



# Four Month Report

1 July 2021 - 31 October 2021



## Executive Summary

<b>Total revenue</b> <b>\$21.86m</b> is 8% less than the YTD budget of \$23.7m	<b>Total expenditure</b> <b>\$20.39m</b> is 2% less than the YTD budget of \$20.8m	<b>Total surplus/(deficit)</b> <b>\$1.47m</b> is \$1.5m less than the YTD budget of \$3.0m
<b>Total Capital Spending</b> <b>\$5.49m</b> is \$9.4m less than the YTD budget of \$14.9m	<b>Grants and Subsidies (Capital &amp; Operating)</b> <b>\$2.62m</b> is 56% less than the YTD budget of \$5.93m	<b>Total net borrowings</b> <b>\$101.9m</b> is 145% of budgeted operating income (financial strategy limit is 225%)

Overall the level of expenditure is in line with the Long Term Plan (LTP). The level of income is lower as a result of lower capital funding due to the timing of the capital programme changing from what was originally planned.

The Council has completed \$5.5m towards the budgeted capital programme at the end of October. The budget of \$57.4m for 2021/22 includes the \$55.5m approved in the LTP together with \$1.9m in additional approved carry forwards.

The organisation has completed an initial stage of forecasting work to reassess the timing for completion of the capital programme. At this stage it is forecast that \$5.5m less work will be completed during this financial year and will be instead completed during the 2022/23 year. This will form part of the decision making for the 2022/23 Annual Plan.

The Council has also completed its first high level review of the operational budget and is currently estimating a deficit of \$484k. This is an initial estimate that will be subject to change as we progress further through the year. The key reasons are outlined throughout the report, however a key driver is the reduction in landfill revenue due to lower volumes of waste being taken to the landfill.

**Jacinta Straker - Chief Financial Officer**

## Operational Summary

Total revenue	Total expenditure	Total surplus/(deficit)
<p><b>\$21.86m</b></p> <p>is 8% less than the YTD budget of \$23.7m</p>	<p><b>\$20.39m</b></p> <p>is 2% less than the YTD budget of \$20.8m</p>	<p><b>\$1.47m</b></p> <p>is \$1.5m less than the YTD budget of \$3.0m</p>

## SUSTAINABILITY

**Rates to operating revenue** **69%**

Rates revenue	\$14.08m
Operating revenue	\$20.38m

69% of operating revenue is derived from rates revenue. Rates revenue excludes penalties, water supply by meter and is gross of remissions. Operating revenue excludes vested assets, development contributions, asset revaluation gains and gains on derivatives.

**Balance budget ratio - Actual** **100%**

**Balance budget ratio - Target** **100%**

Operating revenue	\$20.38m
Operating expenditure	\$20.39m

Operating revenue should be equal or more than operating expenditure. Operating revenue excludes vested assets, development contributions, asset revaluation gains and gains on derivatives. Operating expenditure includes depreciation and excludes loss on derivatives, landfill liability and loss on asset revaluations. Year to date revenue is 100% of operating expenditure.

**Net Debt to total projected revenue - Actual** **145%**

**Net Debt to total projected revenue (Borrowings Limit)** **225%**

Total net borrowing	\$101.88m
Total budgeted operating revenue	\$70.35m

With net borrowing of \$101.88m we are still under the set limit of 225% of operating revenue. Total net borrowing is external borrowings less cash at bank.

<b>Interest to rates revenue - Actual</b>	<b>3%</b>
<b>Interest to rates revenue - Limit</b>	<b>25%</b>
Net Interest	\$0.44m
Rates revenue	\$14.08m

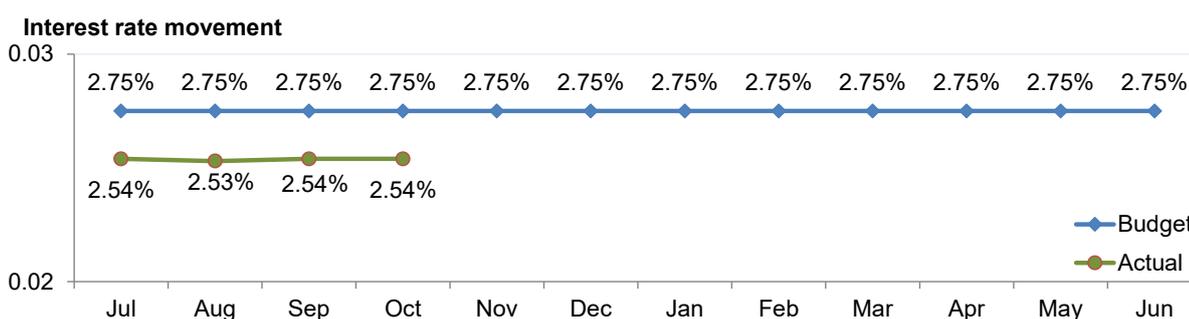
3% of rates revenue is paid in interest. Our set limit is 25% of rates revenue. Net interest is interest paid less interest received. Rates revenue excludes penalties, water supply by meter and gross of remissions (LGFA Cov.)

<b>Interest to operating revenue - Actual</b>	<b>2%</b>
<b>Interest to operating revenue - Limit</b>	<b>20%</b>
Net Interest	\$0.44m
Operating revenue	\$20.21m

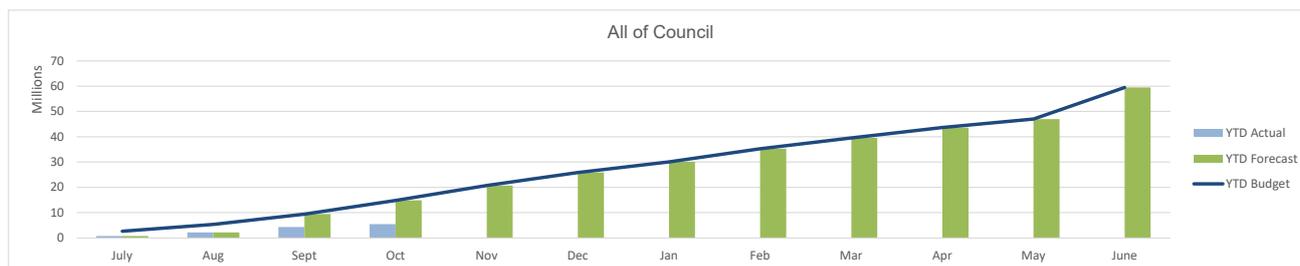
2% of operating revenue is paid in interest. Our set limit is 20% of operating revenue. Net interest is interest paid less interest received (LGFA Cov.).

<b>Available financial accommodation to external indebtedness - Actual</b>	<b>129%</b>
<b>Available financial accommodation to external indebtedness - Minimum required</b>	<b>110%</b>
Net debt	\$101.88m
Undrawn committed facilities	\$30.00m

The committed bank facility enables us to borrow up to 129% of our current external debt immediately. The LGFA covenant minimum is 110%.



## Capital Expenditure Summary



The Council has completed \$5.5m towards the budgeted capital programme at the end of October. The budget of \$57.4m for 2021/22 includes the \$55.5m approved in the LTP together with \$1.9m in additional approved carry forwards.

The organisation has completed an initial stage of forecasting work to reassess the timing for completion of the capital programme. At this stage it is forecast that \$5.5m less work will be completed during this financial year and will be instead completed during the 2022/23 year. This will form part of the decision making for the 2022/23 Annual Plan.

Work completed so far includes:

- Wastewater – \$2.1m has been spent compared to a year to date budget of \$4.3m. The majority of the spending has been for the Foxton Wastewater Treatment Plant - Strategic Upgrade (\$1.4m). The lower spending relates to the timing of Tara-Ika (\$1.2m) and the planned renewals and upgrade work for The POT.

Overall the Council is planning to spend \$415k of the budget for Tara-Ika in 2022/23 due to movements in the planned timing for the project.

- Roading work – \$661k compared to a budget of \$5.2m. The lower spending relates to the timing of the Gladstone Road realignment project (\$2.6m) and Tara-Ika (\$1.4m).

The Council is planning to spend \$744k less on cycling due to reduced funding from Waka Kotahi NZTA, \$1.8m of Tara-Ika funding and \$1.5m of the Gladstone Road project is planned to be completed in 2022/23.

- Stormwater – \$266k of the \$1.0m year to date budget has been completed. This includes work in Roslyn Road, Queen Street and Tara-Ika. The lower spending includes the Lake Horowhenua Stormwater project (\$266k), Foxton East Drainage scheme (\$167k) and the North East Stormwater Pipeline project (\$67k).
- Water Supply – \$510k of the \$1.9m year to date budget has been completed. This includes renewals across the district (\$186k), work in Balance Street (\$157k), and work towards the alternate water source project (\$93k).
- Projects across the Community Facilities and Services activity totalling \$536k have been completed of the \$1.1m year to date budget. This includes reserve renewals (\$189k), purchase of library books (\$95k) and work on Waitārere Domain improvement plan (\$50k).

Additional spending forecast includes work on the Levin Domain grandstand (\$150k), finalisation of the work for the Foxton Futures project including toilets (\$500k).

- The Property activity spending of \$1.2m includes the purchase of strategic land with potential use for the Alternate water source (\$972k) and work on the Foxton Beach Surf Lifesaving club (\$190k).

## Statement of Comprehensive Revenue and Expense

	LTP YTD Oct-21 \$000	Actual YTD Oct-21 \$000	Variance YTD Oct-21 \$000		Year End Projection 2021 \$000	LTP 2021 \$000	Variance 2021 \$000		Notes
<b>Revenue</b>									
Rates Revenue	(14,065)	(14,077)	12	☺	(43,447)	(43,447)	(0)	☺	
Operational Grants & Subsidies	(706)	(1,258)	552	☺	(4,109)	(2,951)	1,158	☺	1
Finance Income	(18)	(4)	(14)	☹	(20)	(200)	(180)	☹	
Fees & Charges	(1,553)	(1,346)	(207)	☹	(4,127)	(4,748)	(621)	☹	2
Other Revenue	(1,268)	(2,333)	1,065	☺	(4,814)	(3,872)	942	☺	3
<b>Total Revenue</b>	<b>(17,610)</b>	<b>(19,018)</b>	<b>1,408</b>	☺	<b>(56,517)</b>	<b>(55,218)</b>	<b>1,299</b>	☺	
<b>Expenditure</b>									
Employee Benefit Expenses	5,579	5,244	335	☺	18,218	18,169	(49)	☹	4
Finance Costs	988	442	546	☺	2,600	2,964	364	☺	5
Depreciation and Amortisation	4,908	4,951	(43)	☹	14,722	14,722	-	☺	
Other Expenses	9,322	9,753	(431)	☹	29,032	26,933	(2,099)	☹	6
Loss on Disposal of Assets	-	-	-	☺	-	-	-	☺	
<b>Total Expenses</b>	<b>20,797</b>	<b>20,390</b>	<b>407</b>	☺	<b>64,572</b>	<b>62,788</b>	<b>(1,784)</b>	☹	
<b>Operating (surplus) deficit before capital revenue and taxation</b>	<b>3,187</b>	<b>1,372</b>	<b>1,815</b>		<b>8,054</b>	<b>7,570</b>	<b>(484)</b>		
Capital Grants and Subsidies	(5,223)	(1,360)	(3,863)	☹	(14,391)	(15,135)	(744)	☹	7
Development Contributions	(915)	-	(915)	☹	(2,744)	(2,744)	0	☺	8
Gain on Derivatives	-	(1,481)	1,481	☺	-	-	-	☺	9
<b>Total (Surplus)/Deficit</b>	<b>(2,951)</b>	<b>(1,469)</b>	<b>(1,482)</b>	☹	<b>(9,081)</b>	<b>(10,309)</b>	<b>(1,228)</b>	☹	

**Note 1** Operational Grants and Subsidies **favourable** variance of \$552k.

The additional funding relates to the final portion of the PGF funding received for The Mahi Space (\$153k), more funding than planned from Waka Kotahi NZTA (\$276k) which is mainly due to Gladstone Road, as well as additional economic development funding of \$250k relating to funding received for the Mayor's Taskforce for Jobs (MTFJ).

The Mayor's Taskforce for Jobs (MTFJ) is a nationwide network of New Zealand's Mayors, working together, through Local Government New Zealand (LGNZ) towards the vision of all young people under 25 being engaged in appropriate education, training, work or other positive activity in their communities. The Council was awarded \$250,000 in the 20/21 financial year as a pilot for the programme, and was then successful in securing funding in 21/22 to run the programme for a further 12 months.

The additional funding forecast is for MTFJ (further \$250k to reach a total of \$500k), expected but not yet confirmed funding from Waka Kotahi NZTA towards the Gladstone Road Emergency Work (\$381k) and Three Waters Stimulus funding.

**Note 2** Fees & Charges **unfavourable** variance of \$207k year to date is mainly due to less income in the solid waste activity due to reduced waste going to the landfill (\$173k) and lower revenue from pools, libraries and community centres due to COVID-19.

**Note 3** Other revenue **favourable** variance of \$1.1m. This primarily relates to additional revenue received for building and resource consents of approximately \$500k as a result of increased building and development activity in the district and almost \$278k due to the timing of the dog registrations.

In addition funding was received from MBIE for the second year of the welcoming communities' programme with the combined total now at \$100k. Welcoming Communities Te Waharoa ki ngā Hapori is led by Immigration New Zealand (INZ) in collaboration with the Office of Ethnic Communities, along with the Human Rights Commission. The Horowhenua District Council joined the Welcoming Communities programme, as part of the refugee settlement programme, aimed at welcoming people to the district and improving engagement with the local community

The additional revenue forecast of \$942k is due to the increased building and resource consent activity. This is partially offset by increases resourcing to support the team.

**Note 4** Employee Benefit Expenses **favourable** variance of \$335k relates to current vacancies across Council operations. Overall employee expenses are forecast to be \$50k higher than the budget despite the underspend due to fixed term resourcing for the Mayor's Task Force for Jobs programme (offset by income received) and extra resourcing in the Regulatory team.

**Note 5** Finance Costs **favourable** variance of \$546k relates to lower finance costs and also relates to the timing of the capital budgets. Currently it is forecast that interest costs will be \$364k lower by the end of the year due to forecast lower capital spending and the slower capital spending for the first half of the year. Interest rates were also budgeted based on 3% but the current weighted average is 2.54%.

**Note 6** Other Expenses **unfavourable** variance \$431k as detailed below:

Note 6 Other Expenses	LTP	Actual	Variance	Year End		LTP	Variance	Notes
	YTD	YTD	YTD	Projection	Jun-22	Jun-22		
	Oct-21 \$000	Oct-21 \$000	Oct-21 \$000	Jun-22 \$000	Jun-22 \$000	Jun-22 \$000		
Professional Services	2,156	1,966	190	6,658	5,751	(907)	6A	
Materials	38	60	(22)	119	119	-		
Maintenance	5,348	5,802	(454)	17,403	16,296	(1,107)	6B	
Grants Paid	232	208	24	603	603	(0)		
Utilities	371	431	(60)	1,267	1,239	(28)		
Communications	73	88	(15)	218	215	(3)		
Other Expenses	2,232	1,720	512	5,599	5,473	(126)	6C	
Vehicle Expenses	41	40	1	115	114	(1)		
Other Treasury Expenses	31	38	(7)	108	181	73		
Labour Recoveries for Capex projects	(1,200)	(600)	(600)	(3,058)	(3,058)	0	6D	
<b>Total Other Exepnses</b>	<b>9,322</b>	<b>9,753</b>	<b>(431)</b>	<b>29,032</b>	<b>26,933</b>	<b>(2,099)</b>		

**Note 6A** Professional Services **favourable** variance \$190K. The lower spending relates to the timing of the payments for the Economic Development contract with The Horowhenua Company.

The additional spending of \$907k forecast is primarily for resource planning and building consents to resource the additional volume of work in the team (\$500k), additional work relating to growth strategy and Ō2NL (\$80k), additional recruitment and consulting costs for changes across the organisation (\$200k) and spending of \$188k for The Mayor's Taskforce for Jobs.

**Note 6B** Maintenance costs **unfavourable** variance of \$454k. The variance year to date relates to additional emergency management spending of \$108k as a result of the June flooding event, additional spending for the Levin Wastewater Treatment plant of \$417k due to the digester and emergency works of \$615k which primarily relates to Gladstone Road.

The additional spending of \$1.1m forecast relates to \$259k for the waters activity which is funded by the Three Waters Stimulus fund, \$108k for the flooding event and \$614k for Gladstone Road. Currently it is assumed that the Council will receive 62% funding for this work but it hasn't been confirmed yet.

Note 6B Other expenses **favourable** variance \$512k reflecting lower spending across the organisation. \$463k relates to the timing of IT spending and the remaining amount is spread across the organisation.

Note 6C Labour recoveries for CAPEX projects **unfavourable** variance \$600k reflecting the lower capital project expenditure and staff time allocation than budgeted. Work on the labour budgets will be completed in the second stage of the capital re-forecasting work.

**Note 7** Capital Grants and Subsidies **unfavourable** variance \$3.9m relates to the timing of the capital programme. Grants for Three Water Stimulus funding are not forecast to be received until later in the year and the revenue for Tara-Ika will likely occur next financial year due to the revised timing of the programme.

**Note 8** While the Council has assessed new developments for development contributions since 1 July 2021 the invoicing will not occur until separate titles (224C) are applied for and so no revenue has been realised yet.

**Note 9** This is a non-cash gain which reflects the increase in interest rates.

# Statement of Comprehensive Revenue and Expense by Activity

REVENUE	LTP	Year to date (YTD)			Notes
	2021/22	Actual	Budget	Variance	
	\$000	\$000	\$000	\$000	
<b>Significant Activities</b>					
Regulatory Services	(6,147)	(2,809)	(2,038)	771	😊 1
Community Facilities and Services	(15,322)	(4,772)	(4,841)	(69)	😞 2
Road Transport	(15,100)	(2,138)	(5,188)	(3,050)	😞 3
Water Supply	(8,829)	(2,167)	(2,733)	(566)	😞 4
Wastewater Management	(12,373)	(2,845)	(4,023)	(1,178)	😞 5
Solid Waste	(4,014)	(1,221)	(1,401)	(180)	😞 6
Stormwater	(3,143)	(553)	(1,048)	(495)	😞 7
Treasury	(2,555)	(2,218)	(592)	1,626	😊 8
Property	(1,419)	(471)	(473)	(2)	😞 9
Community Support	(2,843)	(1,288)	(936)	352	😊 9
Representation & Com. Leadership	(4,318)	(2,269)	(1,439)	830	😊 10
<b>Total Activity Revenue</b>	<b>(76,063)</b>	<b>(22,751)</b>	<b>(24,712)</b>	<b>(1,961)</b>	😞
<b>EXPENDITURE</b>					
EXPENDITURE	LTP	Year to date (YTD)			Notes
	2021/22	Actual	Budget	Variance	
	\$000	\$000	\$000	\$000	
<b>Significant Activities</b>					
Regulatory Services	6,147	1,803	2,023	220	😊 1
Community Facilities and Services	13,778	4,222	4,535	313	😊 2
Road Transport	8,050	3,193	2,683	(510)	😞 3
Water Supply	8,518	2,681	2,794	113	😊 4
Wastewater Management	9,522	3,278	3,088	(190)	😞 5
Solid Waste	4,337	1,379	1,377	(2)	😞 6
Stormwater	1,927	673	637	(36)	😞 7
Treasury	3,231	508	817	309	😊 8
Property	1,528	431	456	25	😊 9
Community Support	2,843	1,245	1,403	158	😊 9
Representation & Com. Leadership	5,873	1,872	1,937	65	😊 10
<b>Total Activity Expenditure</b>	<b>65,754</b>	<b>21,285</b>	<b>21,750</b>	<b>465</b>	😊
<b>Business Units</b>	0	(3)	11	14	😊
<b>Operating (Surplus)/Deficit</b>	<b>(10,309)</b>	<b>(1,469)</b>	<b>(2,951)</b>	<b>(1,482)</b>	😞

- Note 1** Regulatory Services revenue **favourable** variance \$771k. The higher revenue is due to increased building activity. The lower expenditure is due to lower overhead costs so far this year.
- Note 2** Community Facilities and Services **favourable** variance \$313k. The lower spending of \$313k relates mainly due to the timing of expenditure.
- Note 3** Road Transport **unfavourable** variance \$510k. Overall there was \$3.1m lower revenue from Waka Kotahi NZTA than planned due to lower capital spending and the reduced funding for cycleways. The additional expenditure of \$510k primarily related to funded Emergency works spending on Gladstone Road.
- Note 4** Water Supply revenue **unfavourable** variance \$566k. The lower income relates to the three water stimulus funding not being received for the year yet.
- Note 5** Wastewater revenue **unfavourable** variance \$1.2m. The lower revenue is due to three water stimulus funding, development contributions and Taraika funding not being received for the year yet. The additional expenditure of \$190k relates to maintenance on the digester at the Wastewater Treatment Plant in Levin.
- Note 6** Solid Waste revenue **unfavourable** variance \$180k. The lower revenue relates to lower volumes being received at the landfill.
- Note 7** Stormwater **unfavourable** revenue variance \$495k is due to the Three Waters Stimulus funding being received later in the year than anticipated.
- Note 8** Treasury - The higher revenue of \$1.6m relates to the gain on interest rate swaps and the lower expenditure of \$309k relates to lower interest costs.
- Note 9** Community Support revenue **favourable** variance \$352k and **favourable** expenditure variance of \$158k. The reported revenue variance is a result of additional funding received for the Mayor's Taskforce for Jobs (MTFJ) and funding for The Mahi Space received in prior year but relating to the 2021/22 year. The expenditure variance relates to timing of the new economic development services contract.
- Note 10** Representation and Community Leadership revenue **favourable** variance \$830k. The higher income relates to the three water stimulus funding which will be transferred to the relevant activities as the projects are completed.

## APPENDIX

Asset maintenance contract	General contract works, repairs, planned and unplanned maintenance, materials and consumables, cleaning and hygiene, inspections and reporting.
Finance cost	Interest on borrowings and interest on swaps.
Gains	Fair value revaluation gain and gain on sale.
General grants	Grants given to various organisations and individuals like Creative NZ, neighbourhood support, beach wardens, community development and youth scholarships.
Grants and subsidies	Grants and subsidies received from government and other organisations for roading, library, community hubs, cemeteries and aquatic centres.
Infringements and fines	Parking tickets, Prosecutions on WOFs and unregistered vehicles.
Employee benefits	Salaries and wages, training costs, FBT and ACC levies, superannuation, and staff recognition.
Other expenses	Printing, publication, postage, stationery, advertising, food and catering, photocopying, internet and communication and any other office expenses.
Professional services	Consultants, contractors, membership fees, legal fees, lab services, audit fees or any other professional services charges.
Regulatory revenue	Planning fees, building fees, animal fees, liquor fees and health fees.
Rendering of services	Commissions, car income, and any other income received for rendering services.
Rental income	Rent from Halls, residential and commercial properties, grazing land, reserves and other lease income.
Targeted rates	Rates for roading, waste management, representation and governance, stormwater, wastewater, water by meter and water supply.
User charges	Revenue received from admission, shop sale, Cemetery fees, trade waste, utility connection, events and exhibitions.
Utilities	Water use, electricity and gas charges