

**Audit, Finance & Risk Committee  
13 December 2017**

**Report for Agenda Item 5**

**Department: Finance & Regulatory**

**Quarterly Financial Overview – September 2017**

**Purpose**

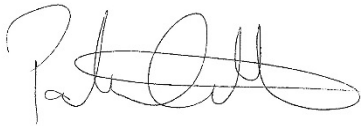
- 1 To present the quarterly results and to report on any significant transactions and/or variances to budget.

**Recommendation**

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

Prepared by:



Paddy Cribb  
Financial Advisory Manager

29/11/2017

Reviewed and Authorised by:



Stewart Burns  
GM – Finance, Legal &  
Regulatory

29/11/2017

## **Background**

- 2 The main objective of this report is to give the Committee an overview of how the Council is performing from a financial perspective. The approach taken is one of management by exception, whereby officials are required to provide explanations when actual expenditure or revenue does not match the budget.

## **Options**

- 3 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 4 Option 1 The report is for noting, therefore no options are discussed.

### ***Significance and Engagement***

- 5 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because as the report is for noting only.

## **Financial Implications**

- 6 As the review of the financial results is an administrative matter, there are no budget or cost implications arising from this report. No anomalies have been identified and it is not proposed to make any significant changes to any internal practices or procedures.

## **Council Policies, Strategies and Bylaws**

- 7 The following Council policies, strategies and bylaws were considered:
  - Long Term Plan 2015 – 2025
  - Annual Plan 2017/2018
- 8 The recommended option is consistent with the principles set out in the above policies.

## **Local Government Act 2002 Purpose Provisions**

- 9 The recommended option is consistent with the Council's plans and policies.

## **Consultation: Community Views and Preferences**

- 10 Consultation is not required.

## **Legal Considerations and Statutory Responsibilities**

- 11 This report achieves the purpose of the Local Government Act 2002 by ensuring that Council activities are conducted in a cost-effective manner.

## **Attachments**

- A Management Report
- B Statement of Financial Position
- C Debtors Analysis

# Finance Management Report

## For the Quarter Ended 30 September 2017

### Operating Expenditure and Revenue

				% of Year Completed			25%	
	QTR 1	QTR 1	Variance	YTD	YTD	YTD	Full Year	YTD Actuals to
	Actual	Adjusted Budget	to Budget	Actual	Adjusted Budget	Variance	Adjusted Budget	Full Year Budget
<b>REVENUE</b>								
<u>Operating Revenue</u>								
Income - Rates	16,785,367	16,767,682	17,685	16,785,367	16,767,682	17,685	67,070,729	25%
Income - Grants & Subsidies	1,656,900	1,127,507	529,394	1,656,900	1,127,507	529,394	5,884,347	28% <b>1*</b>
Income - NZTA External Cost Recoveries	362,188	494,124	(131,936)	362,188	494,124	(131,936)	1,976,496	18%
Income - Consents	2,168,703	2,386,077	(217,374)	2,168,703	2,386,077	(217,374)	9,188,400	24%
Income - External Cost Recovery	602,044	192,574	409,470	602,044	192,574	409,470	738,155	82% <b>2*</b>
Income - Regulatory	1,326,476	954,505	371,971	1,326,476	954,505	371,971	3,868,855	34% <b>3*</b>
Income - Operational	10,416,300	8,259,771	2,156,529	10,416,300	8,259,771	2,156,529	27,608,944	38% <b>4*</b>
<b>Total Operating Revenue</b>	<b>33,317,978</b>	<b>30,182,239</b>	<b>3,135,739</b>	<b>33,317,978</b>	<b>30,182,239</b>	<b>3,135,739</b>	<b>116,335,926</b>	<b>29%</b>
<b>EXPENDITURE</b>								
<u>Personnel Expenditure</u>								
Expenditure - Salaries & Wages	5,582,349	6,110,107	527,758	5,582,349	6,110,107	527,758	24,380,971	23% <b>5*</b>
Expenditure - Salaries & Wages Contract	783,376	107,378	(675,998)	783,376	107,378	(675,998)	406,720	193% <b>5*</b>
Expenditure - Health Insurance	30,210	46,200	15,990	30,210	46,200	15,990	184,800	16%
<b>Total Personnel Expenditure</b>	<b>6,395,935</b>	<b>6,263,685</b>	<b>(132,250)</b>	<b>6,395,935</b>	<b>6,263,685</b>	<b>(132,250)</b>	<b>24,972,491</b>	<b>26%</b>
<u>Operating Expenditure</u>								
Expenditure - Professional Services	1,012,556	995,314	(17,242)	1,012,556	995,314	(17,242)	3,937,417	26%
Expenditure - Legal	602,317	435,136	(167,181)	602,317	435,136	(167,181)	1,796,542	34% <b>6*</b>
Expenditure - Stationery	69,258	98,303	29,045	69,258	98,303	29,045	393,211	18%
Expenditure - IT & Phones	180,666	176,506	(4,160)	180,666	176,506	(4,160)	706,024	26%
Expenditure - Commercial Rent	448,133	542,473	94,340	448,133	542,473	94,340	2,169,891	21%
Expenditure - Vehicle	99,316	142,004	42,688	99,316	142,004	42,688	568,014	17%
Expenditure - Power	769,449	752,346	(17,103)	769,449	752,346	(17,103)	3,024,716	25%
Expenditure - Insurance	199,902	175,375	(24,527)	199,902	175,375	(24,527)	701,498	28%
Expenditure - Infrastructure Maintenance	5,882,242	5,847,260	(34,982)	5,882,242	5,847,260	(34,982)	21,929,039	27%
Expenditure - Parks & Reserves Maintenance	1,115,210	1,361,703	246,492	1,115,210	1,361,703	246,492	8,751,723	13%
Expense - External Cost On Chargeable	623,281	184,984	(438,297)	623,281	184,984	(438,297)	708,630	88% <b>7*</b>
Expenditure - Grants	1,850,237	1,715,761	(134,476)	1,850,237	1,715,761	(134,476)	6,134,995	30% <b>2*</b>
Expenditure - Other	3,069,252	3,052,463	(16,789)	3,069,252	3,052,463	(16,789)	11,735,515	26% <b>8*</b>
<b>Total Operating Expenditure</b>	<b>15,921,819</b>	<b>15,479,625</b>	<b>(442,194)</b>	<b>15,921,819</b>	<b>15,479,625</b>	<b>(442,194)</b>	<b>62,557,213</b>	<b>25%</b>
<u>Interest and Depreciation</u>								
Expenditure - Interest	1,293,124	2,153,295	860,171	1,293,124	2,153,295	860,171	8,613,179	15%
Expenditure - Depreciation	6,296,065	6,296,065	0	6,296,065	6,296,065	0	24,369,187	26%
<b>Total Interest and Depreciation</b>	<b>7,589,188</b>	<b>8,449,360</b>	<b>860,171</b>	<b>7,589,188</b>	<b>8,449,360</b>	<b>860,171</b>	<b>32,982,367</b>	<b>23%</b>
<b>Total Expenditure</b>	<b>29,906,943</b>	<b>30,192,670</b>	<b>285,728</b>	<b>29,906,943</b>	<b>30,192,670</b>	<b>285,728</b>	<b>120,512,071</b>	<b>25%</b>
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>3,411,035</b>	<b>(10,431)</b>	<b>3,421,467</b>	<b>3,411,035</b>	<b>(10,431)</b>	<b>3,421,467</b>	<b>(4,176,145)</b>	

## Commentary - Operational

<b>*1 Income - Grants &amp; Subsidies:</b> NZTA opex subsidy income is \$406k favourable year to date due to increased environmental maintenance work over winter. There is also a \$130k favourable variance due to funds received from a developer on 30 September for an affordable housing contribution which is to be passed on to the Community Lakes Housing Trust. (This is offset by passing through the contribution to the Community Housing trust in expenditure grants see Note. 8)
<b>*2 Income - External Cost Recovery:</b> This is the income received from on-charging external consultant costs in relation to resource consents. The expense matching this income is below in the expense line - external cost on chargeable. The difference between income and expense is due to timing of raising the invoice for on-charging.
<b>*3 Income - Regulatory:</b> Growth and increased enforcement from additional FTE's compared to the previous year has driven the increases above budget for regulatory. The favourable variances come from higher traffic and parking infringements issued totalling \$172k and \$90k for higher parking fees collected due to increased occupancy from public car parks. Environmental Health also has a \$90k timing variance due to receiving annual fees earlier than budgeted.
<b>*4 Income - Operational:</b> The Queenstown Airport final 2016/17 dividend of \$4.6m was received in Aug17. This was \$1.6m above budget. Turnover rents totalling \$379k has also created a favourable timing variance.
<b>*5 Expenditure - Salaries &amp; Wages and Contract Staff:</b> The favourable year to date variance of \$528k for salaries and wages is due to carrying vacancies in Planning and Development \$253k, Corporate Services \$90k, and Infrastructure \$110k. Contract staff are being used to cover vacant positions particularly within building inspections team for addressing volume increases. The year to date spend on building inspection contract staff of \$576k is directly offset by additional revenue from building inspection invoicing. Infrastructure has unbudgeted contract staff costs for corridor access management, 3 waters BBC support services to guide the LTP capital planning, developer engineer secondment and contract administration.
<b>*6 Expenditure - Legal:-</b> Additional legal expenses are required for the District Plan to support this process.
<b>*7 Expenditure - Parks and Reserves Maintenance:</b> The Parks and Reserves maintenance contract is \$210k favourable year to date due to timing of the budget phasing; this is expected to be caught up over the spring and summer months.
<b>*8 Expenditure - Grants:</b> Variance to budget is due to passing on developer's grant to the Community Lakes Housing Trust for affordable housing of \$180k received on 30 September (this is offset by the income received from a developer see Note. 1 above).

## Capital Revenue and Expenditure

	QTR 1	QTR 1	Variance	YTD	YTD	YTD	Full Year	YTD Actuals to	
	Actual	Adjusted Budget	to Budget	Actual	Adjusted Budget	Variance	Adjusted Budget	Full Year Budget	
<b>Capital Revenue</b>									
Income - Development Contributions	2,917,696	1,653,972	1,263,724	2,917,696	1,653,972	1,263,724	6,615,887	44%	<b>9*</b>
Income - Vested Assets	0	0	0	0	0	0	10,748,642	22%	
Income - Grants & Subsidies Capex	1,361,960	1,712,445	(350,485)	1,361,960	1,712,445	(350,485)	6,849,781	20%	<b>10*</b>
<b>Total Capital Revenue</b>	<b>4,279,656</b>	<b>3,366,417</b>	<b>913,239</b>	<b>4,279,656</b>	<b>3,366,417</b>	<b>913,239</b>	<b>24,214,310</b>	<b>18%</b>	
<b>Capital Expenditure</b>									
Projects/Asset Purchases	9,872,624	13,481,132	3,608,508	9,872,624	13,481,132	3,608,508	75,021,300	13%	<b>11*</b>
Debt Repayment	0	0	0	0	0	0	16,890,000		
<b>Total Capital Expenditure</b>	<b>9,872,624</b>	<b>13,481,132</b>	<b>3,608,508</b>	<b>9,872,624</b>	<b>13,481,132</b>	<b>3,608,508</b>	<b>91,911,300</b>		
<b>NET CAPITAL FUNDING REQUIRED</b>	<b>5,592,968</b>	<b>10,114,715</b>	<b>2,695,269</b>	<b>5,592,968</b>	<b>10,114,715</b>	<b>2,695,269</b>	<b>67,696,990</b>		

## Commentary - Capital Revenue and Expenditure

<b>*9 Income - Development Contributions:</b> 127 development contribution invoices were generated in the 2017/18 First Quarter totalling \$2.9m. The majority of these development contributions were for a commercial building in Frankton, 129 residential lots in Wanaka and 17 residential lots in Kelvin Heights.
<b>*10 Income - Grants &amp; Subsidies Capex:</b> The timing of construction of the Eastern Access Road (Hawthorne Drive) continues to be the main driver for the budget variance.
<b>*11 Project Expenditure:</b> The full capital programme budget is now phased for 2017/18. The largest spends for the 2017/18 First Quarter were: Eastern Access Road - Hawthorne Drive \$2.1m, Frankton Flats Stormwater - Construction \$1.6m and Wanaka Aquatic Centre \$1.1m.





# Statement of Financial Position (Council only)<sup>45</sup>




As at 30 September 2017	Actual Sep-17 \$'000	Actual Sep-16 \$'000	Actual Variance \$'000	Annual Plan Jun-18 \$'000	Actual Jun-17 \$'000
<b>Current assets</b>					
Cash and cash equivalents	13,098	29,784	(16,686)	337	6,326
Trade and other receivables from non-exchange transactions	8,045	6,833	1,212	8,488	6,725
Trade and other receivables from exchange transactions	4,852	3,087	1,765	1,838	6,605
Inventories	55	56	(1)	24	46
Current tax refundable	-	1	(1)	-	-
Other financial assets	10,013	13	10,000 *1	15	10,013
Other current assets	982	1,177	(195)	716	797
Development property	-	-	-	-	-
<b>Total current assets</b>	<b>37,045</b>	<b>40,951</b>	<b>(3,906)</b>	<b>11,418</b>	<b>30,512</b>
<b>Non-current assets</b>					
Investment in subsidiaries	5,412	5,412	-	5,412	6,250
Other financial assets	2,972	2,808	164	1,924	2,134
Property, plant and equipment	1,128,552	1,097,049	31,503 *2	1,215,830	1,122,806
Intangible assets	996	1,086	(90)	-	673
Investment property	110,205	75,525	34,680 *3	63,560	110,205
<b>Total non-current assets</b>	<b>1,248,137</b>	<b>1,181,880</b>	<b>66,257</b>	<b>1,286,726</b>	<b>1,242,068</b>
<b>Total assets</b>	<b>1,285,182</b>	<b>1,222,831</b>	<b>62,351</b>	<b>1,298,144</b>	<b>1,272,580</b>
<b>Current liabilities</b>					
Trade and other payables from exchange transactions	18,968	14,645	4,323 *4	14,637	22,618
Borrowings	10,223	223	10,000 *5	48,000	17,223
Other current liabilities	13,424	12,489	935	2,846	262
Employee entitlements	1,824	1,649	175	-	8,286
<b>Total current liabilities</b>	<b>44,439</b>	<b>29,006</b>	<b>15,433</b>	<b>65,483</b>	<b>49,694</b>
<b>Non-current liabilities</b>					
Borrowings	85,466	98,188	(12,722) *6	139,082	75,466
Other financial liabilities	1,298	2,458	(1,160)	-	1,298
<b>Total non-current liabilities</b>	<b>86,764</b>	<b>100,646</b>	<b>(13,882)</b>	<b>139,082</b>	<b>76,764</b>
<b>Total liabilities</b>	<b>131,203</b>	<b>129,652</b>	<b>1,551</b>	<b>204,565</b>	<b>126,458</b>
<b>Net assets</b>	<b>1,153,979</b>	<b>1,093,179</b>	<b>60,800</b>	<b>1,093,579</b>	<b>1,146,122</b>

	Actual Sep-17 \$'000	Actual Sep-16 \$'000	Actual Variance \$'000	Annual Plan Jun-18 \$'000	Actual Jun-17 \$'000
<b>As at 30 September 2017</b>					
<b>Equity</b>					
Reserves	555,374	519,582	35,792	459,430	555,374
Accumulated funds	598,605	573,597	25,008	634,149	590,748
<b>Total equity attributable to Council</b>	<b>1,153,979</b>	<b>1,093,179</b>	<b>60,800</b>	<b>1,093,579</b>	<b>1,146,122</b>

### Commentary

- \*1 Includes \$10m term deposit to maximise return on temporary surplus funds.
- \*2 Three yearly infrastructure revaluation processed during FY17 year end process effective 1 July 2016 offset by a reduction in capital work in progress versus the prior year.
- \*3 Revaluation as at 30 June 2017.
- \*4 Increase is due to significant projects such as Eastern Access Road, Wanaka Aquatic Centre and Wanaka Recreation Centre (including retentions for these projects).
- \*5 The current year includes a \$10m bond.
- \*6 Slightly lower overall borrowings when combined with current borrowings due to reduction in capital work in progress versus the prior year.

<b>Borrowing Limits (%)</b>	Actual Sep-17	Annual Plan Jun-18	Borrowing Limit		Actual Jun-17	Actual Jun-16
Interest Expense/Rates < 25%	7.7%	12.8%	25.0%		6.1%	7.8%
Interest Expense/Total Revenue < 15%	3.9%	7.1%	15.0%		3.2%	3.8%
Net Debt/Total Revenue < 200%	71.8%	154.6%	200.0%		73.5%	65.1%
Net Debt/Total Equity < 20%	8.3%	17.1%	20.0%		8.0%	7.6%

-  Measure is well within the borrowing limit
-  Measure is within 5% of the borrowing limit
-  Measure is outside of the borrowing limit

## Debtors Analysis

As at 30 September 2017	Council		
	Sep-17 \$'000	Sep-16 \$'000	Variance \$'000
<b><u>From non-exchange transactions</u></b>			
Trade receivables	760	562	198 *1
Infringement receivables	1,692	1,319	373 *2
Rates receivables	4,991	3,721	1,270
New Zealand Transport Agency	1,838	2,366	(528)
Other	70	(61)	131
Allowance for doubtful debts	(1,306)	(1,074)	(232) *2
	<b>8,045</b>	<b>6,833</b>	<b>1,212</b>
<b><u>From exchange transactions</u></b>			
Trade receivables	2,663	2,249	414
Other	2,393	1,168	1,225 *3
Allowance for doubtful debts	(204)	(330)	126
	<b>4,852</b>	<b>3,087</b>	<b>1,765</b>
	<b>12,897</b>	<b>9,920</b>	<b>2,977</b>
<b><u>Age analysis</u></b>			
<b>Trade and other receivables</b>			
<b>(excluding rates)</b>			
Current (0-30 days)	6,422	5,091	1,331 *3
31-60 days *	427	320	107
61-90 days *	344	192	152 *4
90 days + *	2,223	2,000	223 *2
	<b>9,416</b>	<b>7,603</b>	<b>1,813</b>
<b>Rates receivables</b>			
Instalment 1 (overdue) *	3,258	2,507	751 *5
Previous years rates *	1,733	1,214	519 *5
	<b>4,991</b>	<b>3,721</b>	<b>1,270</b>
Allowance for doubtful debts	(1,510)	(1,404)	(106)
	<b>12,897</b>	<b>9,920</b>	<b>2,977</b>

\* Amounts are considered past due.

### Commentary

- \*1 Trade receivables has increased slightly due to an increase in development contributions. There remains a continued focus on debt collection.
- \*2 Infringement receivables continues to increase with \$1.4m in over 90 days relating to infringements. The allowance for doubtful debts includes \$1.3m for infringements.
- \*3 The variance for Other receivables from exchange transactions relates to an increase in GST receivable as well as timing of invoices for Shotover Jet concession fee.
- \*4 As at 30 September 2017, 61-90 days included \$92k in relation to a disputed resource consent.
- \*5 The Local Government (Rating) Act has mechanisms available to recover overdue rates via a charge on the mortgage for mortgaged properties or via sale of the property for rates balances less than 6 years old. Rates owing at 1 July 2017 in relation to prior years was \$2.5m which has reduced to \$1.7m following payment of some overdue balances.