

# Quarterly finance report

**Meeting:** Audit, Risk and Finance Committee  
**Date of meeting:** 12 March 2020  
**Reporting officers:** Christine Toms, Revenue Manager  
Violeta Kayryakove, 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 January 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 January 2020.

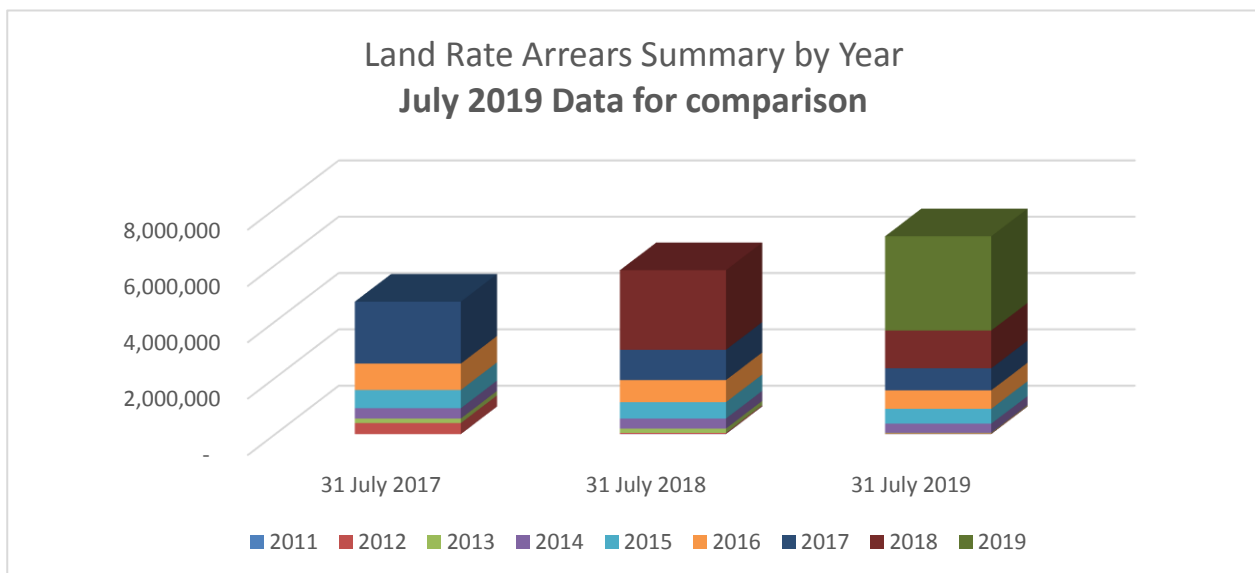
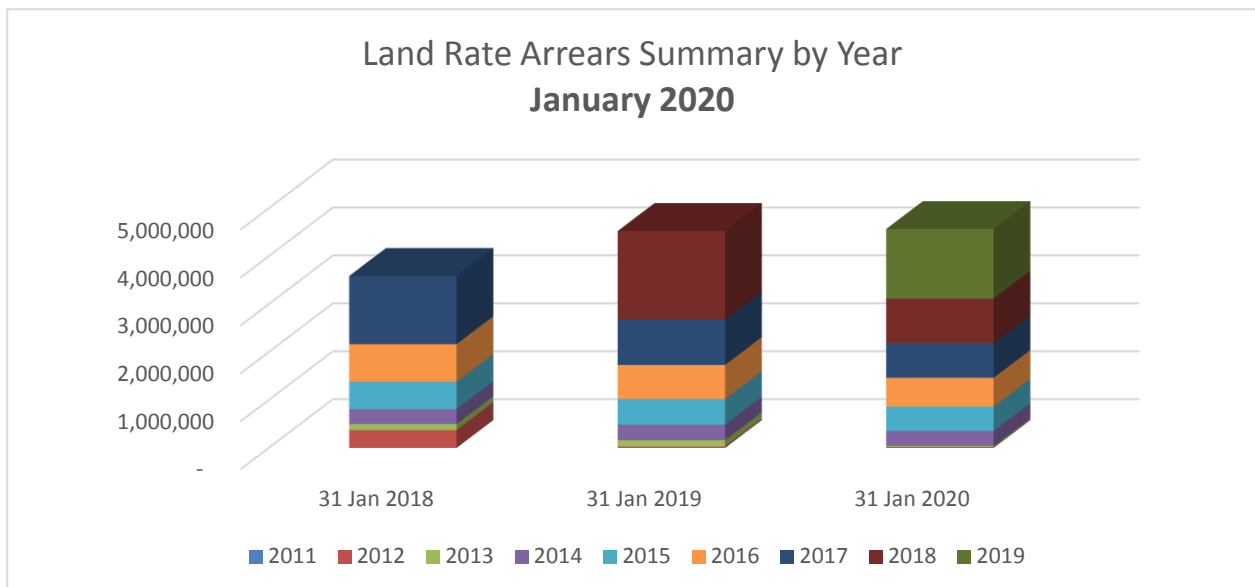
## Context/Horopaki

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 January 2020

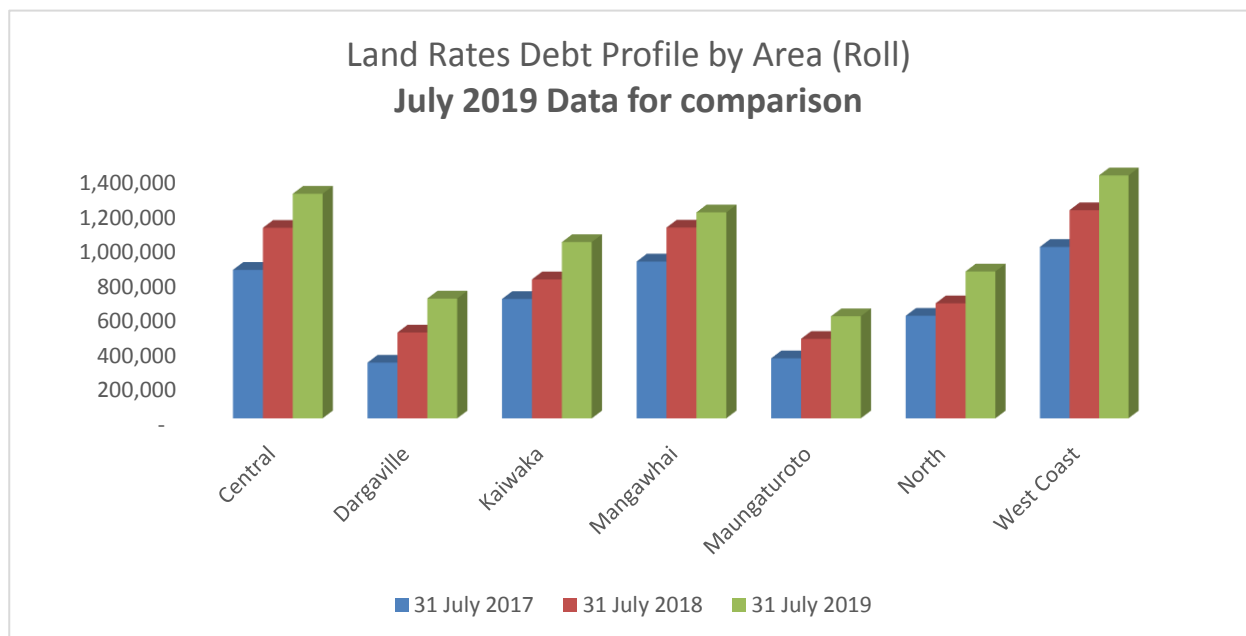
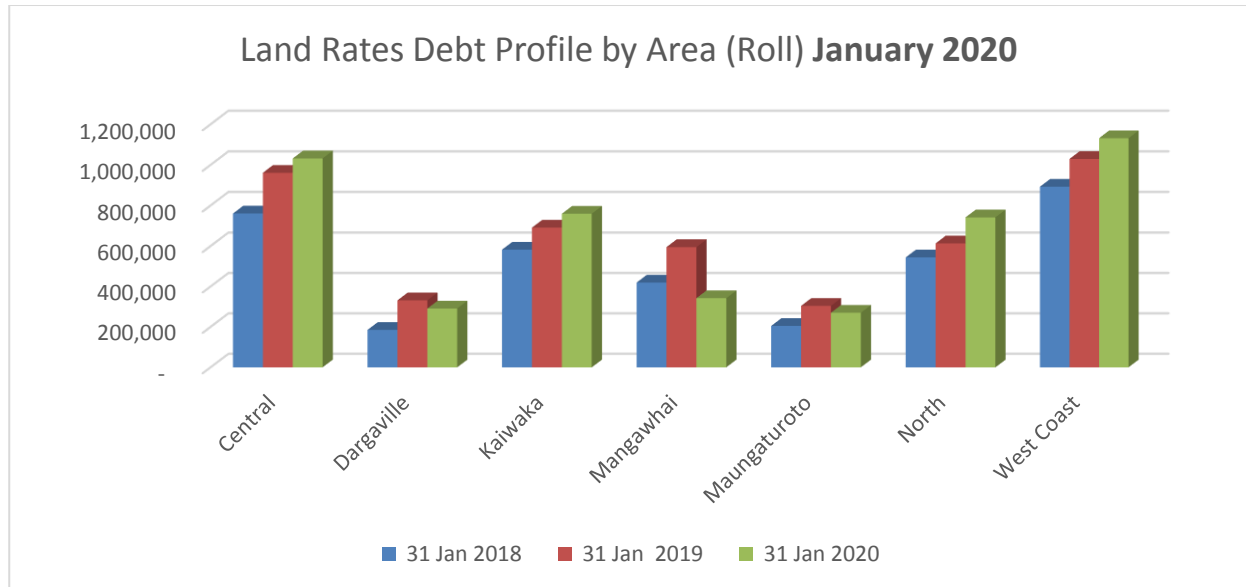
Earlier reports to the Committee focused on the land rates debt for the years up to June 2018 (previous year's arrears). This current rating year will see reports focused on the arrears up to 2019. System generated arrears reports exclude current debt, which means that the beginning of each year sees 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 31 January of each year.



The graphs above shows that outstanding arrears for all years has decreased between July 2019 and January 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.

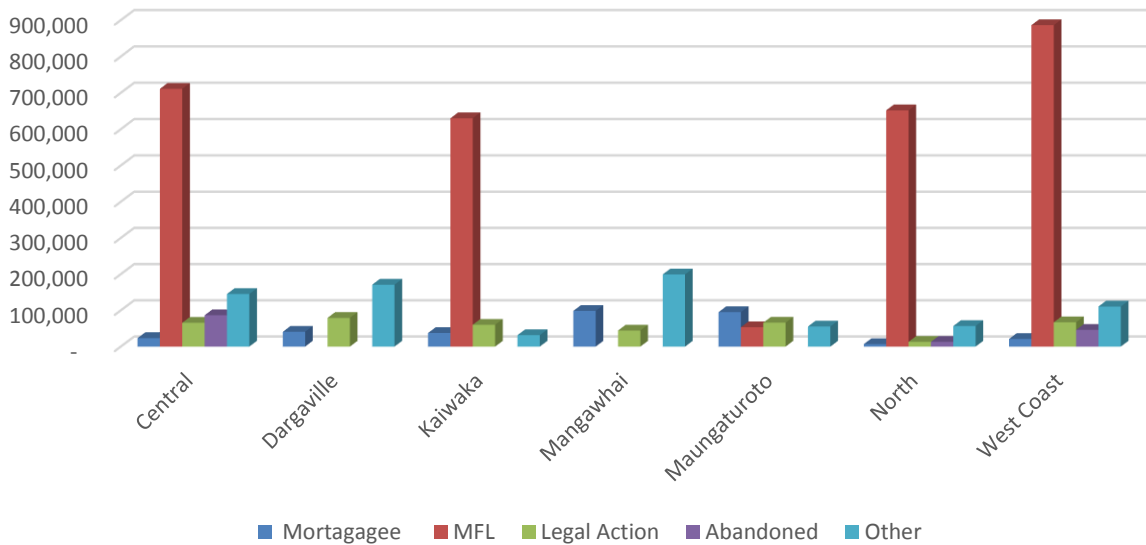
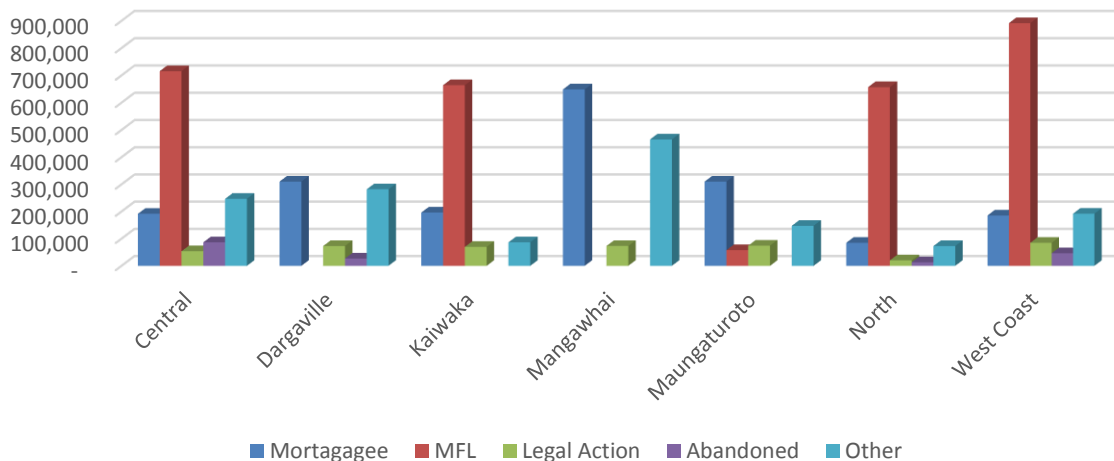
The total reported debt as at 30 June 2019 was \$7,389,300 and is now \$4,568,205. This shows an overall rates debt reduction for the seven months between July 2019 and January 2020 of \$2,821,095.

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



Dargaville, Mangawhai and Maungaturoto debt levels have reduced noticeably since the last report. Whilst the addition of the arrears penalty in January has seen both Central (which covers the area including Turiwiri, Arapohue, Okaho, Ruawai and Matakohe) and West Coast (covering Waipoua through to Te Kopuru and Poutu) debt increasing. This can be attributed to the high proportion of Maori Land situated in these areas.

Debt Category by Area - January 2020

Debt Category by Area  
July 2019 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 during the period of July 2019 and 31 January 2020.

Arrears debt	31 July 2019			31 January 2020	
	No	\$		No	\$
<b>Mortgaged Properties</b>	725	1,926,486		125	323,909
<b>Maori Freehold Land (MFL)</b>	140	2,985,103		125	2,932,615
<b>Legal Action</b>	48	448,529		54	395,894
<b>Abandoned Land</b>	7	172,587		6	145,805
<b>Other</b>	1,275	1,491,976		320	769,982
<b>TOTAL</b>	<b>2,195</b>	<b>7,024,681</b>		<b>630</b>	<b>4,568,205</b>

## Mortgaged Properties Category

The mortgagee demand process has resulted in a marked decrease in both the level of debt and number of ratepayers in the mortgaged properties category. 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.

## Maori Freehold Land

The Local Government (Rating of Whenua Maori) Amendment Bill which was announced in Northland during the week of Waitangi day has yet to be referred to Select Committee stage. Staff are in the process of reviewing Maori Freehold Land in the district to determine what the possible implications the introduction of the Bill will mean for Kaipara. The departmental material can be viewed via the Department of Internal Affairs website: <https://222.dia.govt.nz/Whenua-Maori-rating>

The Bill can be found at:

<http://www.legislation.govt.nz/bill/government/2020/0226/latest/096be8ed8194c16b.pdf>

## Legal Action

The Rogan litigation has come to an end and the outcome is favourable for both Kaipara District and Northland Regional Councils. Staff are working with the parties involved to receive payment for outstanding amounts and all costs, including the recent Supreme Court hearing court costs and disbursements.

As a direct result of the above outcome staff have also had dialogue with one of the two remaining stayed defendants who is also keen to come to a settlement over historical rate arrears. A Case Management Conference between the Court and Legal representatives is scheduled to be held at the end of March to discuss the next steps for any of the remaining stayed defendants at that time.

Staff have continued to work with customers who don't have mortgages and it can be noted that whilst the number of properties in the Legal category has increased since last report, the debt levels have decreased. It is pleasing to report that both the number of properties and the debt levels in the Other category above have decreased.

There are a number of subcategories within the Legal section as properties are at different stages in the process as the table below depicts.

Stage	31 January 2020	
	No	\$
Initial stages of Lawyers Action	11	106,110
Proceeding to Default Judgment	30	181,753
Judgment Sealed	5	63,111
Charging Order	8	44,920
<b>TOTAL</b>	<b>54</b>	<b>395,894</b>

Charging Orders are the first step towards enforcing payment by way of Rating Sale.

## **Abandoned Land**

Brookfields have completed the necessary searches required under the Local Government (Rating) 2002 ("LGRA") to progress these matters through the District Court. These searches have included:

- (a) advertising for a will(s) in LawTalk and LawNews;
- (b) inquiries through the High Court to confirm the issuing of probate or letters of administration; and
- (c) request for death certificate(s) with the Department of Internal Affairs.

Staff are in the process of carrying out site inspections. Public Notice pursuant to section 77 of the LGRA was advertised in the Kaipara Lifestyler on 23 July 2019. This notice expires on 23 August 2019.

One of the properties that had previously been included in this category has since been removed and now sits within the Other category as further steps are required before it can progress to the abandoned land process. The complication is due to the fact that the property is in the name of a company which has been removed from the register and lawyers advise that it must be re-registered which will take further resource and time.

It is anticipated that the remaining six properties can be progressed through the District Court in the early part of the 2019/2020 calendar year.

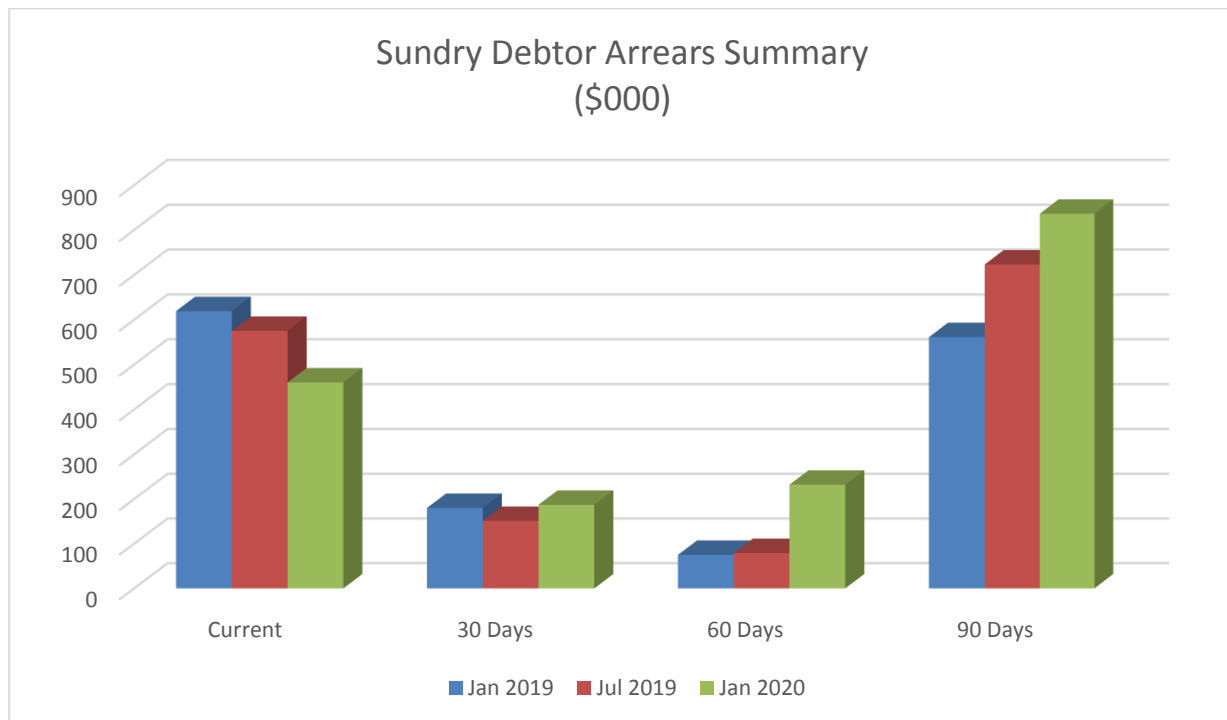
## **Other**

Staff continue to make progress with the 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.

A third party debt collection agency (Credit Recoveries) has been appointed to assist with collecting these outstanding debts. This is an intermediary step which staff are expecting will reduce the number of properties that are sent down the legal path. Only a handful of properties have been forwarded to Credit Recoveries to date, however when processes have been put in place more will follow. Future reports will see an additional category added which will show the number of properties and level of debt that has been forwarded to the agency.

## Sundry Debtors

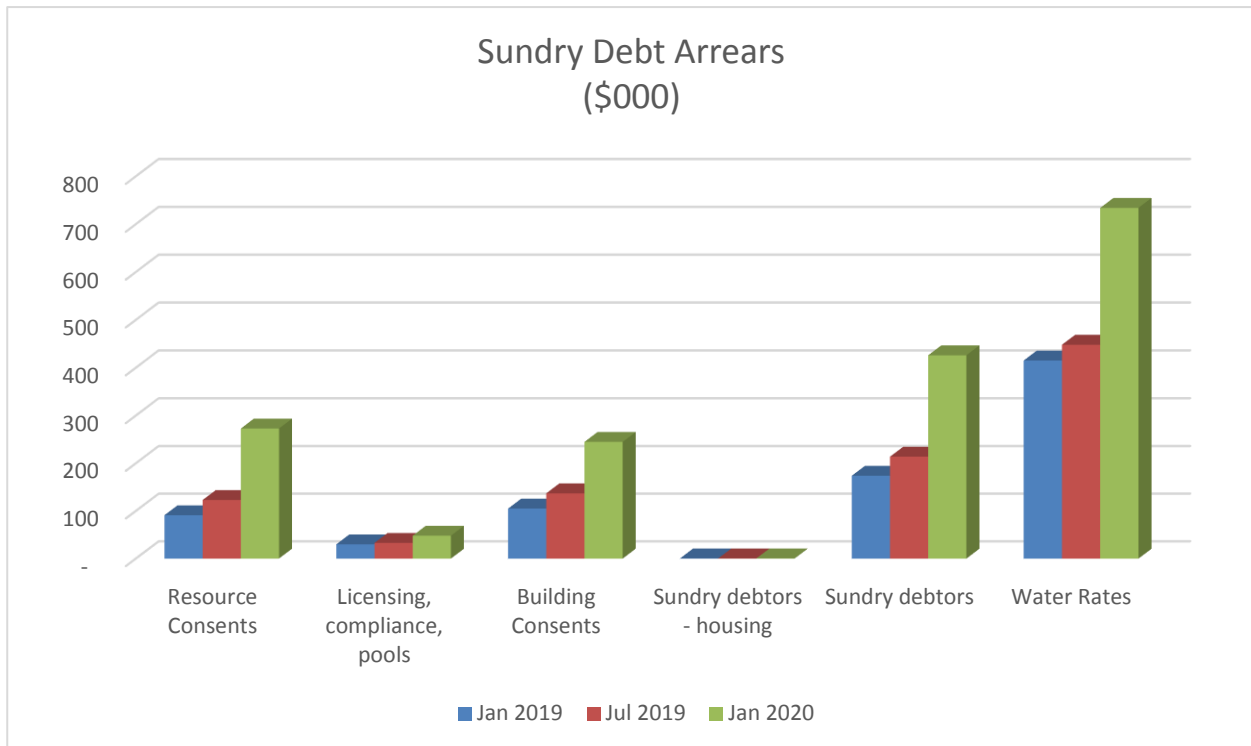
*Sundry Debtors Summary \$000*



The above graph demonstrates a decrease in current debt whilst all other aged debt has shown an increase when comparing January and July 2019 figures to the January 2020 data. Staff continue to investigate options for increasing the collection rate of older debt are working through the process of passing some of these debts to our 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
<b>Month of January 2020</b>	460	187	232	836	1,715
<b>Aging Percentage</b>	27%	11%	14%	49%	100%
<b>Month of July 2019</b>	575	151	79	723	1,528
<b>Aging Percentage</b>	38%	11%	5%	47%	100%
<b>Month of January 2019</b>	619	180	75	561	1435
<b>Aging Percentage</b>	44%	12%	5%	39%	100%

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



The total sundry debt reported here is \$1,726. Of this \$734,00 relates to water rates, of which \$230,000 is current debt. Staff continue to chase water debt at the same time as land rate debt.

Resource within the team has been focused on testing and working through the issues associated with a recent change of software, from being hosted on local servers to being hosted through the Cloud. All processes were required to be tested and reported on with some outstanding issues still being worked through. This has diverted attention away from focusing on our sundry debt management processes, however the teething stage of the software change is now over and we can turn our attention back to our debt collection processes.



# January 2020 Financial Report

## Statement of Operating and Capital Performance

	Year to 31 January 2020			Indicator	Whole Year	
	Actual \$'000	Annual Plan \$'000	Variance \$'000		Annual Plan \$'000	Forecast \$'000
Rates	22,377	21,761	616	●	36,884	36,884
Activity Revenue and Other Income	4,166	4,059	107	●	6,839	6,839
Subsidies and Grants - Operational	3,297	3,457	(161)	●	8,786	8,786
<b>Total Operating Income</b>	<b>29,840</b>	<b>29,277</b>	<b>563</b>	●	<b>52,508</b>	<b>52,508</b>
Employee Benefits	7,373	7,411	38	●	12,683	12,683
Contractors	1,163	1,466	303	●	2,448	2,448
Professional Services	4,006	4,465	460	●	8,356	8,356
Repairs and Maintenance	5,325	6,097	772	●	11,861	11,861
Finance costs	1,401	1,622	221	●	2,780	2,780
Other Operating Costs	3,950	3,994	45	●	6,004	6,004
<b>Total Operating Costs</b>	<b>23,217</b>	<b>25,055</b>	<b>1,838</b>	●	<b>44,133</b>	<b>44,133</b>
<b>Operating Surplus/(Deficit)</b> (before Depreciation)	<b>6,622</b>	<b>4,222</b>	<b>2,401</b>	●	<b>8,375</b>	<b>8,375</b>
Capital Subsidies	3,679	3,886	(207)	●	23,219	23,219
Contributions	1,195	1,701	(506)	●	3,019	3,019
Other Capital Revenue	15	0	15	●	175	175
<b>Total Capital Revenue</b>	<b>4,889</b>	<b>5,587</b>	<b>(698)</b>	●	<b>26,413</b>	<b>26,413</b>
Capital Expenditure	10,106	9,438	(668)	●	38,936	41,556
<b>Total Capital Payments</b>	<b>10,106</b>	<b>9,438</b>	<b>(668)</b>	●	<b>38,936</b>	<b>41,556</b>
<b>Subtotal Capital</b>	<b>(5,217)</b>	<b>(3,851)</b>	<b>(1,366)</b>	●	<b>(12,523)</b>	<b>(15,143)</b>
<b>Surplus/(Deficit)</b> - before Loan Payments and Depreciation	<b>1,405</b>	<b>371</b>	<b>1,034</b>	●	<b>(4,148)</b>	<b>(6,768)</b>

Key: ● Within 5% of budget

● Over or under budget by 5 - 10%

● Over or under budget by more than 10%

Operating Income:

Operating Costs:

## Capital Revenue

<b>Account</b>	<b>Rationale</b>	<b>\$000</b>
<b>Capital Subsidies</b>	Capital subsidies from NZTA are on budget for the month	
<b>Contributions</b>	The financial and development contributions are lower than budget for year to date.	<b>(506)</b>

**Statement of Financial Position**

	Actual	Annual Plan	Annual Report
As at	January 2020	June 2020	June 2019
Accumulated comprehensive revenue and expense	405,460	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)
<b>Total net assets/equity represented by</b>	<b>664,859</b>	<b>661,620</b>	<b>660,762</b>
<b>Current assets</b>			
Cash and Cash Equivalents	2,700	563	1,926
Trade and Other Receivables	12,665	6,548	8,317
Accrued Revenue	106	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
<b>Total current assets</b>	<b>15,804</b>	<b>10,849</b>	<b>12,217</b>
<i>less</i>			
<b>Current liabilities</b>			
Trade and Other Payables	13,991	13,329	11,219
Provisions	135	148	135
Employee Entitlements	660	1,111	905
Public debt	1,500	600	1,000
<b>Total current liabilities</b>	<b>16,285</b>	<b>15,188</b>	<b>13,258</b>
<b>Working capital/(deficit)</b>	<b>(481)</b>	<b>(4,340)</b>	<b>(1,042)</b>
<i>plus</i>			
<b>Non-current assets</b>			
Property, plant, equipment	717,939	720,724	714,402
LGFA Borrower notes	672	704	672
Biological Assets	1,045	1,017	1,045
Other financial assets	279	278	279
<b>Total non-current assets</b>	<b>719,935</b>	<b>722,723</b>	<b>716,398</b>
<i>less</i>			
<b>Non-current liabilities</b>			
Public debt	44,000	47,657	44,000
Provisions	4,599	4,679	4,599
Derivative Financial Liabilities	5,995	4,427	5,995
<b>Total non-current liabilities</b>	<b>54,594</b>	<b>56,763</b>	<b>54,594</b>
<b>Net assets</b>	<b>664,859</b>	<b>661,620</b>	<b>660,762</b>

**Comments on major variances:**

Trade and Other receivables – increase is due to:

- Rates instalment two has been applied in January, payments are due on 20 February 2020.
- NZTA subsidy of \$985k not paid yet.

## Public Debt

The public debt position at 31 January 2020 is \$45.5 million and the net debt position (debt less cash) is \$42.8 million.

Public Debt and Requirements			
	June 2019 \$000's	January 2020 \$000's	June 2020 \$000's
<b>Debt</b>			
Public debt	45,000	45,500	48,257
Cash in bank (overnight deposits)	(1,926)	(2,700)	(563)
<b>Net Debt</b>	<b>43,074</b>	<b>42,800</b>	<b>47,694</b>
<b>Reserves (future obligations)</b>			
Development Contribution Reserve	(24,395)	(24,395)	(26,341)
Other reserves	15,192	15,192	17,180
<b>Total reserves (future obligations)</b>	<b>(9,203)</b>	<b>(9,203)</b>	<b>(9,161)</b>
<b>Debt Requirements</b>			
Public debt	45,000	45,500	48,257
Future obligations	15,192	15,111	17,180
Gross Debt Requirement	60,192	60,611	65,437
Less cash in bank	(1,926)	(2,700)	(563)
<b>Net Debt Requirement</b>	<b>58,266</b>	<b>57,911</b>	<b>64,875</b>

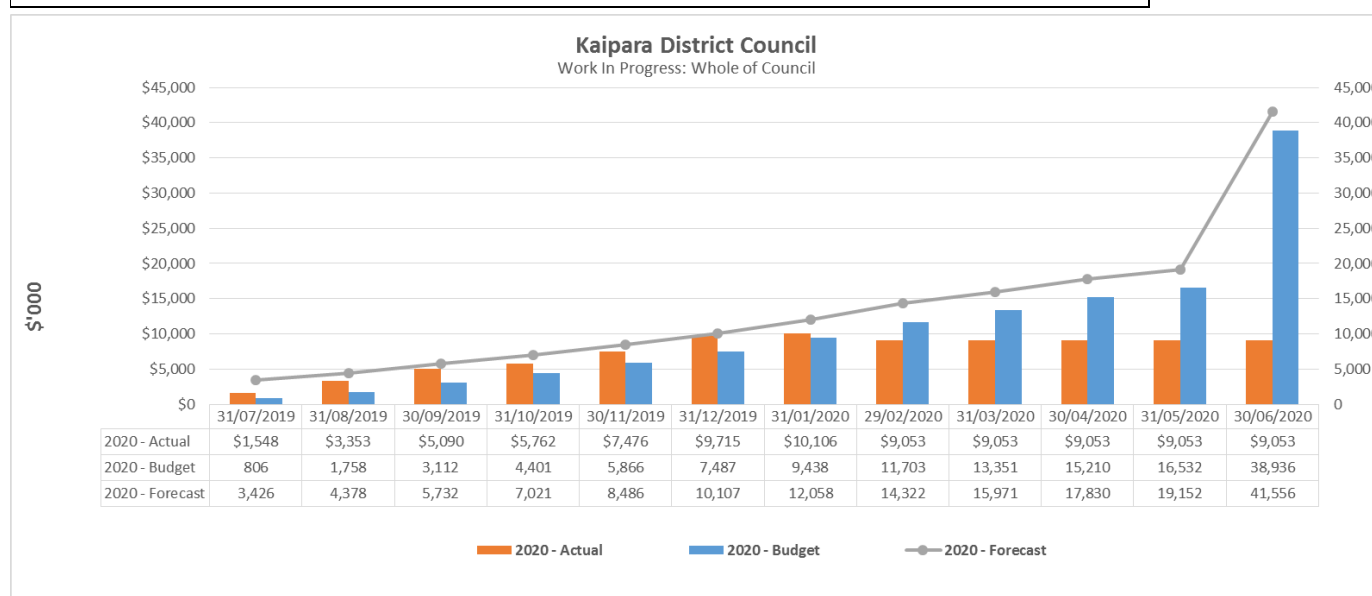
\*Note: Reserves balances are only recalculated at end of year.

## Activities Net Cost for the period to 31 January 2020

Activity	Actual as at 31 January 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	3,727	3,197	531	150
District Leadership	4,392	4,984	(592)	(1,738)
Regulatory Management	3,860	4,257	(397)	51
Roads and Footpaths	8,919	6,694	2,225	4,116
Wastewater	4,566	1,780	2,787	2,970
Water Supply	2,143	1,228	915	1,540
Stormwater	1,059	265	794	836
Flood Control	418	223	195	143
Solid Waste	755	590	165	307
	<b>29,840</b>	<b>23,217</b>	<b>6,622</b>	<b>8,375</b>

## Activities Capital projects for the period ended 31 January 2020

Activity - Work in Progress	Actual as at 31 January 2020			Whole Year	
	Actual \$000's	Annual Plan \$000's	Variance \$000's	Annual Plan \$000's	Forecast \$000's
Community Activities	491	915	424	2,643	3,184
District Leadership	1,207	1,060	(147)	6,175	6,407
Regulatory Management	0	0	0	0	0
Roads and Footpaths	6,216	6,271	55	24,618	25,276
Wastewater	1,617	514	(1,103)	2,911	3,835
Water Supply	481	512	32	1,952	2,068
Stormwater	58	166	108	216	316
Flood Control	19	0	(19)	421	421
Solid Waste	17	0	(17)	0	50
	<b>10,106</b>	<b>9,438</b>	<b>(668)</b>	<b>38,936</b>	<b>41,556</b>



## Significant Capital projects for the period ended 31 January 2020

	Year to Date	Full Year
	Actual	Annual Plan
Roads Resurfacing 2019/2020	397,364	2,288,276
Tomorata Bridge Repairs	1,619,194	1,500,000
Upgrade Mangawhai Wastewater Existing Reticulation	36,900	1,000,000
Upgrade Mangawhai Wastewater Treatment Plant	646,537	800,000
Drainage Renewals 2019-2020	444,859	784,000
MCP Paths - Walkways and Cycleways 2019-2020	604,098	560,000
Insley/Moir Intersection (Intersection 1)	31,103	540,000
Moir/Molesworth Intersection (Intersection 2)	27,411	540,000
Matakohe West Rd - Road works sealed	29,254	520,000
Flexible workspace	320,033	480,000
Wood Street - Main street redevelopment	24,160	400,000
Racecourse SH14 watermain	13,630	400,000
Ararua Rd - Road works sealed	22,534	400,000
<b>Total Significant Projects</b>	<b>4,217,078</b>	<b>10,212,276</b>

## Provincial Growth Fund

### Programme performance:

	Actual (to date)	Budget (to date)	Forecast (All programme)
<b>Operating Income</b>	<b>554,349</b>	<b>340,050</b>	<b>5,160,000</b>
PGF100 Kaipara Kickstart Programme	454,349	340,050	1,300,000
PGF101 Kaipara Kickstart Kai	50,000	-	980,000
PGF102 Kaipara Kickstart Moana Investigation	50,000	-	950,000
PGF103 Kaipara Kickstart Waipoua River Road Investigation	-	-	120,000
PGF104 Kaipara Kickstart Waipoua Road Implementation	-	-	1,480,000
PGF105 Pouto Road Phase 2 (Investigation)	-	-	330,000
<b>Operating costs</b>	<b>563,427</b>	<b>599,533</b>	<b>5,170,000</b>
PGF100 Kaipara Kickstart Programme	273,072	599,533	1,300,000
PGF101 Kaipara Kickstart Kai	112,630	-	980,000
PGF102 Kaipara Kickstart Moana Investigation	126,147	-	950,000
PGF103 Kaipara Kickstart Waipoua River Road Investigation	23,806	-	130,000
PGF104 Kaipara Kickstart Waipoua Road Implementation	4,169	-	1,480,000
PGF105 Pouto Road Phase 2 (Investigation)	23,602	-	330,000
<b>Internal charges and recoveries</b>	<b>260,540</b>		
PGF100 Kaipara Kickstart Programme	181,276	-	-
PGF101 Kaipara Kickstart Kai	33,633	-	-
PGF102 Kaipara Kickstart Moana Investigation	40,546	-	-
PGF105 Pouto Road Phase 2 (Investigation)	5,085	-	-
<b>Capital expenditure</b>	<b>1,624,956</b>	<b>1,630,000</b>	<b>13,350,000</b>
11152 Tomorata Bridge Repairs	1,619,194	1,500,000	1,500,000
9999 120 PGF Heavy metalling	-	-	-
PGF100 Kaipara Kickstart Programme	750	-	-
PGF104 Kaipara Kickstart Waipoua Road Implementation	661	-	-
PGF105 Pouto Road Phase 2 (Investigation)	3,730	130,000	7,850,000
PGF107 Kaipara Moana Physical works	-	-	4,000,000
PGF108 Pouto Road Phase 1 (Physical Works)	621	-	-
<b>Grand Total</b>	<b>1,894,573</b>	<b>1,889,483</b>	<b>13,360,000</b>

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 Kai

Progress across all three projects within the Kaipara KickStart Programme (Roding, Kai for Kaipara and Kaipara Wharves) is continuing, as planned, without significant delays or changes. Resource constraints are adding pressure onto the programme team, however this is currently being managed within the team.

The revised engagement approach advised at the Council Briefing on 4 December, is now operational, with draft and final deliverables being reviewed by elected members, bi-monthly briefings and observer attendance at Programme Steering Group meetings.

PGF funding of \$745k for Kai Water was announced in Dargaville on 31 January. This work establishes demonstration sites for localised water use and technology based management systems for horticultural crops. Delivery of this scope will be completed within the Kai project. The Funding Agreement for Kai Water is yet to be provided by MBIE.

Two workshops with elected members will be held on 19 February, where the Wharves Feasibility Study and options will be discussed as well as the Kai Feasibility Study and establishing the Kai Hub.

The next Kaipara KickStart briefing is being planned for March.

**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.