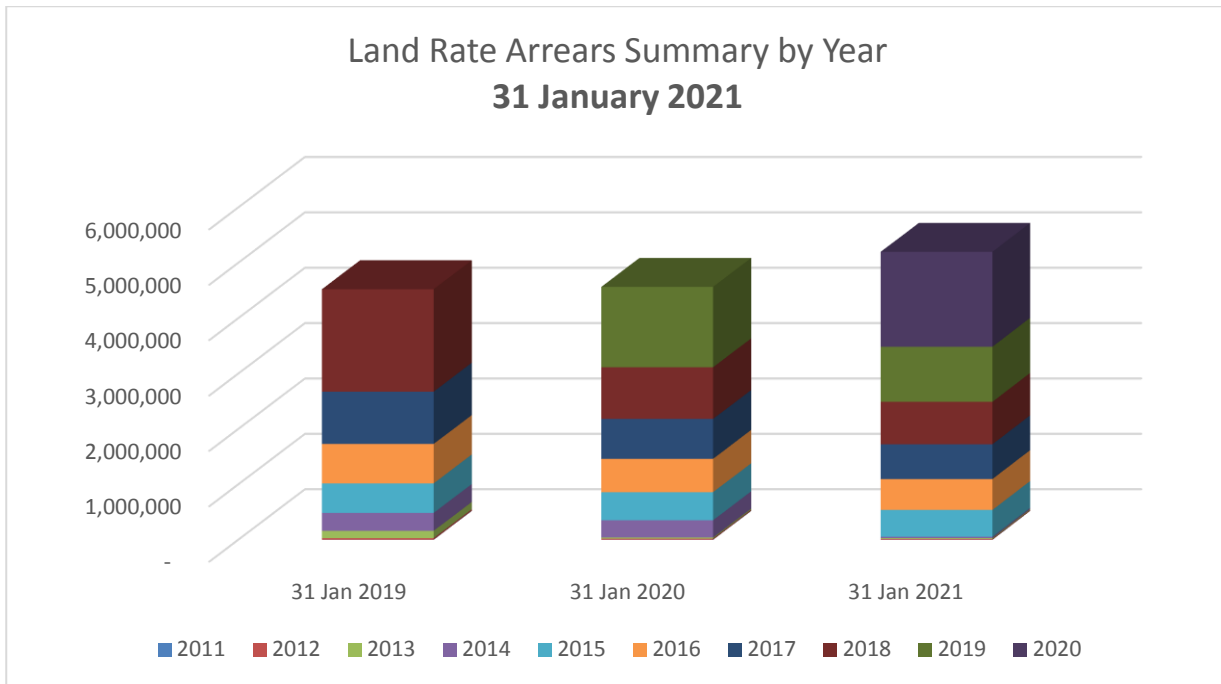
Discussion/Ngā kōrerorero

Rates Debtors as at 31 January 2021

This report excludes debt from the current rating year.

All information in this report relates to debt prior to July 2020. The beginning of each rating year sees the opening debt balance increasing substantially due to the debt from the previous year being moved from current to previous year arrears.

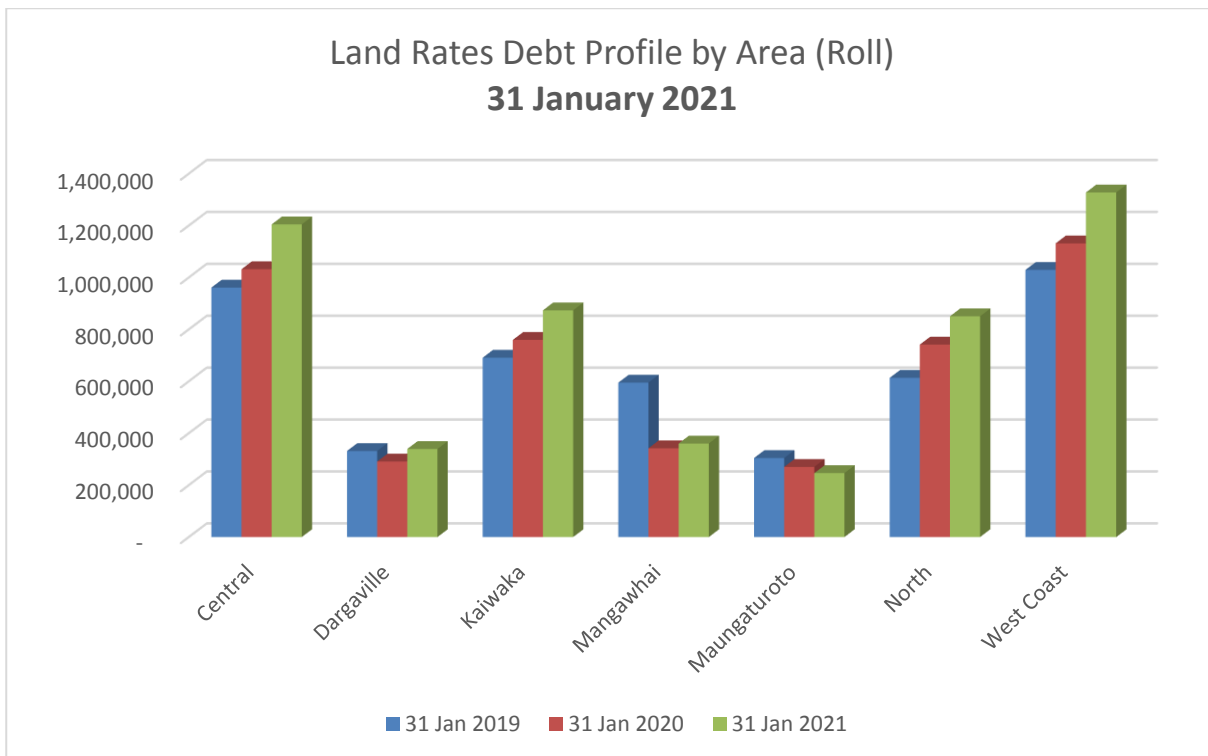
The graph below shows the allocation of total land rates arrears debt over the previous three years as at 31 January of each year.



The graph above shows that outstanding rate arrears has increased, some of the increase is due to the mortgagee demand process being on hold due to Covid 19, as well as the annual rates increase adding to the debt figures. 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.

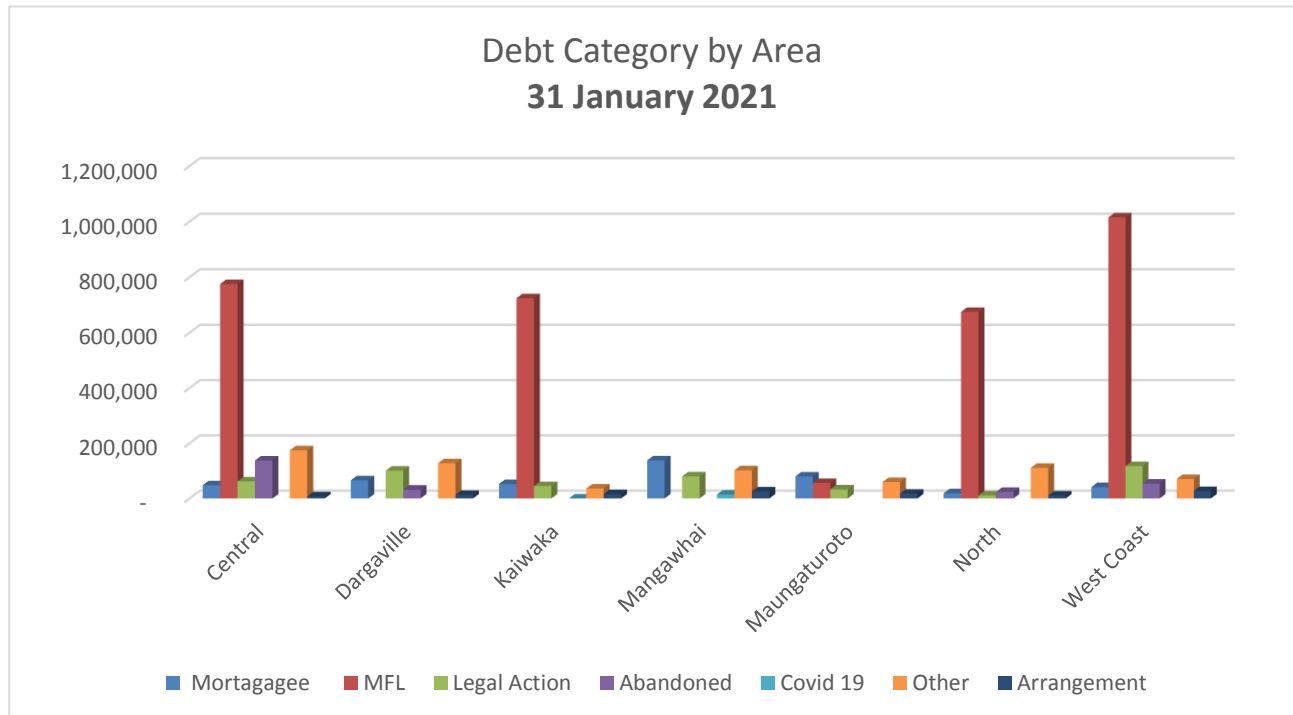
At 30 June 2020 rates arrears debt was \$6,927,330, at 31 January 2021 the debt was \$5,200,704 (a reduction of \$1,726,626).

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



Key changes between 31 January 2020 and 31 January 2021 are: All areas have seen increases in debt level, with the exception of Maungaturoto. The level of rates arrears debt has been further

increased with the addition of the arrears penalty in January 2021. Again we note that no Mortgage Demands have been sent out as they were in the September to December 2019 period, which will also be adding to the increased debt. As discussed in earlier reports the Central (which covers the area including Turiwiri, Arapohue, Okaho, Ruawai and Matakoho), 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 key categories whilst the chart above shows the distribution of the debt by category and area.

The number of properties in each category will only reflect the number of properties with an outstanding balance. The mortgagee properties are identified from the properties we sent Mortgage Demands for in the 19/20 year and may change.

We have added a new Payment Arrangement column so we can track progress in this area.

Arrears debt	31 July 2020			31 January 2021	
	No	\$		No	\$
Mortgaged Properties	336	837,111		158	443,720
Maori Freehold Land (MFL)	107	2,932,615		105	3,245,976
Legal Action	45	429,286		39	449,210
Abandoned Land	6	183,740		11	247,477
Other	692	1,970,910		231	381,741
COVID-19	40	56,470		5	14,647
Payment arrangements				48	117,933
TOTAL	1,226	6,410,132		597	5,200,704

There is a decrease in the number of properties in all categories, with the debt level in Maori Freehold land increasing likely due to large arrears penalties being applied in January. Covid 19 accounts have reduced and we will continue to review the remaining 5 accounts and assist with payment arrangements.

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. -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. This means we should see a large reduction in rates debt in the first quarter of the 21/22 rating year.

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. Some customers in financial hardship may work on selling their properties or get assistance from budget advisors in order to make significant changes in their debt levels.

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.

Despite the fact that the standard process around contacting mortgagees about outstanding rates has been put on hold, you can see the debt in this category reducing. This is due to customers working hard to ensure rate payments are met or, payment arrangements are entered into which is a result of the regular communication from the Revenue team.

Maori Freehold Land

Our current database identifies 380 blocks as being on the Maori Land Registry. This information is continually being checked and updated to ensure accuracy. We have been connecting with neighbouring councils to understand their processes and also to investigate how we can work together to enable a consistent approach across Te Taitokerau. Of the 380 blocks 105 (28%) have rate arrears, this statistic may change as we clarify and reconcile the data.

13 applications for a rates remission on unoccupied Maori Freehold Land have been received recently. A total of \$143,548 has been remitted as a result of these applications. It might be expected that the debt in this category would be reduced as a result of the recent remissions, however this is off-set by the arrears penalty that was applied in January.

Our focus is on the blocks with the highest debt, the five highest have total debt of \$475,217. We are currently identifying where the land is, who the land owners are, if the land is accessible and if it is being utilised. This exercise takes time and in collaboration with our Iwi Relations Manager the main focus is to firstly form good relationships with the owners of the land before we can begin discussions about rates.

In the long term our goal is to identify all unoccupied Maori Freehold Land so as to encourage the use of land with the whenua owners. We have formed a relationship with the Pae Manawa (Iwi Relations) at the Maori Land Court who is willing to assist with this.

We will continue discussions with Maori Land owners where land is being used and rates are not being paid. Success in this area first and foremost requires the forming of strong relationships with the owners.

We continue to be mindful that whenua is a taonga to Māori and is a sensitive issue for whenua owners. Identifying where, and who whenua Maori owners are, forming and maintaining strong relationships before beginning any discussions about rates, we believe is key to success. We will also continue networking and making connections with other districts and departments to collaborate and assist each other with Māori Freehold Whenua.

Legal Action

Further 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 but were previously in the legal pipeline, they don't have a mortgage and may have lost contact or simply have no ability to make payments. This action will secure the debt and ensure that it is not written off at the statute time limited period of 6 years. We have seen some customers make substantial payments in the last quarter after judgements were issued, including over 70K for one customer and 10k for another.

Of the 39 properties in this legal action category, 13 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. We will prioritise investigating the options around this for future discussion.

Abandoned Land

Further files have been declared abandoned, some have been in the process for some time.

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.

Payment arrangements

Staff continue to make progress with customers requiring arrangements and have agreed to numerous payment plans that will see the debt repaid over the next one to two years. This is building rapport with our community and providing relief to customers requiring this extra support.

Other

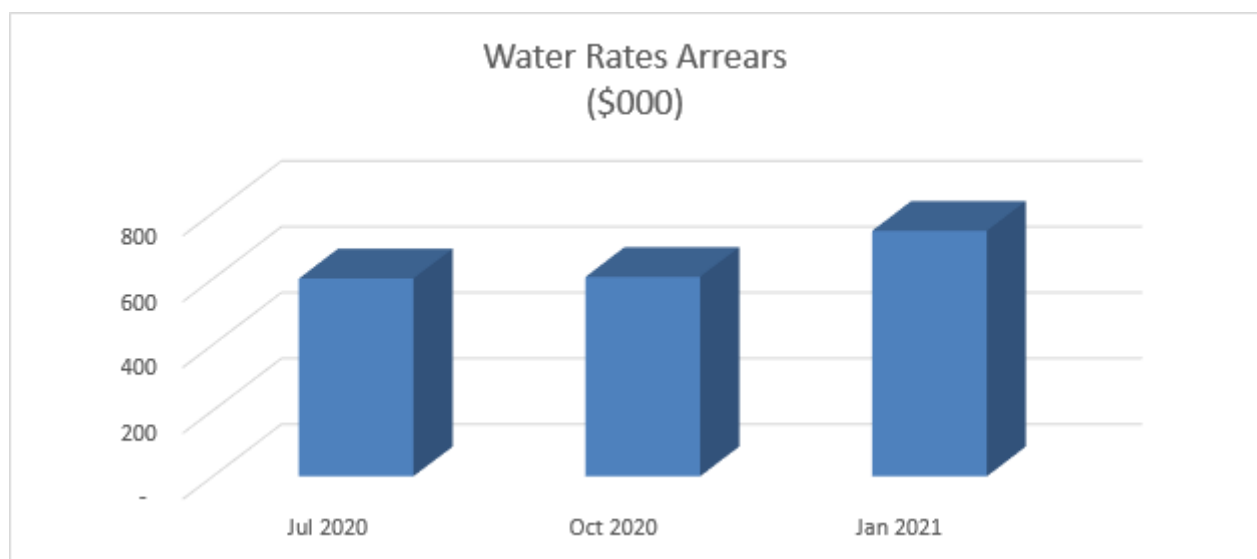
Customers continue to be advised when they receive a penalty for late payment of their rates. This process is generally well accepted by the community, with people setting up direct debit payments to prevent future missed payments, other customers contact the team to make payment or set up payment plans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

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

To date we have 1,909 (13%) customers receiving rates by email and 3,505 (24%) customers paying rates by direct debit.

Water Rates Debtors

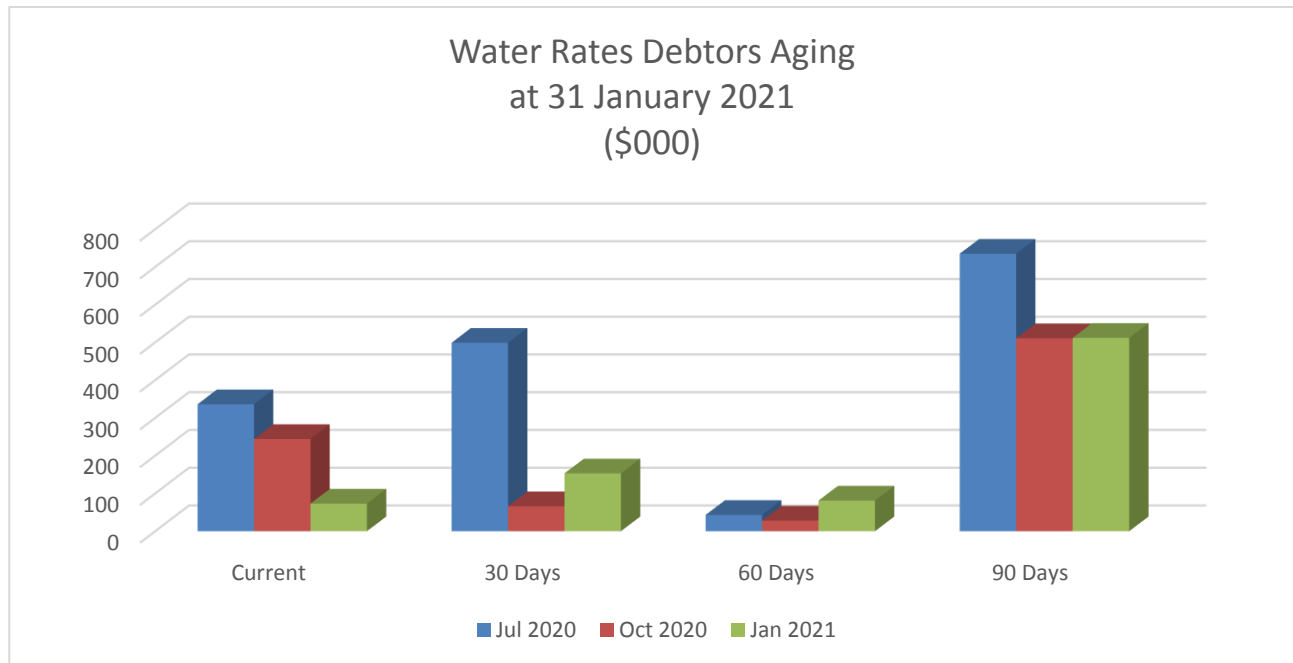
Water Rates Debtors Summary \$000



The report shows levels of water debt for the current rating year (and also arrears). This differs to the land rates information.

The table above illustrates an increase in water rates debt from July 2020 to January 2021.

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. Each month see's varying areas being invoiced, some months have a higher property count than others. This makes it difficult to identify the trends as to why debt levels fluctuate. Each property receives invoices 6 monthly and we are looking at processes to find ways to expedite payment and notify customers if they miss a payment.

There are varying reasons for water arrears, broad categories are:

- Payments being mistakenly made to land rate accounts in error
- Water leak remissions which are generally not processed for 6 months, after it is proven that a leak has been repaired and the next reading confirms that usage has reduced
- Disputes
- Contractor errors

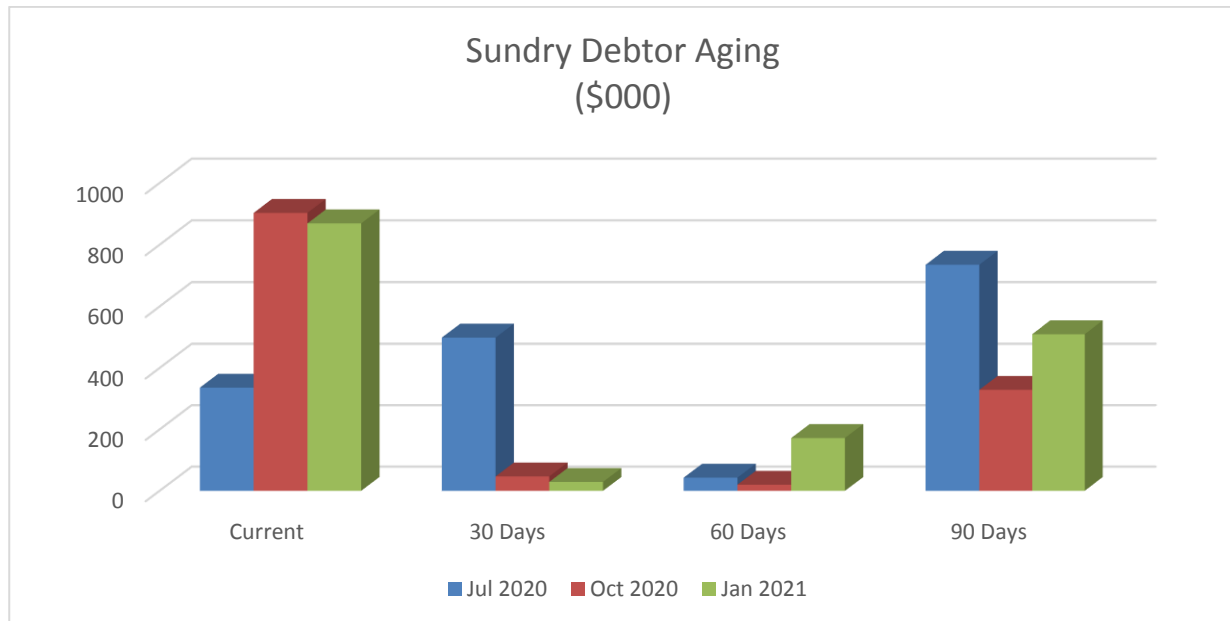
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- Payments being mistakenly made to land rate accounts in error
- Water leak remissions which are generally not processed for 6 months, after it is proven that a leak has been repaired and the next reading confirms that usage has reduced
- Disputes
- Contractor errors
- Inadequate payment amounts

Further details around these categories can be provided in future reports to the Committee.

Sundry Debtors

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



The above graph demonstrates an increase in 60 and 90 days debt whilst other time periods show decreases in the debt level. Water rates debt is included in July 2020 figures but has been removed from the reporting for October and January.

Current sundry debt sits at \$869K, of this \$721K relates to multiple Central and Local Government invoices for various activities including Kaipara Kai and the responsible camping funding programme, Te Tai Tokerau support and NRC quarterly bill. Also included is NZTA Wood Street Revitalisation plus some large standard monthly debtor invoices. It is anticipated that these invoices will be paid during the current month.

Currently for our 60 days sundry debtors we have 5 long term payment arrangements worth \$15,192.

The 90 day debt sits at \$510,530, the table below provides detail around where this sits:

Other Debtors Aged Arrears at 31 January 2021	90 days	
	\$	Number
Resource Consents	102,100.00	41
Licensing, compliance, pools	20,000.00	27
Building Consents	65,000.00	21
Sundry debtors - housing		
Sundry debtors	323,430.50	21
Total	510,530.50	110

This is further broken down as follows:

90 Days Debtors January 2021	Resource Consents	
	\$	Number
Total		
Dispute	2,940	1
Objecting (RM only) - Not Collectable	45,653	7
Total	48,593	8

90 Days Debtors January 2021	Licensing, compl, pools	
	\$	Number
Total		
3rd Party Debt Collection	7,238	8
Payment Arrangement	1,085	3
Dispute	1,715	2
Covid Hardship Grant Emailed (Licences only)	1,279	2
Total	11,317	15

90 Days Debtors January 2021	Building Consents	
	\$	Number
Total		
Dispute	425	2
DC not collectable at this stage (BC only)	55,800	2
Total	56,225	4

90 Days Debtors January 2021	Sundry debtors	
	\$	Number
Total		
3rd Party Debt Collection	4,867	3
Payment Arrangement	16,180	4
Arrangement insufficient	2,638	1
Dispute	4,648	2
MBIE ONLY	282,670	1
Total	311,003	11

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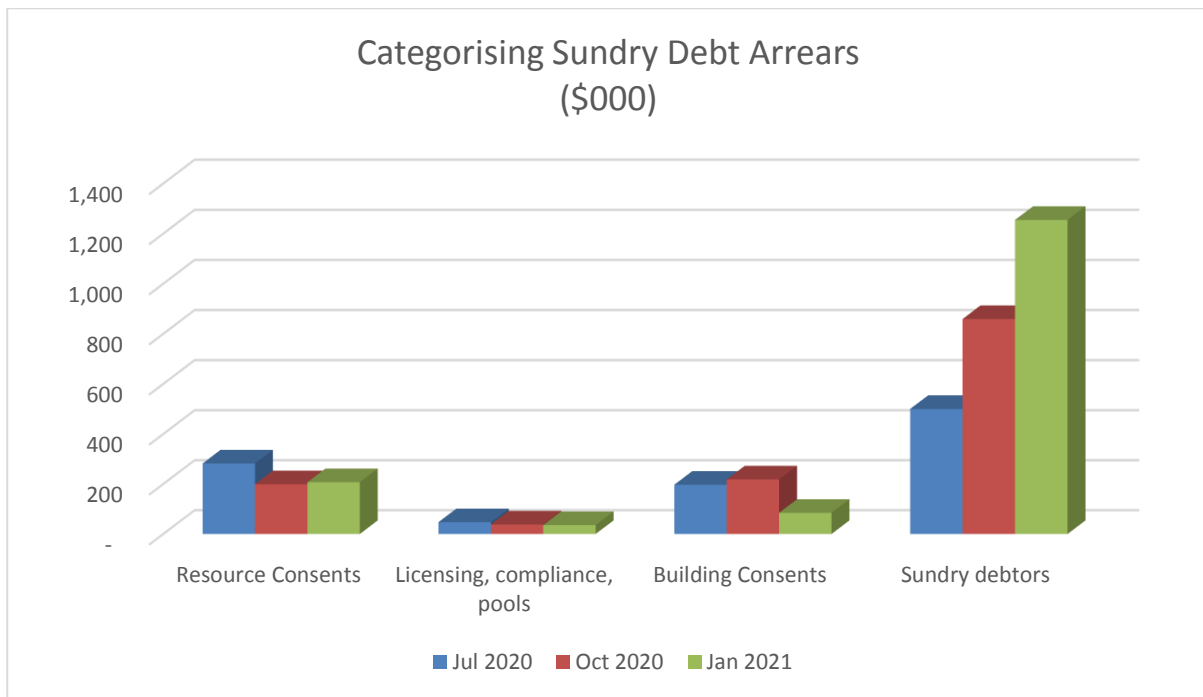
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We have been working with local businesses that hold food/alcohol licences and who may fit the criteria for the Covid19 Hardship Grant. We send a monthly email to potential recipients and have had positive feedback around this financial assistance from Council.

We are using a 3rd party collection company, mainly for licensing food businesses who have shut down and whose business owners have moved out of the district.



The total debt reported here is \$1,580,000. As discussed above at least 80% of the current sundry debt relates to multiple recent invoices that are anticipated to be paid during the current month.

January 2021 Financial Report

Statement of Operating and Capital Performance

Kaipara District Council - Monthly report

	This Month 31 January 2021				Indicator	Year to 31 January 2021				Indicator	Whole Year	
	Actual \$'000	Annual Plan \$'000	Variance \$'000			Actual \$'000	Annual Plan \$'000	Variance \$'000			Annual Plan \$'000	Forecast \$'000
All												
Rates	3,550	3,548	2	●		23,607	22,939	667	●		38,780	38,780
Activity Revenue and Other Income	716	626	90	●		4,563	3,598	965	●		6,454	6,454
Subsidies and Grants - Operational	632	441	191	●		6,859	2,906	3,953	●		4,809	6,192
Total Operating Income	4,898	4,615	283	●		35,028	29,444	5,585	●		50,042	51,426
Employee Benefits	1,205	1,159	(46)	●		7,995	8,025	29	●		13,142	13,142
Contractors	89	155	66	●		924	1,085	161	●		1,888	1,888
Professional Services	445	395	(50)	●		3,745	2,809	(936)	●		4,724	4,863
Repairs and Maintenance	903	823	(80)	●		8,758	6,541	(2,218)	●		10,240	12,560
Finance costs	128	238	111	●		1,303	1,668	366	●		2,860	2,860
Other Operating Costs	115	467	352	●		3,791	4,172	381	●		7,040	7,070
Total Operating Costs	2,885	3,237	353	●		26,516	24,300	(2,216)	●		39,894	42,383
Operating Surplus/(Deficit) (before Depreciation)	2,013	1,378	635	●		8,512	5,144	3,368	●		10,148	9,042
Capital Subsidies	3,909	1,563	2,346	●		7,453	9,074	(1,621)	●		15,081	16,851
Contributions	385	254	131	●		2,803	1,779	1,024	●		3,046	3,046
Other Capital Revenue	0	0	0	●		11	0	11	●		0	0
Total Capital Revenue	4,294	1,817	2,477	●		10,267	10,854	(586)	●		18,127	19,898
Capital Expenditure	2,311	2,278	(33)	●		11,151	13,555	2,404	●		27,822	33,236
Total Capital Payments	2,311	2,278	(33)	●		11,151	13,555	2,404	●		27,822	33,236
Subtotal Capital	1,983	(461)	2,444	●		(883)	(2,701)	1,818	●		(9,695)	(13,339)
Surplus/(Deficit) - before Loan Payments and Depreciation	3,996	916	3,080	●		7,629	2,443	5,186	●		453	(4,296)

*Includes Carry overs:

- Waipoua River Road project - \$1,159,902
- Dargaville Wastewater desludging - \$983,000

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
Rates Revenue	Penalties are ahead of budget for the year to date due to arrears penalties applied (July 2020) and instalment penalties.	187
	Targeted rates for wastewater are overall ahead of budget due to growth in Mangawhai area.	330
	Water by meter ahead of budget, mainly in Dargaville	214
Activity Revenue and Other Income	Activity revenue:	
	• Increase in Building Control revenue year to date. This month up \$5k on budget.	286
	• Increase in Resource consenting income year to date. This month decrease of \$41k.	115
	• Increase in Licences, Registrations fee year to date. This month decrease of \$14k.	80
	• External recovery costs are ahead of budget for year to date.	
	This month: Kai Iwi lakes camp ground revenue increase of \$223k due to holiday season and receiving Mangawhai Heads camp ground Council share of \$60k.	573
Operating Subsidies and Grants	Te Tai Tokerau Redeployment Package the "Shovel Ready" project subsidies were invoiced in the month of September.	1,461
	This month: Further subsidies of \$39,491 received. Additional subsidies of \$41,000 received towards the Ambassador Programme for the peak season at Kai Iwi Lakes.	
	Operational subsidies from NZTA are ahead of budget year to date due to maintenance work completed earlier than scheduled.	1,630
	Revenue raised for PGF funding for Kaipara Kickstart Programme milestone claims.	941
	The Kaipara District Council 3 Waters Stimulus Grant totalling \$4,691,048 with \$2,345,524 being the first instalment received in January 2021.	2,346

Operating Costs:

Account	Rationale	\$000
Employee Benefits	Employee benefits costs are on budget for the month and year to date	
Contractors	The contractor's costs are on below budget for the year to date.	161
Professional Services	The professional services costs are ahead of budget for the year to date: This month: Additional cost for Mangawhai Central private plan change. Costs are on charged to the applicant.	936
Repairs and Maintenance	Community activities – 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.	1,299
	This month: The Te Tai Tokerau Redeployment Package project costs for the month of January are \$22,870. The total cost of this project is offset by the funding noted above under subsidies and grants.	
	Roading: - Roothing works maintenance programme is ahead of budget – due earlier completion of scheduled unsealed roads maintenance work.	899
	This month: Roothing – Local Network improvements "Shovel Ready" project started – removal of hazardous trees and spot spraying noxious weeds, litter collection and clean-up (\$54,912).	
	Waters: - Increase of cost due to Rotu Water Intake emergency slip repairs work undertaken.	648
Finance Costs	Below budget due to lower inter-period loan balances.	472
Other Operating Costs	Costs overall are lower than budget. This month:	369
	• Software licences – timing difference from budgeted month of payment.	
	• Audit fees – timing difference from budgeted month of payment.	

Capital Revenue:

Account	Rationale	\$000
Capital Subsidies	Capital subsidies overall are lower than budget year to date, due to projects work not started yet: <ul style="list-style-type: none"> • Roading – capital works are ahead of budget due to projected schedule completed earlier. • District Leadership – PGF projects funding (project milestone to be completed before funding can be claimed) 	1,245 (2,034)
Contributions	The contributions are overall ahead of budget year to date. <ul style="list-style-type: none"> • Development contributions are lower than budget for this month and year to date. • Financial contributions significantly are ahead of budget for the month and year to date. 	1,024

Public Debt: The public debt position as at 31 January 2021 is \$44 million and the net debt position (debt less cash) is \$33.7 million.

Public Debt and Requirements			
	June 2020	31 January 2021	June 2021
	\$000's	\$000's	\$000's
Debt			
Public Debt	44,000	44,000	51,320
Cash in bank (overnight deposits)	(4,398)	(10,267)	(1,926)
Net Debt	39,602	33,733	49,393
Reserves (future obligations)			
Development Contribution Reserve	(24,702)	(24,702)	(25,415)
Other Reserves	17,848	17,849	13,021
Total reserves (future obligations)	(6,854)	(6,854)	(12,395)
Debt Requirements			
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)	(10,267)	(1,926)
Net Debt Requirements	57,451	51,581	62,414

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

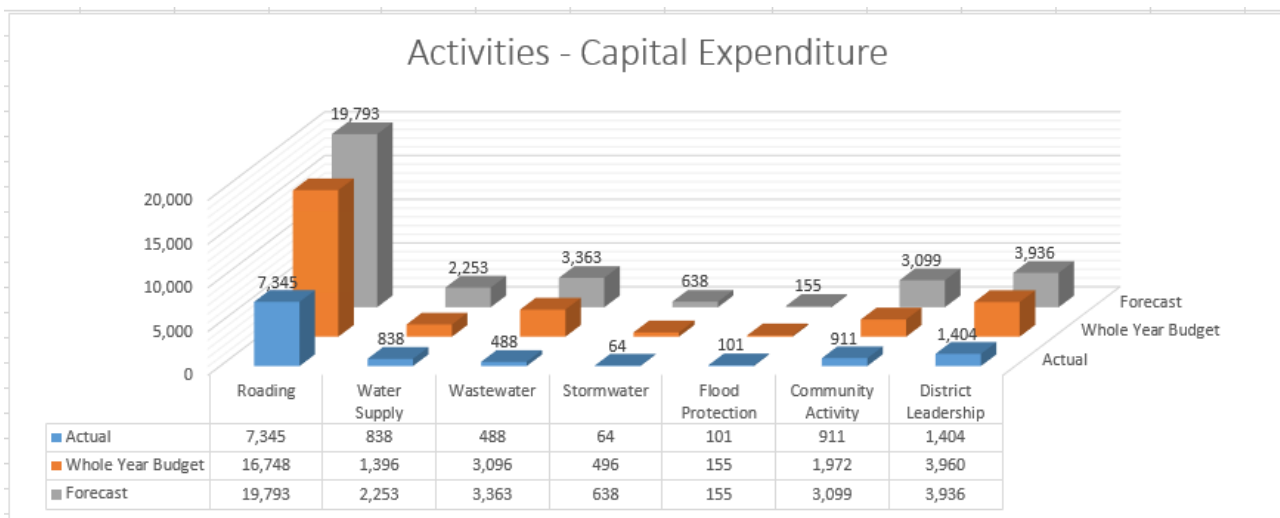
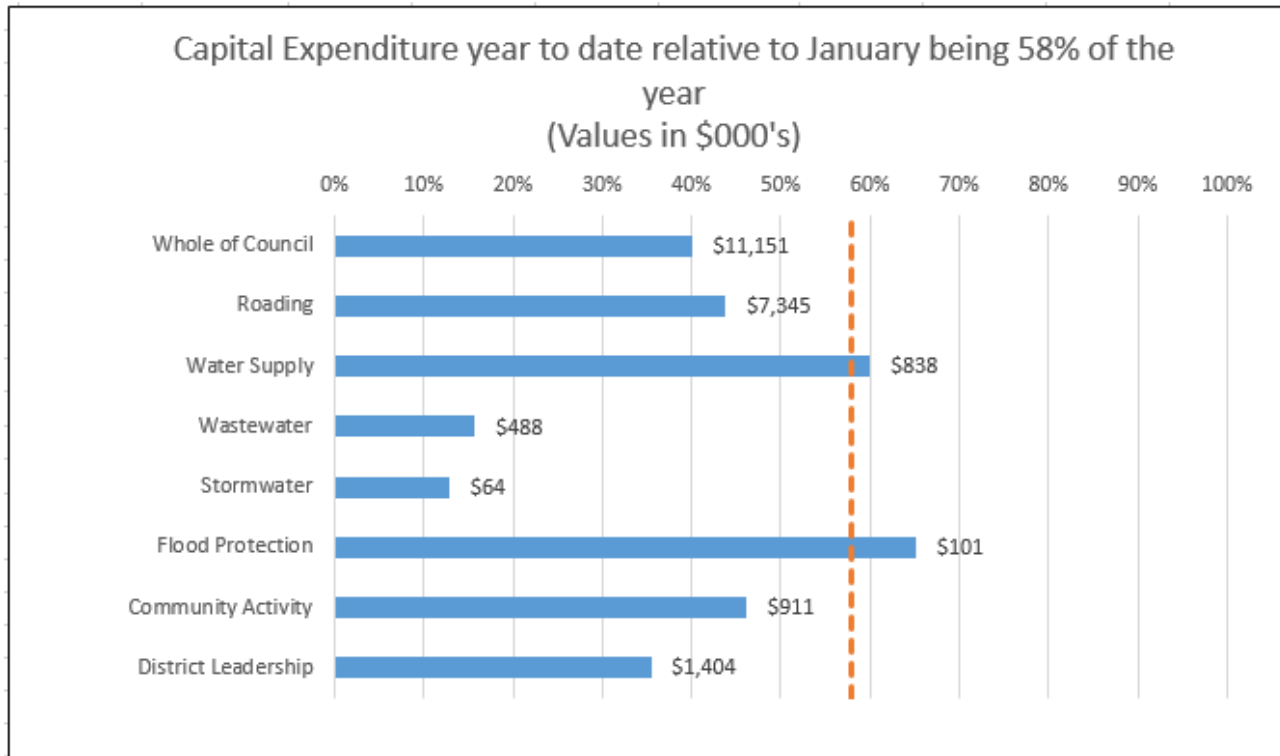
Activities Net Cost for the period to 31 January 2021

	Actual as at 31 January 2021			Whole Year Annual Plan
Activity	Operating Income \$000's	Operating Costs \$000's	Net Operating Surplus/(Deficit) \$000's	Net Operating Surplus/(Deficit) \$'000
Community Activities	5,159	4,210	949	199
District Leadership	5,694	5,738	(44)	(739)
Regulatory Management	4,210	3,716	494	49
Roads and Footpaths	10,625	7,646	2,979	4,427
Wastewater	4,719	2,101	2,618	3,083
Water Supply	2,343	1,820	523	1,614
Stormwater	1,158	498	660	917
Flood Control	461	265	196	293
Solid Waste	659	522	137	305
	35,028	26,516	8,512	10,148

Capital Expenditure for the period ended 31 January 2021

	Actual as at 31 January 2021				Whole Year	
Activity - Capital Expenditure	Actual YTD \$000's	Annual Plan \$000's	Variance \$000's	Indicator	Annual Plan \$000's	Forecast \$000's
Community Activities	911	958	47	●	1,722	3,099
District Leadership	1,404	3,439	2,035	●	3,809	3,935
Roads and Footpaths	7,347	6,100	(1,247)	●	17,148	19,793
Wastewater	487	1,128	641	●	3,096	3,363
Water Supply	838	1,389	551	●	1,396	2,253
Stormwater	63	386	323	●	496	638
Flood Control	101	155	54	●	155	155
Solid Waste	0	0	0	●	0	0
	11,151	13,555	2,404		27,822	33,236

Capital Expenditure for the period ended 31 January 2021



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.

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.