



MEETING

of

Audit and Risk Committee

AGENDA

Supplementary Report

Time: 3:00 pm
Date: Wednesday, 15 November 2023
Venue: Waiata House, 27 Lincoln Road,
Masterton

MEMBERSHIP

Chair Philip Jones (Chairperson)

Mayor Gary Caffell

Councillor Bex Johnson

Councillor Craig Bowyer

Councillor Brent Goodwin

Councillor David Holmes

Councillor Tom Hullena

Councillor Stella Lennox

Councillor Tim Nelson

Iwi Representative Ra Smith

Councillor Marama Tuuta

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6 REPORTS FOR INFORMATION

6.7 THREE MONTHS TO DATE FINANCIAL REPORT QUARTER 1 2023/2024

File Number:

Author: David Paris, Manager Finance

Authoriser: Kym Fell, Chief Executive

PURPOSE

To provide the Audit and Risk Committee with financial reporting for the three months to 30 September 2023.

RECOMMENDATION

That the Audit and Risk Committee receives the financial report and commentary for the 3 month period to 30 September 2023.

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 3 months to 30 September 2023 is reported below.

The **Statement of Revenue & Expenditure** shows an accounting surplus of \$621.6k. This is \$54.6k less than the planned surplus of \$567k. This result is influenced by the following major aspects:

- Revenue from financial contributions of \$0.639k being 23.9% more than planned and reflects the continuing number of subdivisions which are reaching the stage of completion where they are seeking title to the new lots and being required to pay financial contributions as per the Wairarapa Combined District Plan. This figure is only 67% of the YTD revenue at 3 months to date last year.
- Fees, charges and other revenue of \$3,298k is 3.4% more than planned with building consent fees being the one activity where external revenue has exceeded budget.
- Roading subsidies of \$4,150k are more than planned by \$237k or 6.1% as a result of the higher than planned expenditure on rural road maintenance (drainage work in particular). This higher expenditure has attracted higher subsidy than planned YTD.

- Personnel costs of \$3,399k year to date are close to the level planned.

Other Operating expenditure is 7.2% more than budgeted reflecting more subsidised road maintenance work being done in the first three months than planned, higher costs in the water reticulation activity and several other unders and overs.

Interim Statement of Revenue & Expenditure							
3 months 2022/23 Actual	3 Months Year to Date to 30 Sep 2023		3 months 2023/24 Actual	3 months 2023/24 Plan	Full Year Plan 2023/24		
	Revenue				Variance		
8,967,274	Rates Revenue*		9,786,649	9,702,549	84,099	0.9%	40,891,297
92,965	Interest Received (external)		291,625	225,876	65,749	29.1%	1,184,750
2,624,053	NZTA Rooding Subsidies		4,150,058	3,913,030	237,027	6.1%	22,022,968
956,015	Financial Contributions		639,320	515,874	123,446	23.9%	2,123,500
3,387,667	Fees, Charges & Other Revenue		3,297,607	3,189,094	108,513	3.4%	21,124,580
16,027,975	Total Operating Revenue		18,165,258	17,546,424	618,834	3.5%	87,347,095
	Expenses						
3,117,475	Personnel Costs		3,399,425	3,405,272	5,847	0.2%	14,723,796
7,435,073	Other Operating Expenditure		8,742,567	8,172,480	(570,087)	-7.0%	27,537,524
416,153	Interest Expense		666,408	666,423	15	0.0%	2,965,665
3,935,198	Depreciation & amortisation		4,735,261	4,735,260	(1)	0.0%	18,946,210
14,903,899	Total Operating Expenses		17,543,661	16,979,435	(564,226)	-3.3%	64,173,195
\$1,124,076	Operating Surplus/(Deficit)		\$621,597	\$566,989	\$54,608		\$23,173,900

*Rates Revenue excludes rates on Council properties

The **Rates Requirement Summary** to 30 September 2023 (below) shows the Council's net spending of rates funding at \$11.64 million which is very close to the level planned.

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

The deficit of rates funding year to date (\$1.13m actual, \$1.21m plan) reflects a number of costs incurred in the first three months that are to cover the full year (including insurance and rates on Council properties). The Council is able to absorb the cashflow negative of the YTD operating deficit by using its working capital funds.

Commentary on significant variances after 3 months YTD:

Rooding \$2.78m is 6.4% more than planned due to more work done on rural road drainage in the first three months. Repair and recovery work relating to weather events has progressed, with some \$3.4m worth of work paid for against a Plan total of \$18.9m. It is expected that some of the \$18.9m will be carried into the 2024/25 year. The subsidy rate on the work done to date has been assumed to be 76% but Waka Kotahi has yet to confirm that.

Urban Water \$1.375m is 12% more than planned due largely to costs of responding to a higher level of water reticulation repairs than planned.

2023/24 Interim 3 Months to 30 September 2023

2022/23 Interim	Rates Requirement Summary	2023/24 Actual	2023/24 Plan	Variance		2023/24 Full Year Plan
\$		\$	\$	\$	%	\$
	RATES REQUIRED BY ACTIVITY					
	Transport					
2,084,230	Roading	2,781,229	2,614,277	(166,952)	-6.4%	8,834,722
	Water Services					
1,091,357	Urban Water supply	1,375,590	1,227,951	(147,639)	-12.0%	4,522,194
103,179	Rural Water supplies & races	94,012	104,074	10,062	9.7%	152,816
	Wastewater Services					
1,338,309	Urban Sewerage system	1,552,485	1,532,589	(19,896)	-1.3%	7,556,951
97,401	Rural Sewerage systems	131,389	112,330	(19,059)	-17.0%	441,570
	Stormwater Services					
276,233	Stormwater	316,346	277,768	(38,578)	-13.9%	922,216
	Solid Waste Services					
268,087	Solid Waste Services	456,876	317,431	(139,445)	-43.9%	1,312,957
	Community Facilities/Activities					
858,334	Parks, Reserves & Sportsfields	1,023,267	1,059,728	36,462	3.4%	3,543,263
433,250	Trust House Recreation Centre	527,064	519,676	(7,388)	-1.4%	1,503,867
47,095	Cemeteries	37,696	40,874	3,178	7.8%	167,941
698,577	Library & Archive	703,056	760,732	57,676	7.6%	2,841,295
194,121	District Building	199,381	186,733	(12,648)	-6.8%	511,275
172,614	Housing for Elderly	200,658	185,049	(15,609)	-8.4%	195,593
314,582	Other Property	351,454	371,469	20,014	5.4%	1,027,256
(58,491)	Hood Airport	68,689	34,188	(34,501)	-100.9%	427,755
4,199	Mawley Holiday Park	71,893	92,626	20,733	22.4%	153,971
	Regulatory Services					
383,625	Resource Mgmt & Planning	344,114	411,107	66,993	16.3%	1,259,158
163,237	Building Development	161,800	332,459	170,659	51.3%	1,144,840
151,896	Environmental Services	193,444	189,988	(3,456)	-1.8%	712,562
(9,208)	Parking Control	2,511	682	(1,829)		\$2,729
(1,678)	Animal Services	4,618	5,228	610	11.7%	138,455
65,371	Emergency Management	74,403	75,081	678	0.9%	284,033
	Leadership, Strategy & Corporate Services					
184,557	Representation	200,700	217,547	16,847	7.7%	918,808
62,985	Internal Functions (net)	(40,970)	147,235	188,205		0
270,613	Community Development	326,968	326,970	2	0.0%	1,126,373
129,264	Arts & Culture	137,830	137,141	(689)	-0.5%	562,232
257,864	Economic Devlpmt	234,539	232,315	(2,223)	-1.0%	912,958
36,042	Environmental Initiatives	106,893	140,299	33,406	23.8%	451,208
\$ 9,617,645	Total Rates Requirement	\$ 11,637,936	\$ 11,653,547	\$ 15,611	0.1%	\$ 41,628,998
	RATES INCOME					
9,601,630	Masterton District Council rates	10,416,226	10,382,249	33,976	0.3%	41,528,998
104,516	Penalty Income	140,604	101,750	38,854	38.2%	275,000
(46,240)	Rates Remissions	(50,516)	(43,750)	(6,766)		(175,000)
9,659,907	Net Rates Income	\$ 10,506,314	\$ 10,440,249	\$ 66,064	0.6%	\$ 41,628,998
\$ 42,261	Surplus/(Deficit) of Rates	(\$1,131,622)	(\$1,213,296)	\$ 81,675	0.7%	\$ 0

Wastewater urban is \$1.552m or 1.3% more than planned. Rural wastewater rates required is 17% more than planned YTD due to some heavy cleaning done on the Castlepoint wastewater scheme.

Stormwater costs of \$316,346 are 13.9% more than planned YTD as cleaning of drains and streams has been actioned. The potential for this budget to be overspent by year end is high if demand for these services continues at similar levels.

Solid Waste costs of \$456,876 are \$139,445 more than planned YTD as waste tonnages received at the transfer station have been 6% below the level planned, resulting in less revenue to cover fixed overheads.

Community Facilities net costs overall are \$68,000 less than planned (2%). Variances include lower than planned costs on library & archive, higher legal fees for airport leases and better than planned revenue at Mawley Holiday Park.

Regulatory functions – Building Development revenue has been 43% more than planned, producing \$170,000 YTD lower rates required. Planning has been 16% less rates required than planned due to higher revenue and lower costs than planned.

Across all Council's asset management and corporate functions some \$188,200 of savings 6.2% have been achieved versus Plan YTD.

The **Summary Statement of Capital Expenditure** (below) shows \$3.867 million spent which is 8% of the full year capital budget total.

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

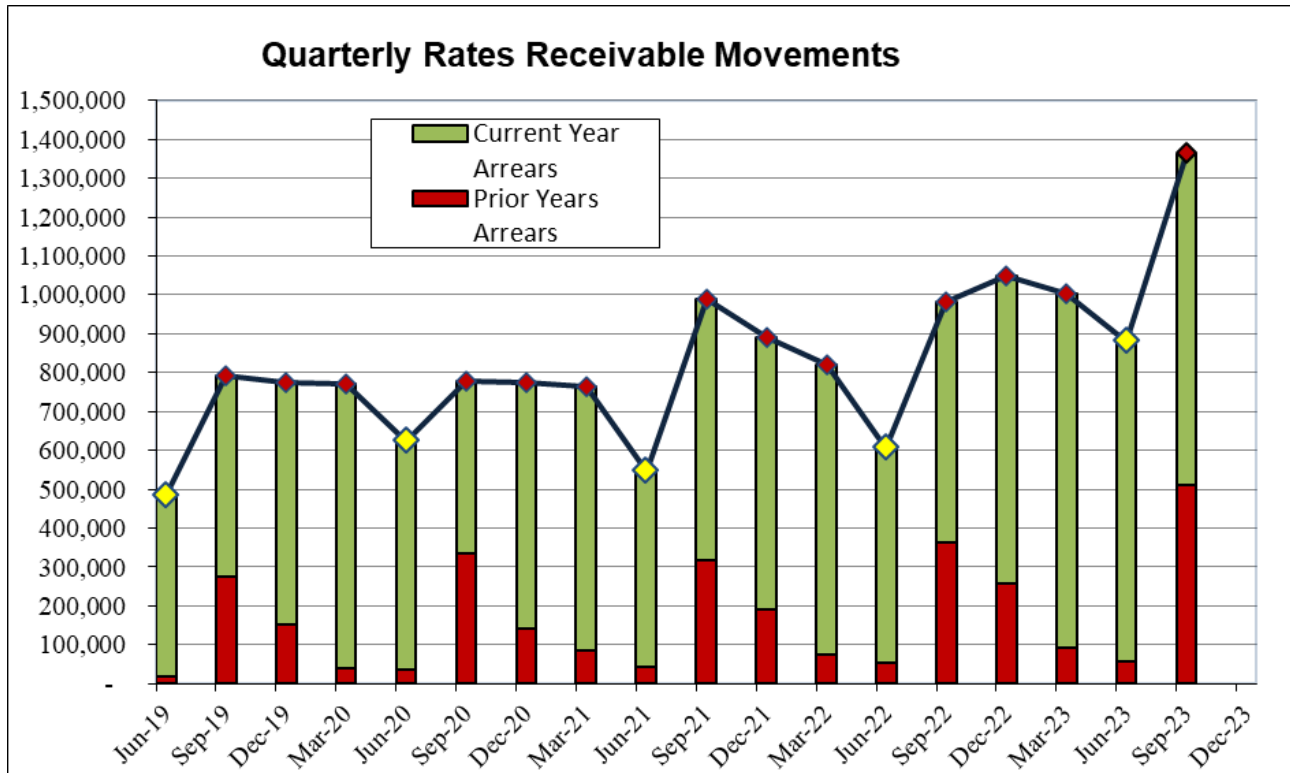
Summary Statement of Capital Expenditure				Comments on progress
	Actual 3 Months \$	Plan 3 Months \$	Plan Full Year 2023/24 \$	
Roading - subsidised	611,744	714,107	8,121,661	This includes the urban and rural renewals programme as well as minor improvements work (co-funded by Waka Kotahi).
Roading - non-subsidised	23,612	30,000	977,420	This area includes budget for Masterton revamp, South Entrance revamp and Kitchener to Gordon Street extension, all of which have incurred few costs so far this financial year.
Roading - Emergency Works	1,131,293	1,230,000	18,920,000	Full year budget of \$19m for emergency works is unlikely to all be spent this financial year, so will flow over into the 24/25 financial year. Latest forecast is around \$9m spend this financial year. The expenditure coming through relates to Hale and Gabrielle reinstatement work.
Water Services	632,149	657,306	2,677,190	Water reticulation renewals are on track with budget for the first 3 months of the year.
Wastewater Services	891,769	938,714	6,414,850	Millard Avenue work has not yet started. \$1.3m budget for the year. Wastewater reticulation renewals are continuing at pace as well as work on the Colombo Rd bridge sewer pump station upgrade. An additional \$2.115m of BOF funding has been allocated this year for wastewater renewals taking the total renewals budget to \$3.3m.
Stormwater Services	23,027	79,875	692,250	The contribution to flood protection works of \$160,000 has been committed but not yet spent. Stormwater renewal projects have yet to start. Spend historically increases in this area between Sep-Dec.
Solid Waste Services	6,909	15,230	420,920	There is a \$400k budget for the year relating to transfer station renewals. This mainly relates to pit flooring repairs which is still in the design stage.
Parks, Reserves & Sportsfields	71,153	228,925	2,179,895	This is a diverse range of budgets relating to parks, reserves and sports building upgrades. The larger budgets are for Memorial Park upgrades, Henley Lake level management, upgrading the Henley Lake playgrounds (co-funding with Lions) and sports building upgrades. Douglas Villa ramp, demolition of the tennis pavilion and work around the South Park building are all imminent.
Wellbeings (Amenities)	0	86,768	347,070	The majority of the budget is for a youth hub solution at the skatepark with small budgets for security camera renewals, christmas decorations and decorative streetlighting, none of which has incurred costs to date.
Other Property	37,738	81,249	693,185	Includes Waiata House upgrades, cemeteries, public conveniences, mawley park, rural halls and rental properties. There was a \$120k provision included for asbestos removal which has been mitigated without this significant spend. Other areas that could utilise this budget are being explored.
Civic Facility	5,335	10,000	300,000	This budget relates to stage options development work for the Library and Town Hall facilities.
Recreation Centre	50,968	55,000	500,000	Budget is for upgrades at the Trust House Recreation Centre. Recently received the feasibility report for a splash pad. Insurance claim has been settled for the toddler pool roof replacement so spend is coming for this. Heating system and filtration system renewal needs will be clearer after receiving the masterplan and condition assessment report due end of November.
Housing for the Elderly	217,801	219,500	448,000	This budget relates to renewal work on senior housing portfolio(Laurent Place, Bodmin Flats, Truro Flats and Panama Village. There has been \$194k spend in August and September for work on the Panama carpark. Additional spend planned on the Panama Homestead garages due to be repaired after fire damage and a new carpark at Laurent Place for residents if the budget allows.
Library & Archive	38,044	48,942	195,766	Purchase of books and incidental furniture and equipment as required.
Airport	62,923	75,625	3,802,500	Project has the construction contract ready to sign.
Regulatory Services	4,740	6,750	2,547,000	\$2.5m of the budget relates to the new animal shelter. No spend so far this year on this project, but the construction contract has been let.
Corporate Services	58,417	66,500	456,000	Includes budgets for IT upgrades, GIS aerial photography and fleet vehicle replacements. Two vehicle purchases from prior year have been delayed delivery. There will be two more vehicles replaced before the end of the financial year. Spend is also occurring in the computer / IT upgrade space with a laptop restock in July followed by Teams capability being added to meeting rooms in September. We have also invested in a Magiq Service request integration to RAMM in August.
TOTAL COUNCIL	\$ 3,867,624	\$ 4,544,491	\$ 49,693,707	
% spent of full year Plan				8%

Rates Receivable

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

At 30 September 2023 the balance of rates unpaid was \$1,363,201. This is 39% more than the same quarter end last year. Arrears from prior years were \$512,043, which is 41% more than the same quarter last year and 58% of the balance of total arrears at 30 June 2023, ie 42% of the 30 June 2023 arrears had been paid by 30 Sept 2023. This compares to 40% at 30 Sept 2022.

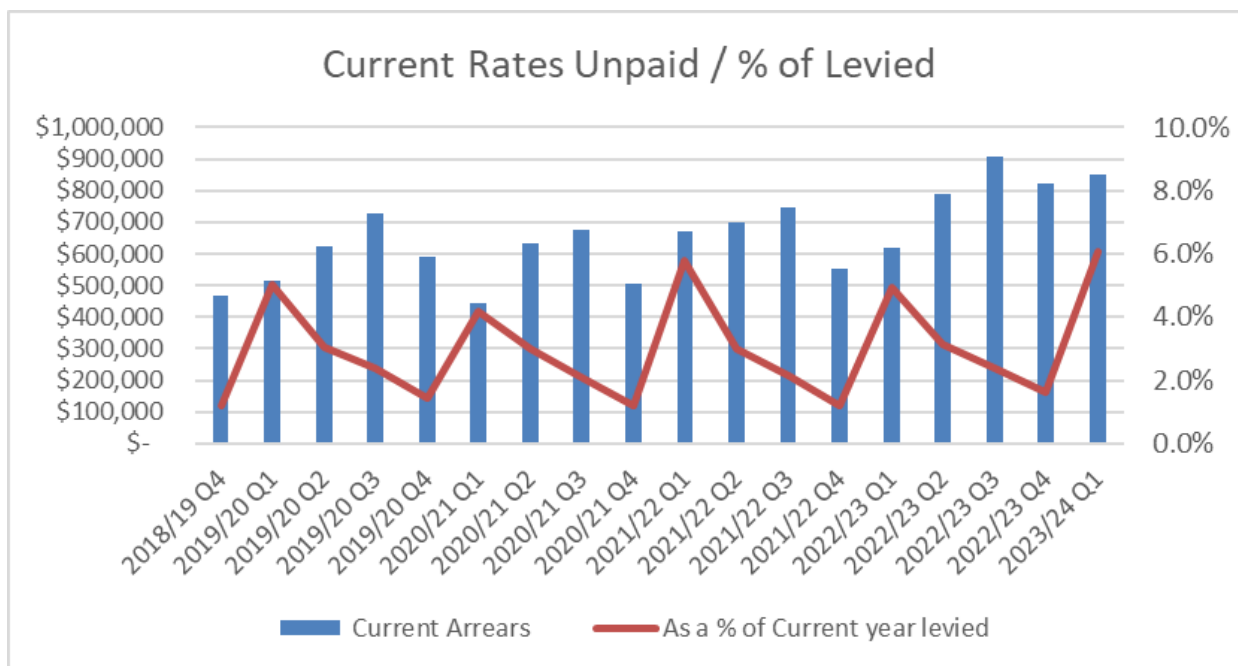
Current year rates unpaid at 30 Sept 2023 were \$851,158 compared to \$619,095 at 30 Sept 2022. This amounts to 6.1% of the value of the first instalment (last 30 Sept = 4.9%).



The increase in rates receivable in the most recent quarter indicates there are more homeowners who have not prioritised paying their rates than there have been in prior years. The Council continues to contact ratepayers who are falling behind and looks to work with them to catchup. The reported revenue for rates penalties is 38.2% ahead of planned, but is subject to remissions if ratepayers make (and keep) arrangements to bring their rates up-to-date.

Letters to mortgage-holding banks have been sent to request payment of prior year areas and legal steps are on-going with seven properties.

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 Quarter 1 percentage being consistently between 4% and 6% 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 Long Term Plan for 2024-34.

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 3 months year-to-date. There are no financial considerations beyond the report itself.

Implications for Māori

The adoption of 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 receipt of this report. Minimal hard copies will be printed.

ATTACHMENTS

Nil