

MEETING

of

Audit and Risk Committee

AGENDA

Supplementary Report

Time: 1:00 pm
Date: Wednesday, 26 February 2025
Venue: Waiata House, 27 Lincoln Road,
Masterton

MEMBERSHIP

Chair Philip Jones (Chairperson)

Mayor Gary Caffell

Councillor Bex Johnson

Councillor Craig Bowyer

Councillor Brent Goodwin

Iwi Representative Jo Hayes

Iwi Representative Robin Potangaroa

Councillor David Holmes

Councillor Tom Hullena

Councillor Stella Lennox

Councillor Tim Nelson

Councillor Marama Tuuta

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6 REPORTS FOR INFORMATION

6.9 SIX MONTHS TO DATE FINANCIAL REPORT 2024/25

File Number:

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Authoriser: Karen Yates, Acting Chief Executive

PURPOSE

To provide the Audit & Risk Committee with financial reporting for the six months to 31 December 2024.

RECOMMENDATIONS

That the Audit and Risk Committee receives the 6 months to date financial report and commentary.

CONTEXT

The Council sets operating and capital budgets through its Long Term Plan and Annual Plan and reports against those budgets on a quarterly basis.

Revenue from rates is set in June each year, based on the budgets and is collected in four instalments across the financial year. The degree to which the rates revenue has been collected, paid or is still outstanding is reported quarterly to the Council via this report.

DISCUSSION

The financial statements commentary for the 6 months to 31 December 2024 is reported below.

The **Statement of Revenue & Expenditure** shows an accounting deficit of \$1,693k. This is \$719k more than the planned YTD deficit of \$974k. This result is influenced by the following major aspects:

- Operating Revenue in total is \$893k (2.5%) up on planned.
- Financial Contributions are \$139k (18.0%) more than planned, and slightly more than this time last year.
- Fees, charges and other revenue of \$7,384k is \$629k (9.3%) more than planned with building consent fees being the main activity where external revenue has exceeded budget.
- Roading subsidies of \$4,697k are less than planned by \$343k or -6.8% as a result of the lower than planned subsidies on the cyclone damage repair work.

Personnel costs of \$7,960k year to date are \$214k (2.8%) more than planned largely as a result of organisational restructuring. The additional one-off costs are expected to be offset by savings against planned costs by year end.

- Other Operating expenditure is \$780k (4.8%) more than planned, due largely to \$385k of the cyclone repair work being operating expenditure rather than capital (where it was budgeted). Also, Cyclone Recovery Office expenditure has been more than planned, but externally funded and insurance costs are well above the budget (as reported in August).

Statement of Revenue & Expenditure

6 months 2023/4 Actual	6 Months Year to Date to 31 Dec 2024	6 months		6 months		Full Year Plan 2024/25
		2024/25 Actual	2024/25 Plan	Variance		
	Revenue					
20,215,363	Rates Revenue*	22,470,462	22,444,809	25,652	0.1%	45,644,351
803,534	Interest Received (external)	927,604	486,000	441,604	90.9%	965,750
9,277,153	Roading Subsidies	4,697,311	5,040,363	(343,052)	-6.8%	13,011,704
810,235	Financial Contributions	910,674	771,500	139,174	18.0%	1,643,000
6,112,240	Fees, Charges & Other Revenue	7,383,799	6,754,460	629,339	9.3%	21,314,431
37,218,524	Total Operating Revenue	36,389,850	35,497,132	892,718	2.5%	82,579,236
	Expenses					
7,354,318	Personnel Costs	7,959,861	7,746,235	(213,626)	-2.8%	15,492,421
15,486,524	Other Operating Expenditure	17,709,980	16,929,499	(780,481)	-4.6%	30,587,371
1,468,921	Interest Expense	1,552,680	1,360,888	(191,792)	-14.1%	2,721,778
9,495,235	Depreciation & amortisation	10,860,858	10,434,734	(426,124)	-4.1%	20,929,378
33,804,998	Total Operating Expenses	38,083,379	36,471,356	(1,612,023)	-4.4%	69,730,948
\$3,413,526	Operating Surplus/(Deficit)	(\$1,693,529)	(\$974,224)	(\$719,305)	73.8%	\$12,848,288

*Rates Revenue excludes rates on Council properties

2024/25 6 Months to 31 Dec 2024

2023/24	Rates Requirement Summary	2024/25 Actual	2024/25 Plan	Variance		2024/25 Full Year Plan
\$		\$	\$	\$	%	\$
	RATES REQUIRED BY ACTIVITY					
	Transport					
6,139,366	Roading	4,313,948	4,293,384	(20,566)	-0.5%	10,247,968
	Water Services					
2,431,009	Urban Water supply	2,612,477	2,687,435	74,958	2.8%	5,372,740
74,339	Rural Water supplies & races	88,995	100,938	11,943	11.8%	173,576
	Wastewater Services					
3,045,103	Urban Sewerage system	3,406,744	3,081,164	(325,580)	-10.6%	7,938,525
227,816	Rural Sewerage systems	171,764	181,014	9,250	5.1%	470,778
	Stormwater Services					
507,387	Stormwater	596,305	569,095	(27,210)	-4.8%	1,061,105
	Solid Waste Services					
697,125	Solid Waste Services	651,285	593,378	(57,907)	-9.8%	1,504,335
	Community Facilities/Activities					
1,764,338	Parks, Reserves & Sportsfields	1,929,096	1,982,800	53,704	2.7%	3,856,390
845,223	Trust House Recreation Centre	1,020,381	946,869	(73,512)	-7.8%	1,624,030
82,199	Cemeteries	85,063	89,000	3,937	4.4%	258,817
1,445,555	Library & Archive	1,416,721	1,557,050	140,329	9.0%	2,939,905
327,452	District Building	274,231	292,475	18,244	6.2%	462,297
175,349	Housing for Elderly	232,265	191,093	(41,173)	-21.5%	204,869
548,712	Other Property	558,946	571,793	12,847	2.2%	1,092,100
174,737	Hood Airport	213,359	194,667	(18,692)	-9.6%	551,546
107,345	Mawley Holiday Park	103,038	110,392	7,354	6.7%	224,204
	Regulatory Services					
679,302	Resource Mgmt & Planning	652,594	774,774	122,180	15.8%	1,436,232
494,912	Building Development	569,908	626,525	56,617	9.0%	1,219,034
402,964	Environmental Services	451,907	486,839	34,932	7.2%	927,288
(5,317)	Parking Control	(1,709)	1,646	3,355		\$3,301
13,324	Animal Services	144,904	139,153	(5,751)	-4.1%	263,997
132,936	Emergency Management	175,929	184,358	8,429	4.6%	338,712
-	Weather Events Recovery	(1,391)	(1,999)	(608)	30.4%	-20,533
	Leadership, Strategy & Corporate Services					
369,248	Representation	390,280	438,678	48,398	11.0%	934,534
(156,535)	Internal Functions (net)	52,502	245,572	193,070		0
625,500	Community Development	785,386	852,524	67,138	7.9%	1,335,637
292,045	Arts & Culture	243,038	268,970	25,932	9.6%	492,934
477,917	Economic Development	602,541	573,188	(29,353)	-5.1%	1,031,054
181,795	Environmental Initiatives	329,478	326,673	(2,805)	-0.9%	482,643
\$ 22,101,147	Total Rates Requirement	\$ 22,069,986	\$ 22,359,448	\$ 289,460	1.3%	\$ 46,428,018
	RATES INCOME					
20,831,206	Masterton District Council rates	23,166,435	23,131,509	34,926		46,263,018
209,993	Penalty Income	247,628	210,000	37,628	6.6%	350,000
(106,171)	Rates Remissions	(128,588)	(92,500)	(36,088)		(185,000)
20,935,028	Net Rates Income	\$ 23,285,475	\$ 23,249,009	\$ 36,465	0.2%	\$ 46,428,018
(\$1,166,120)	Surplus/(Deficit) of Rates	\$ 1,215,489	\$ 889,562	\$ 325,926	1.5%	\$ 0

The **Rates Requirement Summary** to 31 December 2024 (above) shows the Council's net spending of rates funding at \$22.07 million which 1.3% less than the level planned.

There are activities where income and expenditure levels have varied from the budgets and the main areas are listed below.

Commentary on significant variances to Rates Requirement after 6 months YTD:

Roading \$4.3m rates required is 0.5% more than the value planned. Repair and recovery work relating to weather events has progressed, with \$2.5m worth of repairs spent, of the \$6.18m planned. The subsidy rate on the work done to date had been assumed to be 76%, but some of the work only qualifies for 56%. The Council's LTP allows for its share of this recovery work to be loan funded.

Urban Water is 2.8% underspent YTD with higher costs than planned on chemicals and plant maintenance and lower insurance and some carried over 'better off' funding.

Wastewater at \$3.4m YTD rates required is 10.6% (\$325k) more than planned. The drivers for this are expenditure on an asset management solution and hydraulic modelling of the wastewater network. These costs are part of a package of project work, some of which will be capitalised and funded from debt, but has been treated as operating costs initially.

Stormwater maintenance costs have run 4.8% above planned YTD.

Solid Waste has external income of \$2.615m being 7.3% less than planned due to lower tonnage of waste being processed through the transfer station than planned. Costs of that waste disposal to landfill are also down by 5.1% but leaving a deficit of rates required. The waste levy revenue \$263k is \$42k less than planned. Overall Solid Waste is \$57.9k more rates required than planned.

Community Facilities includes the Trust House Recreation Centre where maintenance costs incurred during the July shutdown were more than planned YTD and insurance costs are more than planned. Housing for the Elderly shows lower rental income as rent increases were not able to be increased until mid July and legal costs associated with the Panama land were more than expected. The Airport operating costs have run ahead of the plan in a number of areas. The Library and Community Development activities have all run under the planned rates requirement levels YTD.

Regulatory functions – Building consent fee income of \$944k is 66% ahead of the planned level reflecting a spike in activity. At the same time last year fee income was \$918k. Offsetting this are costs incurred above planned by \$321k due to the unexpected increase in professional indemnity insurance premiums. The Weather Events Recovery Office costs are included for the first time this year, with costs fully covered by cyclone relief external revenue.

Across all Council's asset management and corporate functions there is some \$193k less rates required than planned. This is largely a result of better interest earned on funds on deposit able to offset expenditure in the corporate areas.

The **Summary Statement of Capital Expenditure** (below) shows \$15.36 million spent which is 32% of the full year capital budget total.

Commentary on variances and progress on some items is also included in the Statement.

Summary Statement of Capital Expenditure					Comments on progress
	Actual 6 Months	Plan 6 Months	Variance 6 Months	Plan Full Year 2024/25	
	\$	\$	\$	\$	
Roading - subsidised	1,491	1,648	157	8,754	Minimal spend against local improvement projects due to no NZTA approved funding. Spend to date mainly relates to pavement rehab and road metalling in the rural area and structure renewals such as retaining walls and bridges. Minimal spend so far to date on urban footpaths and drainage.
Roading - non-subsidised	296	6	290	73	Spend to date relates to the completion of Gordon and Kitchener Street upgrades and spend at the South Entrance approach which are all overflow costs from last financial year with no budget allowed in 24/25.
Roading - Emergency Works	2,102	2,392	290	6,184	Spend to date this financial year relates to Cyclone Gabrielle emergency repair work.
Water Services	1,783	1,700	83	5,200	Spend for water services tracking close to budget with underspends on water reticulation renewals offset by overspends for water meter and water connection budgets.
Wastewater Services	1,719	1,715	4	2,710	Overspends year to date for BAU wastewater renewals offset by underspends against externally funded BOF budgets. Spend is variable throughout the year as work is completed.
Stormwater Services	8	155	147	310	No spend to date for stormwater upgrade projects.
Solid Waste Services	253	250	3	250	Full replacement of the concrete pad at the transfer station has been complete.
Parks, Reserves & Sportsfields	142	490	347	2,573	Minimal spend so far this year with ongoing investigative and scoping work for the larger projects. Spend to date relates to the Riversdale Northern Reserve Rock Protection project, facility upgrades at South Park softball park, Fernyshade cloth roof replacement at QE park and design work for Henley Lake Playground improvements.
Wellbeings (Amenities)	408	335	73	341	The Youth Hub project is now complete but came in over budget, which is the reason for the YTD overspend. We have also purchased new Christmas decorations and upgraded security cameras at Trust House Rec Centre.

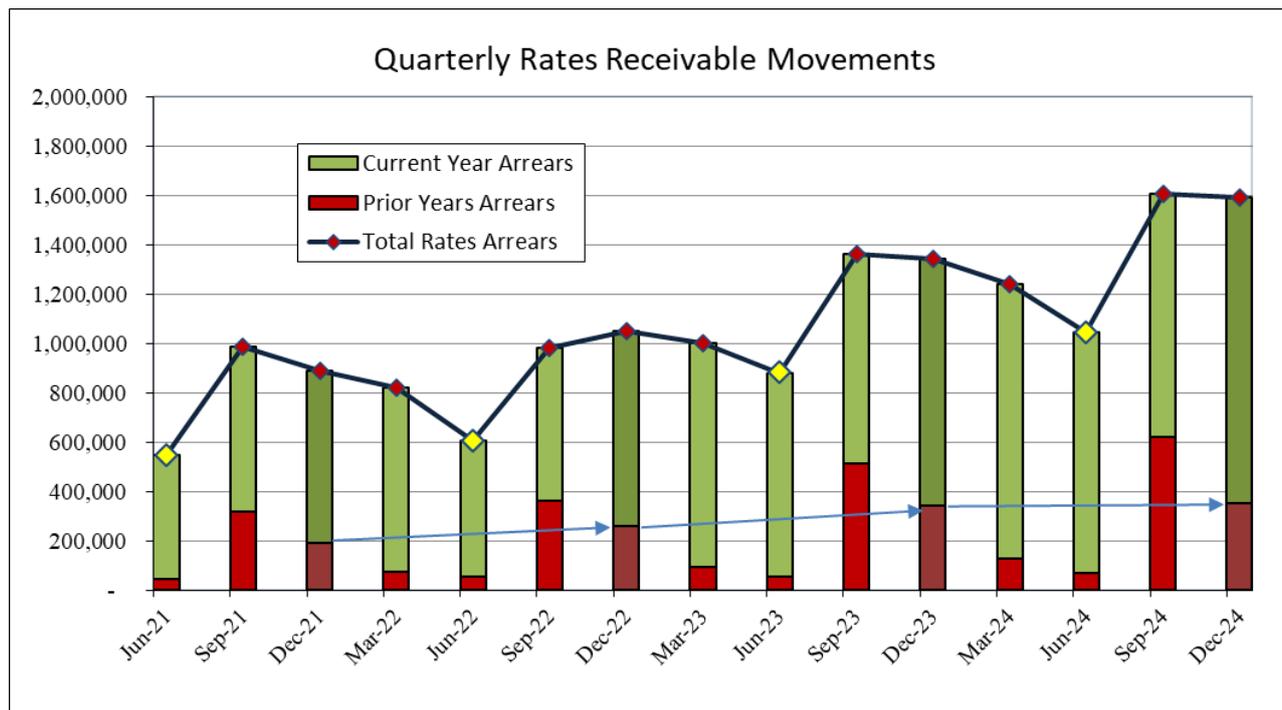
Summary Statement of Capital Expenditure (contd)					Comments on progress
	Actual 6 Months \$	Plan 6 Months \$	Variance 6 Months \$	Plan Full Year 2024/25 \$	
Other Property	1,183	1,106	- 77	3,149	
Civic Facility	188	228	40	4,000	
Recreation Centre	70	121	52	885	
Housing for the Elderly	69	104	35	209	
Library & Archive	214	243	29	1,036	
Airport	4,591	4,619	27	8,743	
Regulatory Services	610	667	57	2,264	
Corporate Services	233	437	205	1,070	
TOTAL COUNCIL	15,360	16,217	858	47,751	
% spent of full year Plan	32%				

Rates Receivable

The graphs below provide a picture of the changes in the value of rates receivable by quarter.

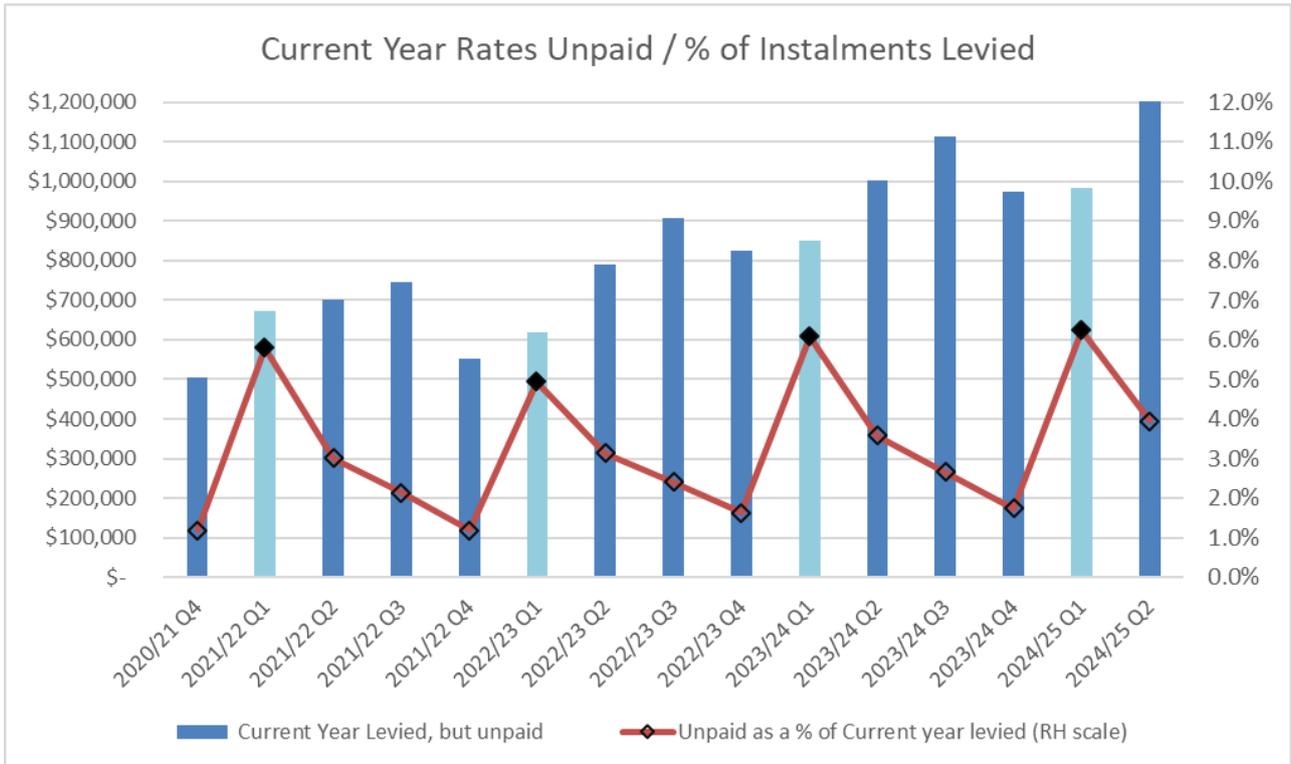
At 31st December 2024 the balance of rates unpaid was \$1.59 million. This is 18% more than the same quarter end last year. Arrears from prior years were \$351,759, which is 3% more than the same quarter last year and 33.7% of the balance of total arrears at 30 June 2024, ie 66.3% of the 30 June 2024 arrears had been paid by 31 Dec 2024. This compares to 61.3% at 31 Dec 2023.

Current year rates unpaid at 31 Dec 2024 were \$1,238,936 compared to \$1,003,562 at 31 Dec 2023. This amounts to 3.9% of the value of the first two instalments (last 31 Dec = 3.9%).



The increase in rates receivable in the most recent quarter continues the trend of unpaid rates note decreasing in the second quarter of the financial year. The value of rates levied on the first instalment, but unpaid, was 3.9% of the value levied, which is close to last year. The Council sent demands on banks who hold mortgages over properties with rate arrears from the prior year, while active efforts continue to work with ratepayers who fall behind. The reported revenue for rates penalties is 6.6% ahead of planned, but is subject to remissions if ratepayers make (and keep) arrangements to bring their rates up-to-date.

The graph below shows the value of current years rates unpaid at the end of each quarter and that value as a % of the dollars levied progressively through each year. It is noted that the trends are consistent, with the Qtr 2 percentage being consistently between 3% and 4% and tracking down as the year progresses to an average of below 2%.



SUMMARY OF CONSIDERATIONS

Strategic, Policy and Legislative Implications

Any strategic considerations relating to the year to date financial report will be picked up as the Council develops its Annual Plan for 2025-26.

Significance, Engagement and Consultation

It is noted that the quarterly financial reporting is an important element of Council’s accountability to the community.

Financial Considerations

This report includes summary financial information on the Council’s performance versus the Planned position as at 6 months year-to-date. There are no financial considerations beyond the report itself.

Implications for Māori

The information in this report does not trigger any Treaty of Waitangi considerations or implications specific to Māori.

Communications/Engagement Plan

The information included in this report is public and will be available with the agenda. No further communications or engagement is planned.

Environmental/Climate Change Impact and Considerations

There are no environmental/climate change impacts or considerations arising from the information in this report. Minimal hard copies will be printed.

ATTACHMENTS

Nil