

SOUTH WAIRARAPA DISTRICT COUNCIL

26 JUNE 2019

AGENDA ITEM D1

FINANCIAL REPORT

Purpose of Report

To present financial results for the ten month period to 30 April 2019.

Recommendations

Officers recommend that the Council:

1. *Receive the Financial Report.*
2. *To receive the financial statements and report for the period ended 30 April 2019.*

1. Background

Officers have prepared the Monthly financial statements to 30 April 2019 for review by Council.

2. Summary

2.1 Financial Statements

The financial statements for the ten month period to 30 April 2019 include commentary on results and variances year to date and are included in Appendix 1.

3. Appendix

Appendix 1 – Financial Statements to 30 April 2019

Contact Officer: Katrina Neems, Finance Manager

Reviewed by: Jennie Mitchell, Group Manager Corporate Support

Appendix 1 – Financial Statements to 30 April 2019

MONTHLY FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30 APRIL 2019

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CASHFLOWS

SCHEDULE OF CAPITAL EXPENDITURE

SCHEDULE OF INVESTMENTS

South Wairarapa District Council

For the ten months ending 30 April 2019

Financial Report

1. SUMMARY & HIGHLIGHTS

Purpose

The purpose of this report is to provide Council with a commentary on:

Year to date budget vs actual.

Commentary on material variances.

Full year risks (if any) for each significant activity.

Highlights

Year to date operating surplus is \$1,436K vs. budget surplus of \$1,266K the result is favourable to budget by \$170K.

Total surplus YTD is \$3,352K vs. budget surplus of \$2,474K, favourable by \$877K.

Overall Operating income is favourable by \$310K.

Operating Expenditure is unfavourable by \$140K

Working Capital which expresses the ability of council to meet its short term obligations is strong with a ratio in excess of 5 times, and a total value of \$15,689k

Interest cost 4.29% of rates revenue, SWDC maximum 12%.

Current Net debt \$19,900K, at 3.15% average borrowing rate. Maximum debt per LTP: \$25,820m.

The disposal of the obsolete Greytown water treatment plant resulted in a loss of \$461k

Budgets have been phased based on last years actual spend. Some variances are due to actual spending patterns being different between years.

2. STATEMENT OF FINANCIAL PERFORMANCE

OPERATING INCOME

Rates

Favourable to budget \$23K.

Rates Penalty

Revenue from rates penalties are underbudget by \$20K reflecting the work the rates team does collecting overdue rates and getting people onto payment plans and direct debits early

Interest Revenue

Interest received on term deposits has \$11K favourable variance YTD. This is a reflection of slightly higher short term deposit rates, and timings of investments.

Fees & Licences

Favourable \$37K. The number of resource consents are favourable to budget by \$68K, Liquor and Health licences are favourable to budget by \$10K. BWOFF for Swimming Pools are unfavourable by \$18K. Safe food licences unfavourable by \$19K.

User Levies

Favourable by \$52K. Made up of \$42K MBO Solid waste fees and 10K in Rubbish Bag sales

NZTA Subsidy

Operating Income \$221K favourable, Capital Income \$2K favourable. The full year programme is expected to be met so actual should align with budget at year end.

Rental / Hire

Favourable \$55K. Rental income has a \$23K F variance from increased use of public buildings notably GTN and MBA; and wastewater rental \$26K F due to rental from FTN land

Miscellaneous Income

Unfavourable \$95K, this includes \$24K of footpath deposits being repaid to property owners having been written down in the last financial year. \$16k invoiced to GW in May

OPERATING EXPENDITURE

Corporate Services

Unfavourable by \$74K. \$33K not budgeted for CEO recruitment and consultants UF by \$29K.

In-house Professional Services

Unfavourable \$50K, mainly due to valuation costs not budgeted until later in the year, plus salaries and wages being over budget.

Governance

Unfavourable \$7K.

Public Protection

Overall Public Protection is unfavourable by \$10K there are some variances in the outputs below that offset each other.

Public Protection & Health

Unfavourable by \$28K mainly due to temporary team member employed to clear backlog.

Building and Construction

Favourable \$30K, due to savings in vehicle expenses, salaries, software licences and accreditation costs YTD.

Animal Control

On budget.

Emergency Management

Unfavourable \$9K due to phasing of budget.

Resource Management

Favourable \$53K, Salaries and wages \$17K F due to staff changes and vacancy for a short time, Legal expenses \$25K F, Appeals \$10F.

Economic Cultural & Community Development

Economic Development

Favourable \$30k.

Community Wellbeing

Favourable \$20K. GTN Cricket Club grant not yet paid. The full budgeted cost is expected to be utilised by end of year

Amenities

Overall Amenities are Unfavourable by \$41K.

Swimming Pools

Unfavourable \$15K. Not expecting any maintenance costs in May and June so full year result should be within budget

Community Buildings - includes Waihinga Centre, and Greytown Town Hall

Favourable by 20K.

Cemeteries

On budget.

Rental Properties

Unfavourable \$27K. \$23K due to old MB Library Painting at end of lease & FTN sport stadium overlay interior walls with ply and lighting not budgeted for.

Parks, Reserves and Campgrounds

Unfavourable \$30k. Partly due to emergency tree removal and trimming, and rebuilding of a fence after tree removal in FTN

Toilets

Unfavourable \$32K, R&M overbudget by \$13K due to ongoing maintenance due to vandalism

Pain Farm

Favourable \$34k. Deferred maintenance on buildings

Land Transport

Actual Expenditure YTD \$3,751K, made up of:

- Subsidised \$3,448K
- Non Subsidised \$302K

Favourable \$119K, year to date. This is due to less than expected expenditure and the budget for depreciation being higher than actual resulting in a positive variance

Water Supply

Unfavourable \$68K. Due to MBA water issues

Solid Waste Management

Unfavourable variance of \$13K

Wastewater

Favourable \$64K. This includes favourable depreciation variance of \$65K due to delayed capital expenditure.

Stormwater Drainage

Favourable \$24K, mainly due to favourable routine maintenance spend.

CAPITAL EXPENDITURE INCOME

NZ Transport Agency

\$1k favourable to budget YTD.

Grants

Total grants \$418K to date. This includes donations for the Waihinga Centre - Pain Farm of \$100K; Plunket \$140K; Waihinga Trust \$150K; Lottery grant \$25K.

Contributions

Favourable \$160K due to increased development activity in the district.

3. STATEMENT OF FINANCIAL POSITION

Working Capital

Working capital (current assets less current liabilities) stands at \$15,689K. (30 June 2018 \$8,802K).

Prepayments and Receivables

Prepayments and receivables total \$5,090K. Key components are General Debtors \$256K, Interest receivable \$206K, NZTA subsidies \$307K, Rates Receivable \$4,109K.

Payables and Accruals

Payables and accruals total \$3,466K. Key items are Sundry creditors \$706K, General Creditors \$319K, Rates in advance \$105K, Rates owing to GWRC \$1,054K, Contract retentions \$278K

Public Debt Current Portion

The comparative column shows a variance between the 30 June amount and that now reported. For the annual report we are required to split out the current and term portions of the public debt. For management reporting we report all public debt as one amount. (Non-current)

Gross Public Debt

Total public debt stands at \$19,900K. This has increased by \$2,400k in 2018/19 for planned waste water infrastructure and purchase of Featherston Golf Club land

Movement in Equity

The movement in equity of (\$4,499K) is made up of the current years surplus of \$3,352K and a debit of (\$7,852K) being a correction to the 2018 valuation of roading assets.

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 30 APRIL 2019**

2018		YTD			2019	
LY Actual		Actual	Budget	Variance	Budget	% of Budget
<u>OPERATING INCOME</u>						
13,211,156	Rates	14,029,361	14,005,875	23,486	13,993,011	100%
124,463	Rates Penalty	98,559	118,822	(20,263)	140,000	70%
379,081	Interest	363,861	352,849	11,012	449,099	81%
17,390	Internal Loans	17,390	17,391	(1)	20,880	83%
1,016,510	Fees & Licences	1,025,128	987,630	37,498	1,154,450	89%
527,391	User Levies	510,573	458,570	52,003	700,315	73%
61,013	Commissions	62,350	58,058	4,292	69,650	90%
1,576,355	NZ Transport Agency Subsidy	936,291	715,692	220,599	1,261,390	74%
81,977	Petrol Tax	84,793	70,677	14,116	82,905	102%
9,762	Grants, Donations & Subsidies	21,899	13,577	8,322	15,198	144%
432,034	Rental / Hire	459,095	404,335	54,760	503,938	91%
50,572	Profit on Sale of Assets	-	-	-	-	0%
327,906	Miscellaneous Income	(8,139)	87,277	(95,416)	137,689	-6%
17,815,610	Total Operating Income	17,601,162	17,290,753	310,409	18,528,525	
<u>OPERATING EXPENDITURE</u>						
1,516,534	Corporate Services	1,727,970	1,653,937	(74,033)	2,017,155	86%
764,476	In-House Professional Services	894,129	844,045	(50,084)	1,034,152	86%
385,810	Governance, Leadership & Advocacy	425,662	418,782	(6,880)	546,556	78%
1,078,218	Public Protection	1,119,358	1,108,897	(10,461)	1,355,145	83%
446,906	Resource Management	383,553	436,318	52,765	526,493	73%
267,739	Economic, Cultural & Community Development	350,181	380,261	30,080	464,229	75%
2,023,099	Amenities	2,337,382	2,296,408	(40,974)	2,735,816	85%
4,244,807	Land Transport	3,751,005	3,870,568	119,563	5,110,234	73%
1,961,963	Water Supply	2,088,507	2,020,039	(68,468)	2,388,643	87%
1,184,987	Solid Waste Management	1,228,786	1,215,766	(13,020)	1,414,226	87%
1,264,120	Wastewater	1,518,477	1,581,612	63,135	1,886,427	80%
140,548	Stormwater Drainage	133,934	158,343	24,409	184,425	73%
18,131	Rate Debtors Remissions	18,842	40,000	21,158	40,000	47%
14,230	Loss on Sale of Assets	-	-	-	-	0%
15,311,569	Total Operating Expenditure	15,982,067	16,024,976	42,909	19,703,501	
2,504,041	Operating Surplus/(Deficit)	1,619,096	1,265,777	353,319	(1,174,976)	
<u>OTHER INCOME AND EXPENDITURE</u>						
<u>Other Income</u>						
402,059	CAPEX portion of NZTA Subsidy	678,083	676,489	1,594	1,192,296	57%
785,430	Contributions	691,839	531,921	159,918	1,036,888	67%
1,178,800	Grants, Donations & Subsidies	417,578	-	417,578	-	0%
-	Assets Vesting in Council	589,137	-	589,137	-	0%
-	Gain on Asset Revaluations	-	-	-	38,868	0%
2,366,289	Total Other Income	2,376,637	1,208,410	1,168,227	2,268,053	
<u>Other Expenditure</u>						
45,816	Pain Farm Donation to Waihinga centre	100,000	-	(100,000)	-	
-	Property expense on Sale	37,974	-	(37,974)	-	
-	Beautification Grant	45,000	-	(45,000)	-	
-	Loss on Disposal of Assets	461,131	-	(461,131)	-	
45,816	Total Other Expenditure	644,105	-	(644,105)	-	
\$ 4,824,515	TOTAL SURPLUS / (DEFICIT)	\$ 3,351,628	\$ 2,474,187	\$ 877,441	\$ 1,093,077	

Included in the operating expenditure is:

3,746,815	Depreciation	3,739,008	4,030,706	(291,698)	4,892,393	76%
478,484	Interest	512,832	617,677	(104,845)	740,220	69%

**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2019**

	30 APRIL 2019	30 JUNE 2018	MOVEMENT
ASSETS			
Current Assets			
Cash and Bank	331,681	161,549	170,132
Short Term Deposits	798,487	4,050,072	1,948,922
Reserve and Loan redemption Term deposits	5,200,507	-	(2,498,028)
Investments	6,567,714	9,065,743	(2,498,028)
Prepayments & Receivables	5,089,983	2,757,040	2,332,943
Inventories	18,429	23,647	(5,218)
Properties Intended For Sale	1,500,000	1,500,000	-
Total Current Assets	19,506,801	17,558,050	1,948,751
Non-Current Assets			
Investments	410,298	375,022	35,276
Term Deposits	-	1,765,421	(1,765,421)
Investment Properties	8,461,355	8,435,000	26,355
Intangible Assets	92,762	124,513	(31,751)
Properties Intended For Sale	-	-	-
Property, Plant & Equipment	435,441,186	438,692,798	(3,251,612)
Total Non-Current Assets	444,405,601	449,392,754	(4,987,154)
TOTAL ASSETS	\$ 463,912,402	\$ 466,950,804	\$ (3,038,402)
LIABILITIES			
Current Liabilities			
Cash and Bank	-	-	-
Payables and Accruals	3,465,914	4,373,741	(907,827)
Employee Entitlements	317,845	347,769	(29,924)
Public Debt - Current Portion	-	4,000,000	(4,000,000)
Provisions - Current Portion	34,043	34,043	-
Total Current Liabilities	3,817,802	8,755,554	(4,937,751)
Non-Current Liabilities			
Public Debt - Non-Current Portion	19,900,000	13,500,000	6,400,000
Provisions - Non-Current Portion	433,901	433,900	-
Total Non-Current Liabilities	20,333,901	13,933,900	6,400,000
EQUITY			
Public Equity	155,745,160	151,083,249	4,661,911
Special Separate & Trust Funds	22,724,914	22,724,914	-
Asset Revaluation Reserve	261,288,323	270,450,885	(9,162,562)
Sinking Fund Reserves	-	-	-
Other Reserves	2,303	2,303	-
Total Equity	439,760,699	444,261,350	(4,500,650)
TOTAL LIABILITIES & EQUITY	\$ 463,912,402	\$ 466,950,804	\$ (3,038,402)

STATEMENT OF CASHFLOWS AS AT 30 APRIL 2019

	30 APRIL 2019	30 APRIL 2018	30 JUNE 2018
<u>OPERATING ACTIVITIES</u>			
<u>Cash was provided from:</u>			
Rates	11,501,211	10,019,529	13,320,429
Grants & Subsidies	3,032,657	3,284,675	4,514,636
Petrol Tax	74,560	80,081	95,559
Other Income	3,452,230	3,554,522	4,293,551
Interest on Investments	266,713	325,090	414,296
Total Operating Cash Inflow	18,327,372	17,263,897	22,638,471
<u>Cash was applied to:</u>			
Payments to Suppliers & Employees	13,526,370	11,759,519	12,302,325
Interest Paid	514,713	449,548	570,471
Total Operating Cash Outflow	14,041,083	12,209,067	12,872,796
Net Cashflow from Operating Activities	4,286,290	5,054,830	9,765,675
<u>INVESTING ACTIVITIES</u>			
<u>Cash was provided from:</u>			
Sale of Property, Plant & Equipment	-	264,522	276,612
Term Investments, Shares & Advances	4,263,449	-	6,510,056
Investments in Loan Redemption & Sinking Funds	-	-	-
Total Investing Cash Inflow	4,263,449	264,522	6,786,668
<u>Cash was applied to:</u>			
Purchase of Property, Plant & Equipment	8,369,555	4,127,841	7,969,751
Term Investments, Shares & Advances	461,131	88,000	10,895,165
Investments in Loan Redemption & Sinking Funds	-	-	-
Total Investing Cash Outflow	8,830,686	4,215,841	18,864,916
Net Cashflow from Investing Activities	(4,567,235)	(3,951,317)	(12,078,248)
<u>FINANCING ACTIVITIES</u>			
<u>Cash was provided from:</u>			
Public Debt	4,400,000	-	4,000,000
Total Financing Cash Inflow	4,400,000	-	4,000,000
<u>Cash was applied to:</u>			
Repayment of Public Debt	2,000,000	-	4,000,000
Total Financing Cash Outflow	2,000,000	-	4,000,000
Net Cash Flow from Financing Activities	2,400,000	-	-
NET INCREASE / (DECREASE) IN CASH	2,119,055	1,103,514	(2,312,572)
OPENING CASH BALANCE	1 JULY 2018	6,524,195	6,524,195
CLOSING CASH BALANCE	30 APRIL 2019	\$ 7,627,709	\$ 4,211,621
<u>REPRESENTED BY:</u>			
Cash and Cash equivalents	331,681	135,212	161,549
Short Term Deposits	5,998,995	7,492,496	4,050,072
Investments (Current)	-	-	-
	\$ 6,330,676	\$ 7,627,708	\$ 4,211,621

**SCHEDULE OF CAPITAL EXPENDITURE
FOR THE PERIOD ENDED 30 APRIL 2019**

<u>DESCRIPTION</u>	Year to Date		Annual	Budget	Total	Percentage spent	Full
	Actual	Budget	Budget	Brought Forward from Prev Years	Budget Available	Year to date	Year Forecast
Baseline CAPEX:							
Amenities	1,781,121	632,050	758,424	1,922,205	2,680,629	66%	2,597,744
Water Supply	209,119	667,700	801,248	358,963	1,160,211	18%	1,143,378
Solid Waste Management	33,014	280,380	336,450	20,000	356,450	9%	321,450
Stormwater Reticulation	-	45,650	54,779	53,600	108,379	0%	65,000
Wastewater*	4,664,242	1,894,960	2,273,950	3,048,300	5,322,250	88%	4,589,949
Land Transport	1,331,301	1,778,280	2,133,934	-	2,133,934	62%	2,133,934
Information Technology	106,587	131,460	157,748	53,753	211,501	50%	211,501
Council Property**	3,836	509,440	611,319	32,745	644,064	1%	143,377
	<u>\$ 8,129,220</u>	<u>\$ 5,939,920</u>	<u>\$ 7,127,852</u>	<u>\$ 5,489,566</u>	<u>\$ 12,617,418</u>	<u>64%</u>	<u>\$ 11,206,332</u>

*Papawai pipeline delayed due to other priorities, partially offset by purchase of FTN Golf Club and additional costs for FTN WW to land consent

SUMMARY OF INVESTMENTS

ORGANISATION	INTEREST RATE	INVESTED DATE	MATURITY DATE	Term	TOTAL INVESTED
SHORT TERM FUNDS					
Registered Banks					
ASB Call account	1.25%	31-Mar-19	On Call	On Call	\$225,371.09
ASB Term Deposit - Loan redemption	2.28%	20-Mar-19	20-May-19	61 days	\$1,000,000.00
ASB Reserve Fund	3.58%	13-Jun-18	13-Jun-19	365 days	\$300,000.00
ASB Term Deposit - Loan redemption	3.68%	23-Jan-18	15-Jul-19	538 days	\$225,000.00
ASB Term Deposit - Loan redemption	3.58%	25-Jul-18	25-Jul-19	365 days	\$225,000.00
ASB Term Deposit - Loan redemption	3.76%	27-Apr-18	17-Oct-19	538 days	\$226,000.00
ASB Term Deposit - Loan redemption	2.28%	27-Feb-19	18-Apr-19	50 days	\$500,000.00
ASB Term Deposit - Loan redemption	2.28%	21-Feb-19	20-Apr-19	58 days	\$500,000.00
					\$3,201,371.09
ANZ CALL ACCOUNT	0.70%	31-Mar-19	On Call	On Call	\$71.40
ANZ Term Deposit	3.42%	20-Nov-18	20-May-19	181 days	\$1,000,000.00
ANZ Reserve Fund	3.54%	22-Jun-18	24-Jun-19	367 days	\$750,000.00
ANZ Term Deposit - Loan redemption	3.45%	4-Jan-19	3-Jan-20	365 days	\$150,000.00
					\$1,900,071.40
BNZ AUTOCALL (-025)	0.10%	31-Mar-19	On Call	On Call	\$501,347.35
BNZ Term Deposit	1.74%	19-Mar-19	2-Apr-19	14 Days	\$1,000,000.00
BNZ Reserve Fund	3.66%	24-May-18	24-May-19	365 days	\$1,000,000.00
BNZ Term Deposit	3.26%	29-Mar-19	24-Sep-19	180 days	\$600,000.00
BNZ Loan Redemption	3.61%	12-Nov-18	12-Nov-19	365 days	\$375,000.00
					\$3,476,347.35
KIWIBANK Term Deposit	1.75%	31-Mar-19	On call	On call	\$0.00
KIWIBANK Term Deposit	3.10%	23-Oct-18	23-Apr-19	182 days	\$500,000.00
KIWIBANK Loan Redemption	3.45%	23-Oct-18	23-Oct-19	365 days	\$500,000.00
KIWIBANK Loan Redemption	3.60%	13-Nov-18	13-Nov-19	365 days	\$225,000.00
					\$1,225,000.00
WBS Call account	0.50%	31-Mar-19	On Call	On Call	\$1.30
WBS Reserve fund	3.60%	22-Nov-18	22-Nov-19	365 days	\$190,705.06
WBS Reserve fund	3.60%	25-Nov-18	25-Nov-19	365 days	\$184,799.54
WBS Reserve fund	3.55%	21-Dec-18	21-Dec-19	365 days	\$150,000.00
					\$525,505.90
WESTPAC TRUST ONLINE CALL	0.10%	31-Mar-19	On Call	On Call	\$13.24
WESTPAC Term Deposit	2.57%	20-Mar-19	20-May-19	61 days	\$500,000.00
WESTPAC Term Deposit	2.58%	26-Mar-19	27-May-19	62 days	\$700,000.00
WESTPAC Reserve Fund	3.45%	22-Jun-18	24-Jun-19	367 days	\$1,314,421.02
WESTPAC Term Deposit - Loan redem	3.45%	23-Oct-18	23-Oct-19	365 days	\$500,000.00
WESTPAC Term Deposit	2.47%	21-Feb-19	5-Apr-19	43 days	\$500,000.00
WESTPAC Term Deposit	2.45%	27-Feb-19	18-Apr-19	50 days	\$500,000.00
					\$4,014,434.26
TOTAL					\$14,342,730.00
INVESTMENTS					
LGFA Borrower Bonds	3.01%	20-Jun-16	15-Apr-23		\$28,800.00
LGFA Borrower Bonds	2.81%	20-Jun-16	15-May-21		\$91,200.00
LGFA Borrower Bonds	2.98%	20-Feb-17	15-Apr-20		\$32,000.00
LGFA Borrower Bonds	1.95%	15-Mar-19	15-Apr-20		\$48,000.00
LGFA Borrower Bonds	2.03%	15-Mar-19	15-Apr-20		\$22,400.00
LGFA Borrower Bonds	2.98%	21-Aug-17	15-May-22		\$40,000.00
LGFA Borrower Bonds	3.08%	19-Feb-18	15-Apr-23		\$24,000.00
					\$318,400.00
FORESTRY					
Plantation - Hurupi Stock	99283827				\$9,305.00
					\$9,305.00
SHARES					
FARMLANDS	99283825				\$1,159.00
NZ LOC GOVT INS CO	99283823				\$81,434.30
					\$82,593.30
TOTAL INVESTMENTS					\$14,753,028.30
Bank of New Zealand	\$3,476,347.35		ASB		\$3,201,371.09
ANZ	\$0.00		ANZ		\$1,900,071.40
Westpac	\$4,014,434.26				
Wairarapa Building Society	\$525,505.90				\$5,101,442.49
KiwiBank	\$1,225,000.00				
	\$9,241,287.51		SHORT TERMS:		\$14,342,730.00
			SHARES		\$82,593.30
			FORESTRY		\$9,305.00
			BORROWER NOTES		\$318,400.00
					\$14,753,028.30