

7.10 QUARTERLY FINANCIAL REPORTING FOR SEPTEMBER 2019**File Number: COU1-1400****Author: Brent Chamberlain, Acting Chief Financial Officer****Authoriser: Monique Davidson, Chief Executive****Attachments: 1. Quarterly Financial Report September 2019**

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RECOMMENDATION

1. **That, having considered all matters raised in the report, the report on Council's first quarter financial performance for the 2019/20 financial year be received.**

PURPOSE

The purpose of this report is to provide Council with a summary of Council's first quarter financial performance for the 2019/20 financial year.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

This report is to supply Council with a summary of the financial performance of Council and highlights the key financials for the first quarter for the year ended 30 June 2019.

The report contains a Financial Overview for Whole of Council and the Groups of Activities, Treasury Report and Rates Debt Information.

This Financial Report is for the 3 months to 30 September 2019.

Central Hawke's Bay District Council: Funding impact statement 2019/20
Whole of Council
As at 30 September 2019

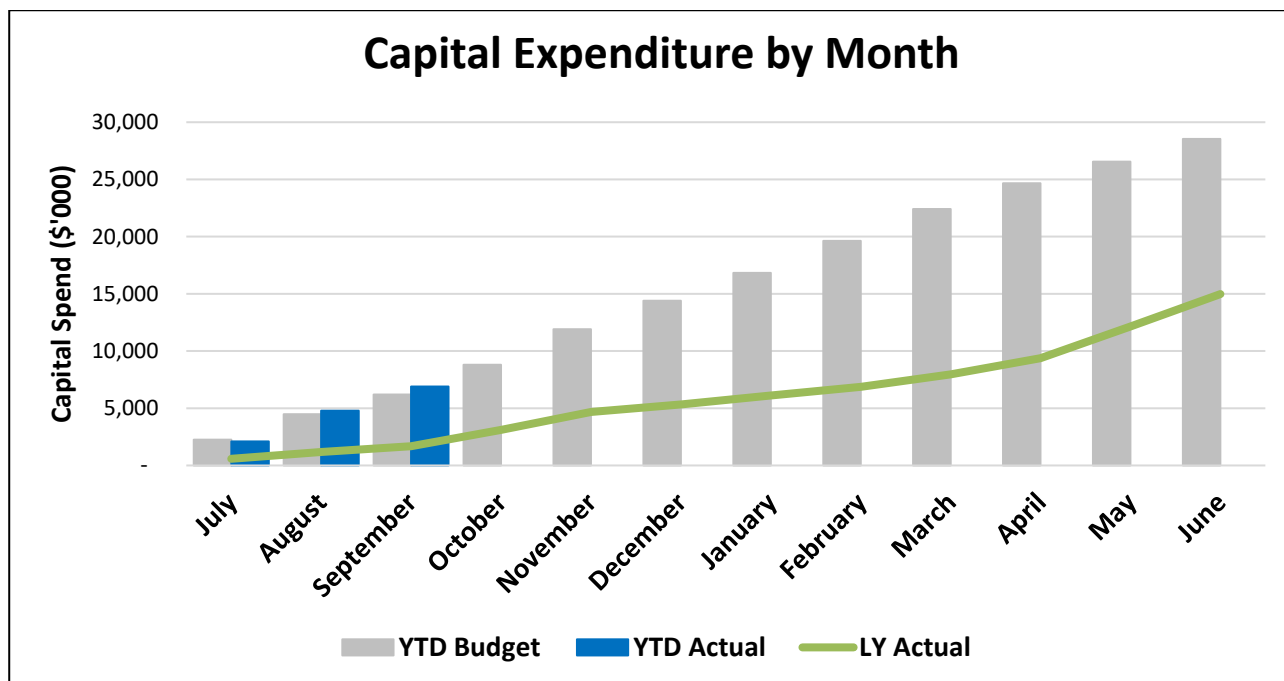
	YTD Operating Budget 2020 \$000	YTD Actuals 2020 \$000	YTD Variance 2020 \$000	YTD Variance % 2020 \$000
Sources of operating funding				
General rates, uniform annual general charges and rates penalties	3,359	3,357	(2)	0%
Targeted rates	1,814	1,741	(73)	-4%
Subsidies and grants for operating purposes	792	1,247	455	57%
Fees, charges	994	1,110	116	12%
Interest and dividends from investments	35	39	4	11%
Local authorities fuel tax, fines, infringement fees and other receipts	49	165	115	235%
Total operating funding	7,043	7,659	615	
Applications of operating funding				
Payments to staff and suppliers	5,930	6,051	(121)	-2%
Finance costs	142	64	78	55%
Other operating funding applications	(9)	1	(10)	111%
Total applications of operating funding	6,063	6,116	(53)	
Surplus (deficit) of operating funding	980	1,543	562	

Overall Council has a surplus of \$1.543m for the quarter which is \$562k ahead of budget.

This is largely on the back of favourable revenues (\$615k ahead of budget) due to higher NZTA roading subsidies \$315k, an unbudgeted grant from MBIE \$150k, additional fees and charges derived from consenting and landfill volumes, and other revenue which is the donations towards the Waipawa Pool project. Offsetting this is water rates which is \$83k below budget due to a high level of historical remissions being processed in July 2019. The revenue was originally recorded in previous financial years.

Costs overall are \$53k unfavourable to budget which is a mix of overs and unders mainly in contractor/supplier costs. Land Transport is under \$162k due to timing of works (despite incurring some storm damage work), Solid Waste is \$57k over due to purchasing additional carbon credits due to higher volumes of waste, Water Supplies is \$101k over due to high levels of new connections and some timing mismatches of recharges, Material Damage Insurance premiums have also come in higher than budgeted and this impacts all asset owning cost centres (this makes up the bulk of the \$102k unfavourable in uncontrollable costs). Not showing in this quarters financials is the insurance renewal of our underground assets which occurs in November, but we have just received notice that the cost of this has increased by \$29k compared to last years premium. This is due to a combination of insurance firms increasing their premiums generally, that insurance firms are now introducing loadings for regions that are more susceptible to earthquakes, and that CHB Council has revalued its asset base upwards so the premiums are being calculated on a higher asset base.

Financing costs are \$78k favourable due to the delays in some budgeted new loans, and low interest rates.



The capital program for 2019/2020 is forecast to be significantly higher than the previous year (\$28.5m versus \$14.9m). This is a significant step change and will be a challenge to deliver. Having said that, at the end of September Council had already spent \$6.9m against a budget of \$6.2m so we are well on track. To put this in context Council didn't reach \$6.2m of capital spend last year until the end of January.

In July Council borrowed an additional \$10m of funding from the LGFA (Local Government Funding Agency) with a Maturity of April 2024 at an interest rate of 2.19%. This gives Council a total external debt position of \$12m. \$5.6m of this \$10m was used to acquire corporate bonds with an average interest rate of 4.25%. This gives the Council a higher yield than a term deposit would, and because the bonds have a readily available secondary market they can be easily liquidated if the funds are required to fund Councils capital program. The balance of the \$10m is either in the bank (\$4.7m as at 30 September) or has already be used to fund the capital program to date.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to monitor and management the finances of Council.

RECOMMENDATION

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