

6.10 DRAFT FINANCIAL REPORT AND CARRY FORWARDS FOR THE 2020/2021 FINANCIAL YEAR**File Number:** COU1-1410**Author:** Brent Chamberlain, Chief Financial Officer**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. Draft Activity Funding Impact Statements for 30 June 2021**PURPOSE**

The matter for consideration by the Council is to give Councillors an early indication of the draft financial results for 2020/2021, and for Council to approve the proposed allocations to carry forwards, special funds, and between activities for the 2020/2021 Financial Year.

RECOMMENDATION FOR CONSIDERATION

That having considered all matters raised in the report:

- a) That Council receives the report entitled Draft Financial Report and Carry Forwards for the 2020/2021 Financial Year.
- b) Council approve the proposed allocations to carry forwards and special funds for the 2020/2021 Financial Year.
- c) Council approve that the 2020/2021 activity surpluses in the general rate funded activities be used to fund the deficits in the general rate funded activities as proposed.
- d) Council approves funding the \$428k shortfall in drinking water renewal budget via loan funding.

EXECUTIVE SUMMARY

This report brings to Council the draft unaudited Financial Statements for the Council for the year ended 30 June 2021.

Contained in the report is a list of movements in Special Funds/Carry Forwards that are proposed to be funded from this year's activities, and a proposal that where a general rate funded activity has a surplus, that this surplus be applied to those general rate rated activities that have deficits.

BACKGROUND

Throughout the year Council has received quarterly management reports on Council Finances. This report brings to Council an early draft unaudited financial results for the year ended 30 June 2021, and the funding impact statement for both the whole of Council and each group of activities undertaken by Council.

DISCUSSION

Set out below is a summary of the draft unaudited financial results for the 2020/21 financial year:

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2021

| | Actual 2020 | Note | Budget 2021 | Actual 2021 |
|--|----------------|------|----------------|----------------|
| | \$'000 | | \$'000 | \$'000 |
| Revenue | | | | |
| Rates revenue | 20,793 | 2 | 21,453 | 21,364 |
| Subsidies and grants | 10,004 | 2 | 7,566 | 26,322 |
| Interest and dividends | 215 | | 92 | 215 |
| Fees and Charges | 3,781 | 2 | 4,338 | 4,791 |
| Development contributions | 92 | | 107 | 322 |
| Other revenue | 513 | 2 | 265 | 523 |
| Total revenue | 35,398 | | 33,821 | 53,538 |
| Expenditure | | | | |
| Personnel costs | 5,567 | | 5,829 | 5,696 |
| Depreciation and amortisation | 12,397 | 2 | 13,065 | 11,971 |
| Finance costs | 429 | | 462 | 580 |
| Other operating expenses | 17,490 | 2 | 15,316 | 26,408 |
| Total operating expenditure | 35,883 | | 34,673 | 44,654 |
| Net Operating Surplus/(Deficit) | (485) | | (851) | 8,884 |
| Other (Gains)/Losses | | | | |
| (Gains)/Losses on Public Debt | 0 | | 0 | 0 |
| (Gains)/Losses on Investments | 0 | | 0 | 0 |
| Total Other (Gains)/Losses | 0 | | 0 | 0 |
| Operating surplus/(deficit) before tax | (485) | | (851) | 8,884 |
| Income tax expense | 0 | | 0 | 0 |
| Net surplus/(deficit) after tax | (485) | | (851) | 8,884 |
| Other comprehensive income | | | | |
| Gains/(losses) on the revaluation of property, plant and equ | 2,417 | 10 | 14,928 | 0 |
| Impairment of Recreation and Community Assets | (1,082) | | 0 | 0 |
| Total other comprehensive Income | 1,335 | | 14,928 | 0 |
| Total comprehensive income for the year | 850 | | 14,076 | 8,884 |

It is important to note that this is based on traditional accounting presentation requirements and is more akin to how a “For Profit” entity would report. It is quite different to the Funding Impact Statement that the Local Government Act requires which looks at all sources of income/funds received and then how it has been applied/spent.

This years financial results have significantly been impacted by unbudgeted revenue and costs that relate to Central Government initiatives such as the Provincial Growth Fund, 3 Waters Reform, and economic stimulus packages post Covid.

Councils revenue is nearly \$20m ahead of budget, but almost all of this is in subsidises and grants received from external parties, and hasn't come from the rate payer.

This includes subsidises and grants include such projects as:

- 3 Waters Reform (water infrastructure upgrades) \$4.1m

| | |
|---|--------|
| • Route 52 Roading Upgrade (PGF) | \$6.2m |
| • Nga Ara Tipuna – Cultural Tourism (MBIE and others) | \$2.4m |
| • Economic Recovery/Job Creation (MBIE) | \$3.6m |
| • Responsible Camping (MBIE) | \$0.1m |

In addition to the earnt subsidies and grants listed above, Council has received a further \$3.4m of unearnt subsidies and grants as at 30 June 2021 and these have been treated a liability (revenue in advance) rather than revenue. For example to date Council has received \$5.5m of 3 waters reform money, but it had only spent \$4.1m of it by balance date and the remaining \$1.4m has been treated as revenue in advance.

The business as usual revenue lines have tracked closely to budget.

Fees and Charges are slightly ahead of budget particularly in the consenting area and reflects the hot property market, and the higher than normal sub-division and building activity experienced in our community.

When you turn your attention to expenses, you will note that these too are ahead of budget, particularly in the operational costs area.

Again much of this relates back to the additional external funding being spent. \$1m of the 3 waters reform money has been used to fund 3 waters operational costs (the balance in asset creation), the \$2.4m Nga Ara Tipuna Project has also been treated as operational (Council is essentially project managing the project on behalf of an independent trust), and \$3.6m Economic Recovery and \$0.1m Responsible Camping are also both operational.

As stated earlier, these financial results are early draft unaudited financial statements. The auditors don't arrive on site until the 23rd August 2021 and as a result the results are subject to refinements and audit adjustments.

For example you'll note that there is currently no revaluation movements recorded as officers are waiting on external contractors to pair review the revaluation of Councils roading assets. Stantec have provided the first draft of their report which shows a increase of Councils roading assets of \$8.9m (although most of this is asset additions during the year).

Also, Council (in conjunction with DOC), sold 5 former reserves in early 2021. To date Council has incurred significant sales costs and these have been funded through special funds account "S001 Capital Projects Fund" which is why this account is currently overdrawn by \$217k. The solicitors are in the process of finalising the sales proceeds and costs incurred by both parties, but it is expected that Council will receive approximately \$305k once the dust settles. This sale is yet to be booked as we are waiting on the final details.

External Debt/ Investments/ Asset Creation

During 2020/21 Council's external debt has remainder unchanged at \$20m. This was partly because we drew some debt early (before it needed) late last year and held this money as an investment till it was required, and during the year Council has received 3 Waters reform money which has allowed some capital works to be externally funded.

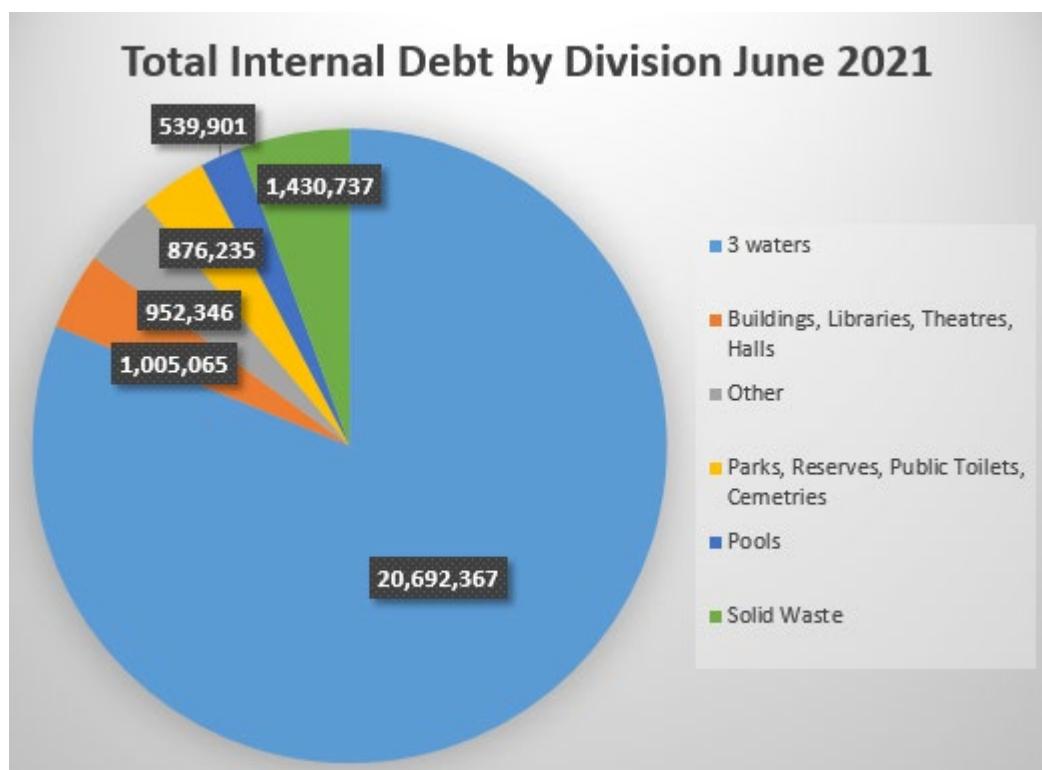
Council's weighted average cost of funds is 2.28% (2020: 2.28%), and the maturities are as the table below:

| Debt Position | Draw Date | Maturity Date | Amount | | | |
|-------------------------------------|------------------|----------------------|----------------------|-------------------|-------------------|-----------------|
| | | | Interest Rate | 30/06/2020 | Amount Now | Movement |
| LGFA - Fixed Rate | 28/08/2017 | 25/08/2025 | 3.85% | 2,000,000 | 2,000,000 | - |
| LGFA - Fixed Rate | 22/07/2019 | 15/04/2024 | 2.19% | 10,000,000 | 10,000,000 | - |
| LGFA - Fixed Rate | 16/12/2019 | 15/04/2023 | 1.96% | 4,000,000 | 4,000,000 | - |
| LGFA - Fixed Rate | 16/03/2020 | 15/04/2027 | 2.03% | 4,000,000 | 4,000,000 | - |
| ANZ Seasonal Facility (\$1,500,000) | | | | - | - | - |
| Total Debt | | | 2.28% | 20,000,000 | 20,000,000 | - |

Since balance date, Council has drawn a further \$2m for a period of 1 year at an interest rate of 1.25% pa.

During 2020/21 Council has spent \$25.9m on acquiring new assets or renewing existing assets.

While Council has external debt of \$20m, it also has internal debt (i.e. borrowings from other Council reserves). Total debt at 30 June was \$25.5m which means in addition to the \$20m external debt, Council has used \$5.5m of Council's internal funds to fund its infrastructure assets. The pie chart below shows how this debt is allocated to the various Council activities.



Special Funds

Special Funds and Trust Accounts are funded held for a specific purpose and are allocated interest annually from Council's investments/internal borrowings. Special Funds total just over \$7m.

Each year Council allocates its investment revenue to these special funds, and for 2020/21 Council is proposing to allocate \$206k of interest to Council's special funds which will represent an average 2.9% pa return.

Obviously, during 2020/21 Council has seen investment returns fall, so this year Officers propose a tiered interest payment to its special funds.

Tier One – these special funds are held for infrastructure replacements and require returns sufficient to offset inflation, and to provide an alternative to 100% rate funding of infrastructure. Officers propose to pay interest of 3.25% pa to this group.

Tier Two – These are Council's Scholarship Funds where Council gives away the interest to the scholarship recipients. Officers propose to pay interest of 3.00% pa to this group to maintain the capital base of these scholarship funds.

Tier Three – Mayoral Fund – this fund requires sufficient interest to top the fund back up to \$5k each year, rather than being based on a pure return basis.

Tier Four – Everything else. Here officers propose to provide a return of 1.5% pa which is in line with term deposit rates being offered by the high street banks.

Below is a table listing the various special funds, the current balance being held, and the proposed interest return:

| Account | 2020/21 Opening Balance | 2020/21 YTD Actuals June | Interest Allocation | Interest Rate |
|--|--|---|--------------------------------|--------------------------|
| S001. Capital Projects Fund | 157,813 | 217,368 | 0 | Overdrawn |
| S012. Ruahine Wd Disbursement Res | (673,362) | (614,644) | (9,875) | 1.50% |
| S022. Ruataniwha Wd Disbursement Res | (37,729) | (18,295) | (566) | 1.50% |
| S030. Aramoana Wd Disbursement Fund | (228,980) | (189,204) | (3,225) | 1.50% |
| S110. Elections & Byelection Funding | (42,860) | (38,531) | (606) | 1.50% |
| S438. Esplanade Reserves Fund Acct | (349,567) | (224,811) | (5,244) | 1.50% |
| S515. Ruahine Wd Halls Maintenance Res | (42,926) | (43,570) | (644) | 1.50% |
| S620. Rural Fire Reserve | (99,881) | (61,379) | (1,498) | 1.50% |
| S621. Landfill Aftercare Reserve | (205,606) | (263,278) | (6,929) | 3.25% |
| S625. Vehicle Depreciation Reserve | (460,015) | (516,440) | (14,951) | 3.25% |
| S626. LT Vehicle Depreciation Reserve | (113,178) | (133,239) | (3,940) | 3.25% |
| S630. Mayoral Fund | (7,420) | (6,366) | (1,776) | Top up to \$5k + WEIT |
| S635. Adverse Events Fund | (153,263) | (1,059,686) | (17,796) | 3.25% |
| S637. Catastrophic Events Fund | (2,906,090) | (2,492,413) | (86,323) | 3.25% |
| S675. Stormwater Renewal Reserve | (221,160) | (3,756) | (3,596) | 3.25% |
| S711. Water Rates Smoothing Reserve | (275,000) | (275,000) | (8,938) | 3.25% |
| S720. Wastewater Upgrade Reserve | (852,885) | (677,354) | (24,469) | 3.25% |
| S765. Te Aute Drainage Scheme Reserve | (50,352) | (51,107) | (755) | 1.50% |
| S861. Bridge Replacement Funding | (103,122) | (160,608) | (4,217) | 3.25% |
| S862. Road Legalisation Funding | (22,159) | (22,491) | (332) | 1.50% |
| S870. Recreation & Community Facilities Reserves | 0 | (20,150) | (150) | 1.50% |
| S873. Waipukurau Libraries Donations Res | (6,126) | (6,218) | (92) | 1.50% |
| S874. Waipawa Libraries Donations Res | (142,720) | (144,860) | (2,141) | 1.50% |
| S875. EQC/DOC Grant Pourerere | (3,957) | (4,017) | (59) | 1.50% |
| S877. District Landfill Levy Res | (44,325) | 0 | (577) | 1.50% |
| S890. Housing Depreciation Reserve Acct | (139,882) | (118,238) | (2,098) | 1.50% |
| S935. WPA Building Soc Scholarship Trust | (111,225) | (114,562) | (3,337) | 3.00% |
| S940. Eric Tate Scholarship Trust | (70,920) | (73,048) | (2,128) | 3.00% |
| S944. Rural Travel Fund Reserve | (63) | (64) | (1) | 1.50% |
| | (7,206,959) | (7,115,961) | (206,263) | 2.90% |

The movements in the special funds during the year include the funding of, or the additional provision for:

- Water Security Funding - \$69k spent
- Nga Ara Tipuna Contribution - \$210k spent
- Te Paerahī Public Toilet - \$23k spent
- By Election Costs - \$5k spent
- Vehicle Replacements – \$57k provision
- Landfill Aftercare - \$51k part repay leachate loan
- Mayoral Fund - \$3k spent
- Adverse/Catastrophic Events – \$389k provision ex Reorganisation of balances, and addition of NZTA refund and surplus budget
- Stormwater Renewal - \$221k Tutanekai Helicoil Project Spend
- Wastewater Upgrade - \$200k Wetlands Project Spend
- Drinking Water - \$9k Spend budget shortfall

Bridge Replacement - \$53k provision
 Planting - \$20k provision ex bequest
 Waste Minimisation - \$45k spend on Glass Bunker and education
 Retirement Housing - \$23k budget shortfall

Carry Forwards

Carry Forwards is the practice where Councils take projects that were budgeted to occur in a financial year, and therefore rated for but remain unspent at year end. These projects are expected to be completed in the following financial year so Council "Carries Forward" the rates funding to the following year to allow that project to be undertaken.

For the 2020/2021 below is a list of the Carry Forwards (note these are cumulative and include any carry forwards from previous years that remain unspent):

| Account | 2019/20 Full Year Actuals | 2020/21 YTD Actuals June | Composition of Carry Forward | |
|---------------------------------------|------------------------------------|-----------------------------------|------------------------------|-----------|
| CF401. Leadership Carry Fwd | - 37,984 | - 46,993 | Maori Engagement unspent | 45,431 |
| | | | CVOS Grants | 1,562 |
| CF406. Health Carry Fwd | - 25,000 | - 17,460 | District Licensing Committee | 17,460 |
| CF411. Solid Waste Carry Fwd | - 9,793 | - | Solid Waste Carry Fwd | - |
| CF412. Water Carry Fwd | - 1,703 | - | Water Carry Fwd | - |
| CF413. Waste Water Carry Fwd | - 49,536 | - | Waste Water Carry Fwd | - |
| CF414. Stormwater Carry Fwd | - 278,001 | - 476,471 | Stormwater Carry Fwd | 476,471 |
| CF415. Parks Reserves Pools Carry Fwd | - 20,962 | - 89,862 | Te Reo Signage | 5,400 |
| | | | Parks Renewals | 562 |
| | | | War Memorial Renewals | 4,500 |
| | | | Waipukurau Camp Ground | 60,000 |
| | | | Camp Ground Renewals | 9,400 |
| | | | District Wide Renewals | 10,000 |
| CF419. Theatres Halls Carry Fwd | - 42,564 | - 93,580 | Civic Theatre | 5,632 |
| | | | District Halls | 22,320 |
| | | | Municipal Theatre | 5,608 |
| | | | Settlers Museum | 10,424 |
| | | | Memorial Hall | 21,078 |
| | | | Waipawa Pool | 28,519 |
| CF420. Cemeteries Carry Fwd | - 13,000 | - 25,649 | Cemeteries Carry Fwd | 25,649 |
| CF421. Properties Carry Fwd | - 67,787 | - 115,176 | Admin Building | 28,263 |
| | | | Library Renewals | 54,877 |
| | | | Library Book Replacements | 8,981 |
| | | | Library Program Donations | 19,302 |
| | | | Community Renewals | 3,753 |
| CF422. IT Carry Fwd | - 133,222 | - 40,500 | Server Relocation to HDC | 40,500 |
| CF423. Administration Carry Fwd | - 155,081 | - 120,583 | Document Scanning | 95,583 |
| | | | PBE Staff Training | 25,000 |
| CF424. Chief Exec CFWD | - 4,021 | - 23,023 | CE professional Development | 8,023 |
| | | | Residents Survey | 15,000 |
| CF425. Finance Services Carry Fwd | - 72,483 | - 13,721 | Finance Staff Training | 4,100 |
| | | | Maori Land | 9,621 |
| CF429. GIS Carry Fwd | - 82,122 | - 135,391 | Aerial Mapping | 135,391 |
| CF470R. LT Sub Carry Fwd Renewal | - 1,419,132 | - 174,487 | Adverse Events | 100,000 |
| | | | Footpaths | 74,487 |
| CF471R. LT Unsub Carry Fwd Renewal | - 28,013 | - 125,623 | Footpaths | 85,623 |
| | | | Carpark | 40,000 |
| | - 2,440,404 | -1,498,519 | | 1,498,520 |

You'll note that in the community facilities space there is significant renewals being carried forward. That is because they tend to rate for capital works over several years, and then undertake a significant piece of work once the funds are available.

Group Surplus and Deficits

Once you have taken into account the operating result of each Council Activity, and the movements in Special Funds and Carry Forwards above, Council is still left with a surplus/(deficit) in each activity.

For those activities that aren't funded by targeted rates we are able to apply the surpluses against the deficits and this looks like the following table:

| Activity | Surplus/(Deficit) |
|---------------------------------|--------------------------|
| Leadership | 22,608 |
| Economic and Social Development | (35,347) |
| District Planning | 2,166 |
| Resource Consents | (75,446) |
| Building Control | 158,602 |
| Public Health | (2,104) |
| Animal Control | 5,829 |
| Compliance | 18,390 |
| Solid Waste | (72,092) |
| Parks & Reserves | 28,774 |
| Public Toilets | 7,466 |
| Community Facilities | (23,987) |
| Properties | (34,861) |
| Total | - |

For those activities that are funded through targeted rates (3 Waters and Roading) any surpluses and deficits are ring fenced to those activities. Any surpluses are carried forward to future years, and any deficits are funded from prior year surpluses from that activity.

This has been achieved in all cases except Drinking Water. Below is the Funding Impact Statement (FIS) for Drinking Water and as you can see from the highlighted line Council has spent \$637k more on renewals than budgeted, or rated for. While through the use of carry forwards and reserves we have managed to fund \$209k of this, the remaining \$428k could not be covered and has had to be borrowed.

In the Long Term Plan for years 1-5 Council has programmed a large renewal program that will be loan funded, however due to failures throughout the year of Council's reticulation network some of this work has had to be undertaken this year and officers propose to reduce renewal work in year 1 of the Long Term Plan by the \$428k to offset this early loan drawdown. Essentially Council has (due to asset failures) had to get ahead of the curve and do some of the work planned for year 1 of the Long Term Plan, before the start of the new financial year. This situation was signalled earlier in the year when Council considered the end of year forecast.

| Account | 2019/20 Full Year Actuals | 2020/21 Approved Budget | 2020/21 YTD Actuals June | 2020/21 YTD Variance June |
|--|------------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| | 0 | 0 | 0 | 0 |
| Grand Total | | | | |
| Sources of Operating | -3,160,466 | -3,419,340 | -3,658,977 | -239,637 |
| Targeted rates | -3,155,798 | -3,416,220 | -3,330,827 | 85,393 |
| Subsidies and Grants for Operating Purposes | 0 | 0 | -318,530 | -318,530 |
| Fees, charges | -4,667 | -3,120 | -9,620 | -6,500 |
| Applications of Operating | 2,475,392 | 2,571,852 | 2,948,807 | 376,955 |
| Payments to staff and suppliers | 1,849,178 | 1,522,166 | 2,361,694 | 839,528 |
| Finance costs | 112,173 | 346,566 | 130,440 | -216,126 |
| Other operating funding applications | 514,040 | 703,120 | 456,673 | -246,447 |
| Sources of Capital | -5,152,301 | -1,724,945 | -2,806,531 | -1,081,586 |
| Subsidies and grants for capital expenditure | -263,131 | 0 | -1,628,618 | -1,628,618 |
| Development and financial contributions | -84,796 | -50,000 | -218,042 | -168,042 |
| Increase (decrease) in debt | -4,804,374 | -1,674,945 | -959,870 | 715,075 |
| Applications of Capital | 5,837,375 | 2,572,433 | 3,516,701 | 944,268 |
| to improve the level of service | 5,867,200 | 1,990,394 | 2,092,589 | 102,195 |
| to replace existing assets | 215,518 | 832,039 | 1,469,264 | 637,225 |
| Increase (decrease) in reserves | -245,344 | -250,000 | -45,152 | 204,848 |

Having done all done all this Council has a balanced Funding Impact Statement (as per the table below):

| Account | 2019/20 Full Year Actuals | 2020/21 Approved Budget | 2020/21 YTD Actuals June | 2020/21 YTD Variance June |
|---|------------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| Grand Total | 0.00 | 0.00 | 0.00 | 0.00 |
| Sources of Operating | (29,777,697) | (28,828,051) | (38,052,676) | (9,224,625) |
| General rates, uniform annual general charges and rates penalties | (13,379,846) | (13,949,917) | (13,942,328) | 7,589 |
| Targeted rates | (7,413,116) | (7,503,245) | (7,421,275) | 81,970 |
| Subsidies and Grants for Operating Purposes | (4,496,855) | (2,714,626) | (11,177,398) | (8,462,772) |
| Fees, charges | (3,781,277) | (4,336,604) | (4,791,269) | (454,665) |
| Interest and dividends from investments | (214,937) | (92,294) | (214,922) | (122,628) |
| Local authorities fuel tax, fines, infringement fees and other | (491,666) | (231,365) | (505,484) | (274,119) |
| Applications of Operating | 23,251,180 | 21,564,866 | 32,550,150 | 10,985,284 |
| Payments to staff and suppliers | 22,887,102 | 21,325,154 | 32,103,362 | 10,778,208 |
| Employee Costs | 5,567,072 | 5,829,438 | 5,695,588 | (133,850) |
| Operational & Maintenance | 15,745,691 | 13,830,377 | 24,824,068 | 10,993,691 |
| Grants | 502,046 | 537,745 | 485,412 | (52,333) |
| Uncontrollable | 1,072,292 | 1,127,594 | 1,098,294 | (29,300) |
| Finance costs | 364,078 | 419,390 | 446,788 | 27,398 |
| Other operating funding applications | (0) | (179,678) | 0 | 179,678 |
| Sources of Capital | (23,617,962) | (7,755,297) | (15,487,436) | (7,732,139) |
| Subsidies and grants for capital expenditure | (5,507,054) | (4,851,768) | (15,145,013) | (10,293,245) |
| Gross proceeds from sale of assets | (18,811) | (34,661) | (20,183) | 14,478 |
| Development and financial contributions | (92,097) | (106,972) | (322,240) | (215,268) |
| Increase (decrease) in debt | (18,000,000) | (2,761,896) | 0 | 2,761,896 |
| Applications of Capital | 30,144,479 | 15,018,482 | 20,989,962 | 5,971,480 |
| to improve the level of service | 12,439,478 | 5,651,907 | 8,105,268 | 2,453,361 |
| to replace existing assets | 7,324,211 | 9,554,195 | 17,750,453 | 8,196,258 |
| Increase (decrease) in reserves | (468,641) | 0 | (6,865,759) | (6,865,759) |
| Increase (decrease) of investments | 10,849,431 | (187,620) | 2,000,000 | 2,187,620 |

RISK ASSESSMENT AND MITIGATION

The proposed actions ensure that the targeted rates remain ring fenced for the use of 3 waters and roading, and that the general rate funds are only applied to those activities that are to be funded by general rates under Council's Revenue and Financing Policy.

FOUR WELLBEINGS

This report delivers an update on Council's finances, and shows that Council is acting in a transparent, fiscally prudent manner, with the best interests of Central Hawkes Bay District in mind.

DELEGATIONS OR AUTHORITY

While much of the movements in special funds and carry forwards reflect previous Council resolutions, how to deal with the residual activity surplus (deficits) needs to be decided.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as of some importance.

OPTIONS ANALYSIS

Council has the ability to approve the proposed allocations to carry forwards and special funds, and the drinking water renewal loan of \$428k for the 2020/2021 Financial Year and that the 2020/2021

activity surpluses in the general rate funded activities be used to fund the deficits in the general rate funded activities as proposed.

Or Council can chose not approve the proposed allocations, and provide officers with guidance how they wish to allocate the surplus/ (deficits) between special funds/carry forwards/and activities.

Recommended Option

This report recommends option number one, approving the proposed allocations for addressing the matter.

NEXT STEPS

Officers will action whatever decision is made, and proceed to have the Auditor General audit these financial statements.

| RECOMMENDATION |
|---|
| <p>a) That Council receives the report entitled Draft Financial Report and Carry Forwards for the 2020/2021 Financial Year.</p> <p>b) Council approve the proposed allocations to carry forwards and special funds for the 2020/2021 Financial Year.</p> <p>c) Council approve that the 2020/2021 activity surpluses in the general rate funded activities be used to fund the deficits in the general rate funded activities as proposed.</p> <p>d) Council approves funding the \$428k shortfall in drinking water renewal budget via loan funding.</p> |

FUNDING IMPACT STATEMENT FOR Community Leadership

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan | 2021 Long Term Plan | 2021 Annual Plan | 2021 Actual |
|---|------------------------|------------------------|---------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 |
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 1,229 | 1,251 | 1,406 | 1,405 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 47 | 48 | 35 | 6,146 |
| Fees, charges | 0 | 0 | 29 | 41 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 1,276 | 1,299 | 1,470 | 7,592 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 1,010 | 1,032 | 1,142 | 8,161 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads applied | 281 | 282 | 343 | 332 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 1,291 | 1,315 | 1,485 | 8,493 |
| Surplus (deficit) of operating funding | (15) | (15) | (15) | (901) |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 0 | 0 | 0 | 0 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 0 | 0 | 0 | 0 |
| - to replace existing assets | 0 | 0 | 0 | 0 |
| Increase (decrease) in reserves | (15) | (15) | (15) | (901) |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | (15) | (15) | (15) | (901) |
| Surplus (deficit) of capital funding | 15 | 15 | 15 | 901 |
| Funding balance | 0 | (0) | 0 | 0 |

FUNDING IMPACT STATEMENT FOR Planning & Regulatory

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan | 2021 Long Term Plan | 2021 Annual Plan | 2021 Actual |
|---|------------------------|------------------------|---------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 |
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 785 | 807 | 823 | 819 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 0 |
| Fees, charges | 1,030 | 1,041 | 1,393 | 2,108 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 21 | 22 | 17 | 3 |
| Total operating funding | 1,836 | 1,870 | 2,233 | 2,930 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 1,329 | 1,334 | 1,583 | 2,606 |
| Finance costs | 9 | 19 | 35 | 6 |
| Internal charges and overheads applied | 482 | 484 | 585 | 627 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 1,821 | 1,837 | 2,202 | 3,239 |
| Surplus (deficit) of operating funding | 15 | 33 | 31 | (309) |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 194 | 201 | 695 | 392 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 194 | 201 | 695 | 392 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 0 | 234 | 726 | 0 |
| - to replace existing assets | 208 | 0 | 0 | 0 |
| Increase (decrease) in reserves | 0 | 0 | 0 | 83 |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 208 | 234 | 726 | 83 |
| Surplus (deficit) of capital funding | (15) | (33) | (31) | 309 |
| Funding balance | 0 | 0 | 0 | 0 |

FUNDING IMPACT STATEMENT FOR Land Transport

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan \$000 | 2021 Long Term Plan \$000 | 2021 Annual Plan \$000 | 2021 Actual \$000 |
|---|------------------------------------|------------------------------------|------------------------------|-------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 6,564 | 6,707 | 6,854 | 6,854 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 2,554 | 2,571 | 2,613 | 3,660 |
| Fees, charges | 19 | 19 | 36 | 67 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 162 | 165 | 162 | 462 |
| Total operating funding | 9,299 | 9,462 | 9,664 | 11,043 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 4,602 | 4,635 | 4,705 | 5,706 |
| Finance costs | 0 | 0 | 0 | 0 |
| Internal charges and overheads recovered | 1,169 | 1,178 | 1,497 | 1,622 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 5,771 | 5,813 | 6,201 | 7,328 |
| Surplus (deficit) of operating funding | 3,528 | 3,649 | 3,463 | 3,715 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 4,499 | 4,663 | 4,852 | 12,110 |
| Development and financial contributions | 3 | 3 | 3 | 0 |
| Increase (decrease) in debt | 0 | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 4,502 | 4,666 | 4,855 | 12,110 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 300 | 300 | 1,000 | 1,602 |
| - to replace existing assets | 7,713 | 7,999 | 7,299 | 14,795 |
| Increase (decrease) in reserves | 16 | 16 | 19 | (572) |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 8,029 | 8,315 | 8,318 | 15,825 |
| Surplus (deficit) of capital funding | (3,528) | (3,649) | (3,463) | (3,715) |
| Funding balance | 0 | 0 | 0 | 0 |

FUNDING IMPACT STATEMENT FOR Solid Waste

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan \$000 | 2021 Long Term Plan \$000 | 2021 Annual Plan \$000 | 2021 Actual \$000 |
|---|------------------------------------|------------------------------------|------------------------------|-------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 1,193 | 1,195 | 1,196 | 1,227 |
| Targeted rates | 236 | 242 | 373 | 374 |
| Subsidies and grants for operating purposes | 53 | 54 | 53 | 132 |
| Fees, charges | 1,132 | 1,156 | 1,713 | 2,002 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 2,614 | 2,648 | 3,335 | 3,735 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 1,911 | 1,942 | 2,472 | 2,936 |
| Finance costs | 92 | 85 | 44 | 27 |
| Internal charges and overheads applied | 341 | 342 | 501 | 484 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 2,344 | 2,369 | 3,017 | 3,447 |
| Surplus (deficit) of operating funding | 270 | 278 | 318 | 288 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 20 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | (115) | (122) | (129) | (54) |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | | 0 | 0 | 0 |
| Total sources of capital funding | (115) | (122) | (129) | (34) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 0 | 0 | 0 | 80 |
| - to replace existing assets | 95 | 97 | 97 | 94 |
| Increase (decrease) in reserves | 59 | 59 | 93 | 80 |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 154 | 157 | 190 | 254 |
| Surplus (deficit) of capital funding | (270) | (278) | (318) | (288) |
| Funding balance | 0 | 0 | 0 | 0 |

FUNDING IMPACT STATEMENT FOR Water Supply

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan \$000 | 2021 Long Term Plan \$000 | 2021 Annual Plan \$000 | 2021 Actual \$000 |
|---|------------------------------------|------------------------------------|------------------------------|-------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 3,109 | 3,272 | 3,416 | 3,331 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 319 |
| Fees, charges | 0 | 0 | 3 | 10 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 3,109 | 3,272 | 3,419 | 3,660 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 1,223 | 1,532 | 1,522 | 2,363 |
| Finance costs | 453 | 616 | 347 | 130 |
| Internal charges and overheads recovered | 509 | 511 | 703 | 457 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 2,185 | 2,659 | 2,572 | 2,950 |
| Surplus (deficit) of operating funding | 924 | 613 | 847 | 710 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 1,629 |
| Development and financial contributions | 5 | 5 | 50 | 218 |
| Increase (decrease) in debt | 6,319 | 220 | 1,675 | 960 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 6,324 | 225 | 1,725 | 2,807 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 0 | 0 | 1,990 | 2093 |
| - to replace existing assets | 7,123 | 1,088 | 832 | 1469 |
| Increase (decrease) in reserves | 125 | (250) | (250) | (45) |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 7,248 | 838 | 2,572 | 3,517 |
| Surplus (deficit) of capital funding | (924) | (613) | (847) | (710) |
| Funding balance | 0 | 0 | 0 | 0 |

FUNDING IMPACT STATEMENT FOR Wastewater

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan \$000 | 2021 Long Term Plan \$000 | 2021 Annual Plan \$000 | 2021 Actual \$000 |
|---|------------------------------------|------------------------------------|------------------------------|-------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 0 | 0 | 0 | 0 |
| Targeted rates | 3,319 | 3,573 | 2,932 | 2,933 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 743 |
| Fees, charges | 240 | 245 | 417 | (83) |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 3,559 | 3,818 | 3,349 | 3,593 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 1,404 | 1,519 | 1,459 | 1,879 |
| Finance costs | 620 | 698 | 375 | 213 |
| Internal charges and overheads recovered | 509 | 511 | 675 | 782 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 2,533 | 2,728 | 2,509 | 2,874 |
| Surplus (deficit) of operating funding | 1,026 | 1,090 | 841 | 719 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 1,387 |
| Development and financial contributions | 10 | 10 | 50 | 96 |
| Increase (decrease) in debt | 2,163 | 1,100 | 977 | 2,143 |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 2,173 | 1,110 | 1,027 | 3,626 |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 0 | 0 | 0 | 4181 |
| - to replace existing assets | 3,168 | 2,168 | 1,609 | 408 |
| Increase (decrease) in reserves | 31 | 32 | 259 | (244) |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 3,199 | 2,200 | 1,868 | 4,345 |
| Surplus (deficit) of capital funding | (1,026) | (1,090) | (841) | (719) |
| Funding balance | 0 | 0 | (0) | 0 |

FUNDING IMPACT STATEMENT FOR Storm Water

Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan \$000 | 2021 Long Term Plan \$000 | 2021 Annual Plan \$000 | 2021 Actual \$000 |
|---|------------------------------------|------------------------------------|------------------------------|-------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | | 0 | 0 | 0 |
| Targeted rates | 670 | 713 | 782 | 784 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 | 0 |
| Fees, charges | 0 | 0 | 0 | 0 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 | 0 |
| Total operating funding | 670 | 713 | 782 | 784 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 258 | 250 | 312 | 216 |
| Finance costs | 27 | 28 | 17 | 7 |
| Internal charges and overheads recovered | 165 | 166 | 208 | 227 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 451 | 444 | 538 | 450 |
| Surplus (deficit) of operating funding | 220 | 269 | 245 | 334 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 | 7 |
| Increase (decrease) in debt | 70 | (43) | (19) | (11) |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 70 | (43) | (19) | (4) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 0 | 0 | 0 | 9 |
| - to replace existing assets | 304 | 226 | 226 | 344 |
| Increase (decrease) in reserves | (15) | 0 | 0 | (23) |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 289 | 226 | 226 | 330 |
| Surplus (deficit) of capital funding | (219) | (269) | (245) | (334) |
| Funding balance | 0 | 0 | (0) | 0 |

FUNDING IMPACT STATEMENT FOR Recreation & Community
Funding impact statement for the year ending 30 June 2021

| | 2020 Long Term Plan \$000 | 2021 Long Term Plan \$000 | 2021 Annual Plan \$000 | 2021 Actual \$000 |
|---|------------------------------------|------------------------------------|------------------------------|-------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges and rates penalties | 3,400 | 3,561 | 3,644 | 3,637 |
| Targeted rates | 0 | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 17 | 17 | 13 | 178 |
| Fees, charges | 554 | 566 | 746 | 646 |
| Interest and dividends from investments | 0 | 0 | 0 | 0 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 130 | 6 | 51 | 41 |
| Total operating funding | 4,100 | 4,150 | 4,454 | 4,502 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 2,303 | 2,375 | 2,659 | 3,033 |
| Finance costs | 166 | 174 | 98 | 75 |
| Internal charges and overheads recovered | 773 | 776 | 934 | 903 |
| Other operating funding applications | 0 | 0 | 0 | 0 |
| Total applications of operating funding | 3,241 | 3,324 | 3,691 | 4,011 |
| Surplus (deficit) of operating funding | 859 | 826 | 763 | 491 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 | 0 |
| Development and financial contributions | 4 | 4 | 4 | 1 |
| Increase (decrease) in debt | 134 | 185 | 129 | (160) |
| Gross proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 138 | 189 | 133 | (159) |
| Applications of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve the level of service | 120 | 0 | 326 | 79 |
| - to replace existing assets | 698 | 959 | 586 | 378 |
| Increase (decrease) in reserves | 179 | 56 | (16) | (125) |
| Increase (decrease) of investments | 0 | 0 | 0 | 0 |
| Total application of capital funding | 997 | 1,015 | 897 | 332 |
| Surplus (deficit) of capital funding | (859) | (826) | (763) | (491) |
| Funding balance | 0 | 0 | (0) | 0 |