

5.5 HALF YEAR FINANCIAL REPORTING TO DECEMBER 2019

File Number: COU1-1410

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Attachments: 1. H1 2019-2020 Financial Reporting Pack

PURPOSE

The purpose of this report is to provide the Committee with a summary of Council's financial performance and highlight the key financials for the first half of 2019/20 financial year.

RECOMMENDATION

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

SIGNIFICANCE AND ENGAGEMENT

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

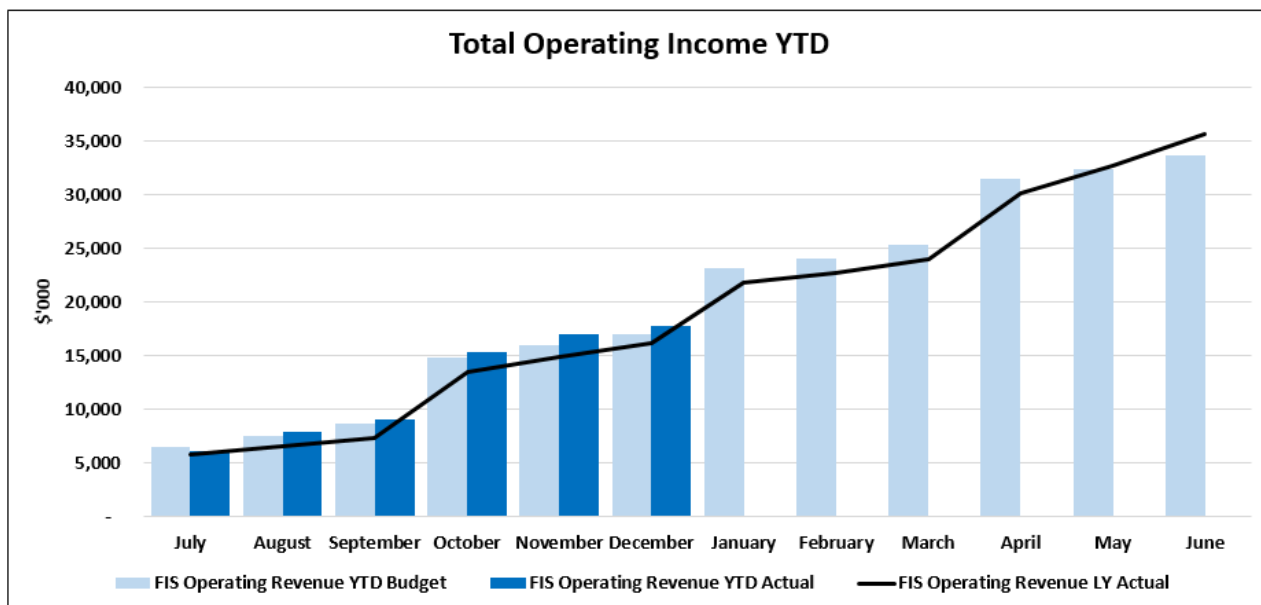
DISCUSSION

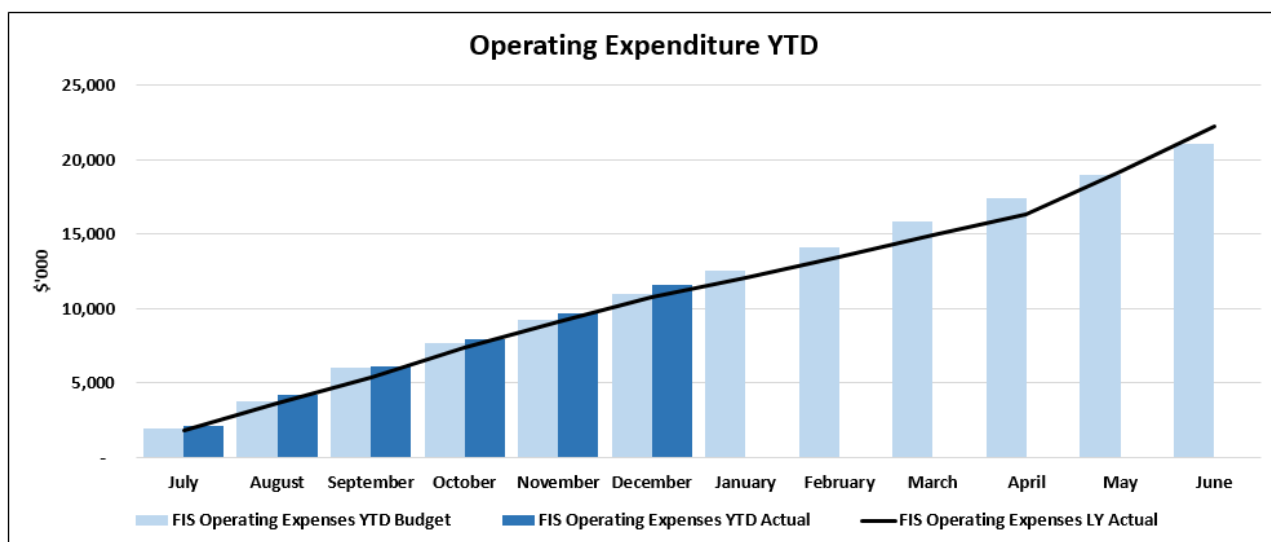
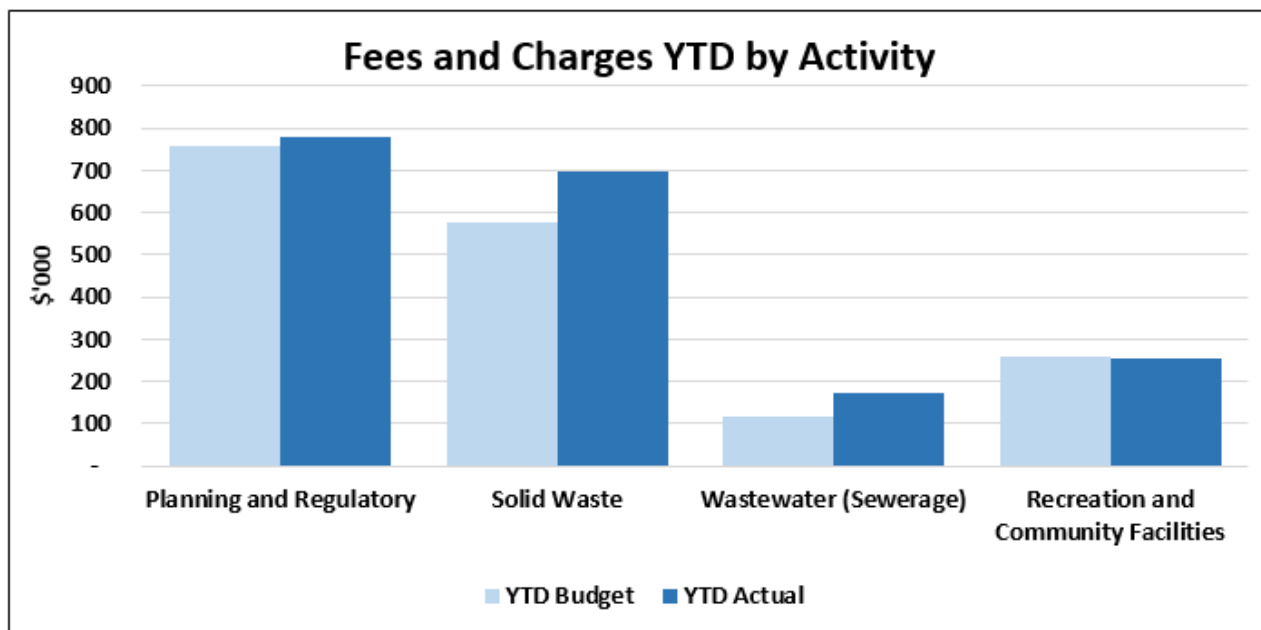
The aim of this report is to provide Council with a summary of the financial performance of Council and highlights the key trends for the first half for the year ended 30 June 2020.

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

This is the first time Council has seen the financial report in this format, so I'll explain what you are looking at:

Section 1 contains 3 graphs:



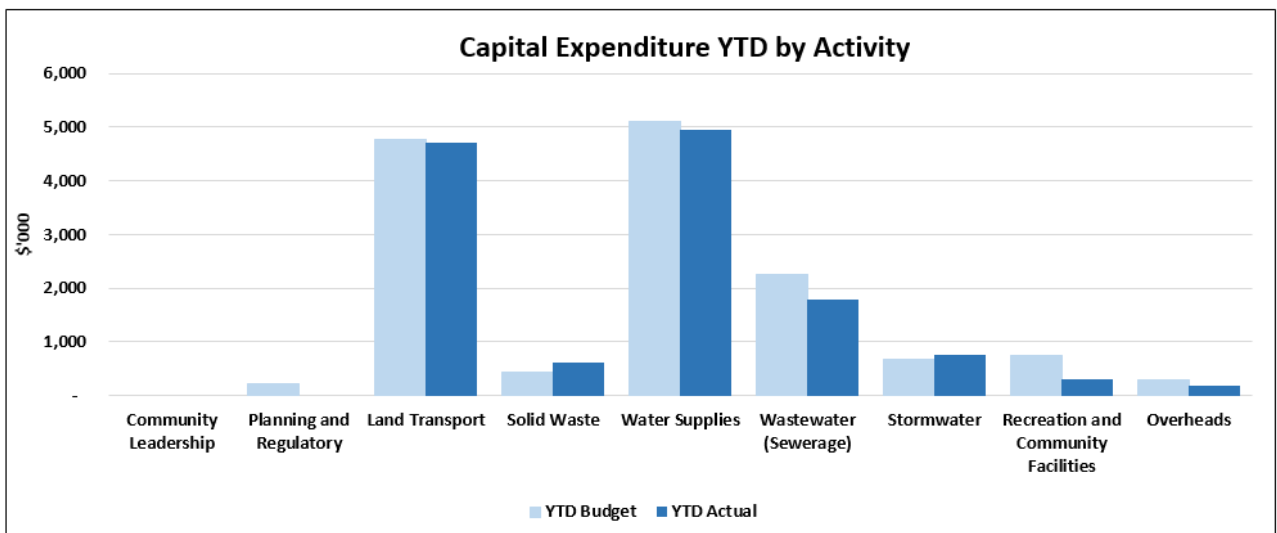
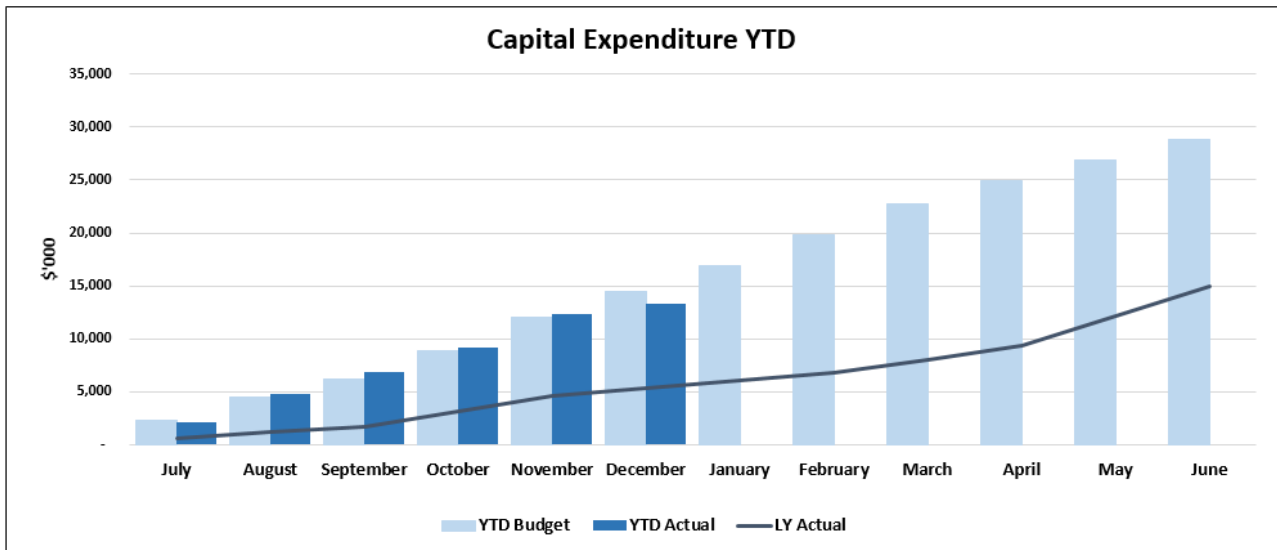


On the operating income and operating expenses graph - the black line represents what has been earned/spent during the same period last year. The light blue bar shows what our budget was for the current period, and the dark blue bar shows how Council is going against this budget.

The fourth graph shows which area the capital expenditure is occurring in using the same colour schemes.

These graphs show that Council’s operating revenues and expenditure are in line with budget and prior years. What these graphs do show is that income isn’t received evenly throughout the year, but rather goes up in quarterly steps which reflects the bulk of Councils income comes from rates which are invoiced quarterly, while expenditure is spent in a more even manner throughout the year. This does cause some issues when managing Councils cash flows as month three of the rates cycle is often tight financially from a cash flow perspective (particularly while undertaking large capital programs as Council is at present).

The fees and charges graph shows which area the revenue is being derived from, using the same colour schemes.



The next two graphs show the capital expenditure in total against budget and last year, and where this is being spent.

The first of these shows the size of the current capital program which is double the size of the previous years.

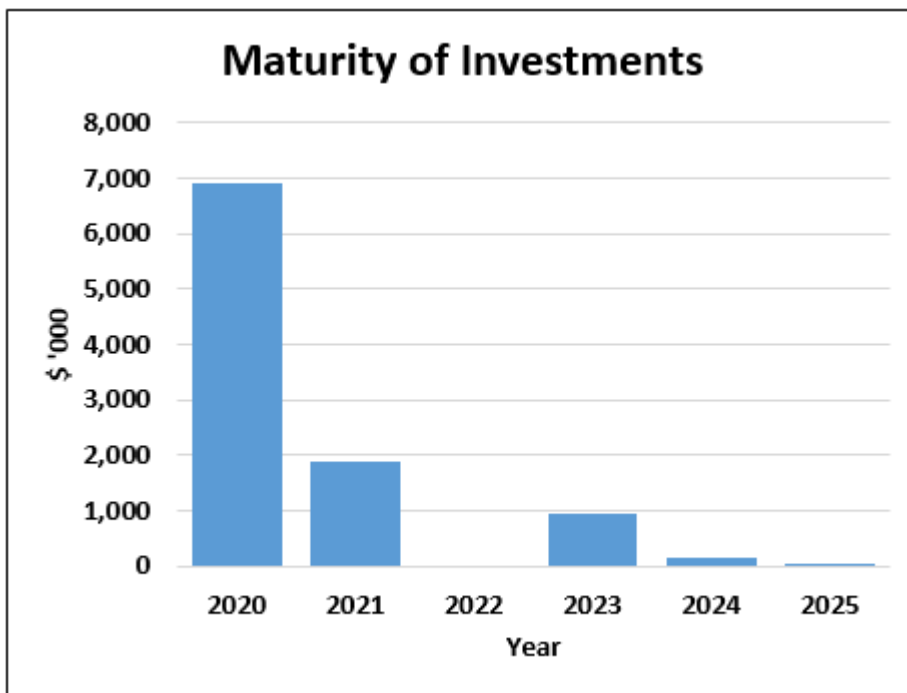
The next graph shows where this is being spent, which is mainly in roading and the 3 waters areas.

Because Council is building intergenerational assets, and its Capital Program exceeds its normal ability for rates to fund the program, Council is also embarking on a corresponding capital raising program.

The next section sets out some details around the treasury function that Council has. The first table sets out a list of cash and investments that Council has at its disposal to pay for its future operational/capital programs.

Cash and Investment Position

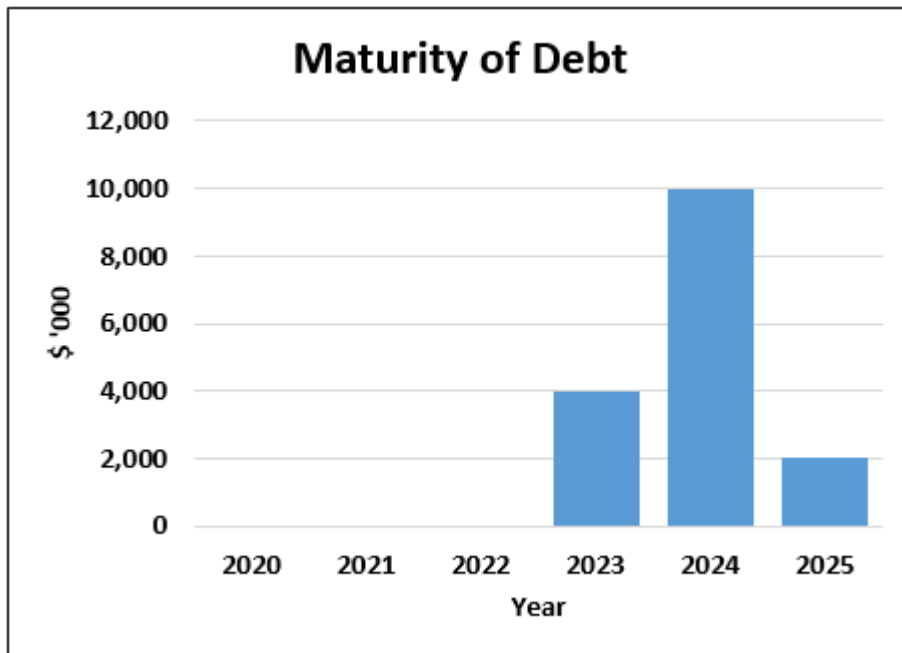
	Maturity Date	Int Rate (Face)	Int Rate (Actual)	Amount 30/06/2019	Amount Now	Movement	
<u>ANZ Cheque and Call Accounts</u>				925,681	-	44,040	(969,721)
<u>Term Deposits</u>							
ANZ	21/11/2019	3.95%	3.95%	530,280	-	(530,280)	
ANZ	19/07/2019	2.20%	2.20%	1,500,000		(1,500,000)	
ANZ	31/07/2019	3.00%	3.00%	1,000,000		(1,000,000)	
BNZ	17/07/2020	2.92%	2.92%	-	4,000,000	4,000,000	
				3,030,280	4,000,000	969,720	
<u>Bonds and Capital Notes</u>							
LGFA Capital Notes	25/08/2025	3.54%	3.54%	32,000	32,000	0	
LGFA Capital Notes	15/04/2024	1.78%	1.78%	-	160,000	160,000	
LGFA Capital Notes	16/12/2019	1.56%	1.56%	-	64,000	64,000	
Westpac Bond	12/09/2019	5.61%	5.61%	496,000	-	(496,000)	
ANZ Bond	1/09/2023	3.71%	3.71%	355,000	355,000	0	
ASB Bond	7/09/2023	3.33%	3.33%	600,000	600,000	0	
ASB Bond	26/05/2021	4.25%	1.36%	-	1,880,000	1,880,000	
ASB Bond	25/02/2020	4.42%	1.22%	-	2,945,000	2,945,000	
				1,483,000	6,036,000	4,553,000	
<u>Total Cash and Investments Held</u>				5,438,961	9,991,960	4,552,999	



You will note that Council had \$6m of investments at 30 June 2019, and this has now risen to \$13m. This has been done deliberately by Council Officers (more on this later).

The second table sets out Council's debt position. Council currently owes \$16m, but only had debt of \$2m at 30 June 2019.

Debt Position	Draw Date	Maturity Date	Interest Rate	Amount 30/06/2019	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
ANZ Seasonal Facility (\$1,500,000)				-	-	-
Total Debt			1.85%	2,000,000	16,000,000	14,000,000



Officers have raised two new loans from the LGFA (Local Government Funding Agency) during 2019/2020.

- 22/07/2019 \$10m @ 2.19% repayable 15/04/2024
- 16/12/2019 \$4m @ 1.96% repayable 15/04/2023

As stated earlier, Council is currently spending more than it is earning from rates and fees due to the usually high capital program it has embarked on to secure safe drinking water.

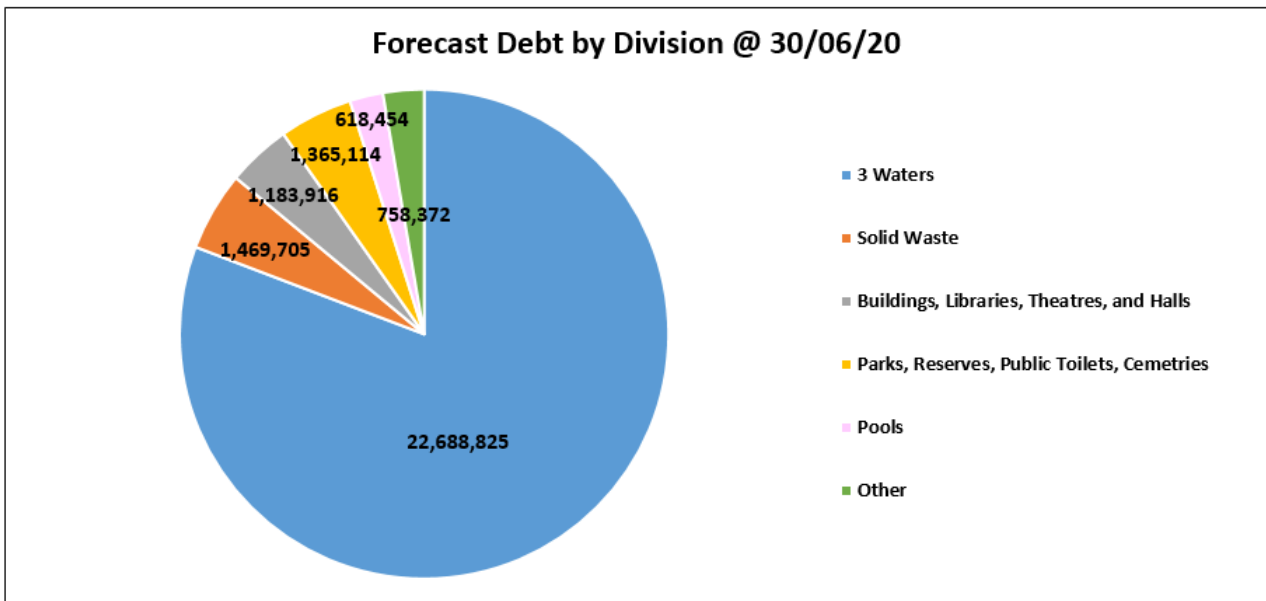
These two borrowings have been undertaken to fund current and future capital expenditure.

Where the funds were not needed immediately, they have been invested, hence the increase in investments held. However, the investments have been made under two different CFO's and have been structured two different ways to achieve quite different outcomes.

The earlier borrowings have been invested into Corporate Bonds. These have been brought on the secondary market (i.e. Council is not the original investor) which means that the Council has had to pay a premium to the original owner to acquire them. That means that the effective interest rate Council will receive over the life of the bond is lower than the face interest rate of the bond. However, the bonds were not bought for their returns, but their liquidity. Because an active secondary market exists for these bonds they can be sold within 24 hours, meaning if a large invoice needs paying, the bond (or part of the bond) can be disposed of quickly to fund this.

The second tranche of borrowing has been invested in a term deposit with a fixed end date, and cannot be broken early without penalty. So in this case Council has little liquidity, but the returns are better. As stated above the second loan is costing Council 1.96% in interest to draw the funds early, but the BNZ is paying Council 2.92% for its term deposit so the Council is able to make a margin in the middle. The maturity date was deliberately chosen to be maturing just before the July 20ths are due, and this is at the end of a rates cycle where funds are tight.

In January 2020 (post the date we are reporting on here), the \$1.88m ASB bond was sold to fund the January 2020 creditor run, and further bonds are likely to be sold in April 2020, in addition to the ASB Bond which matures in February 2020.

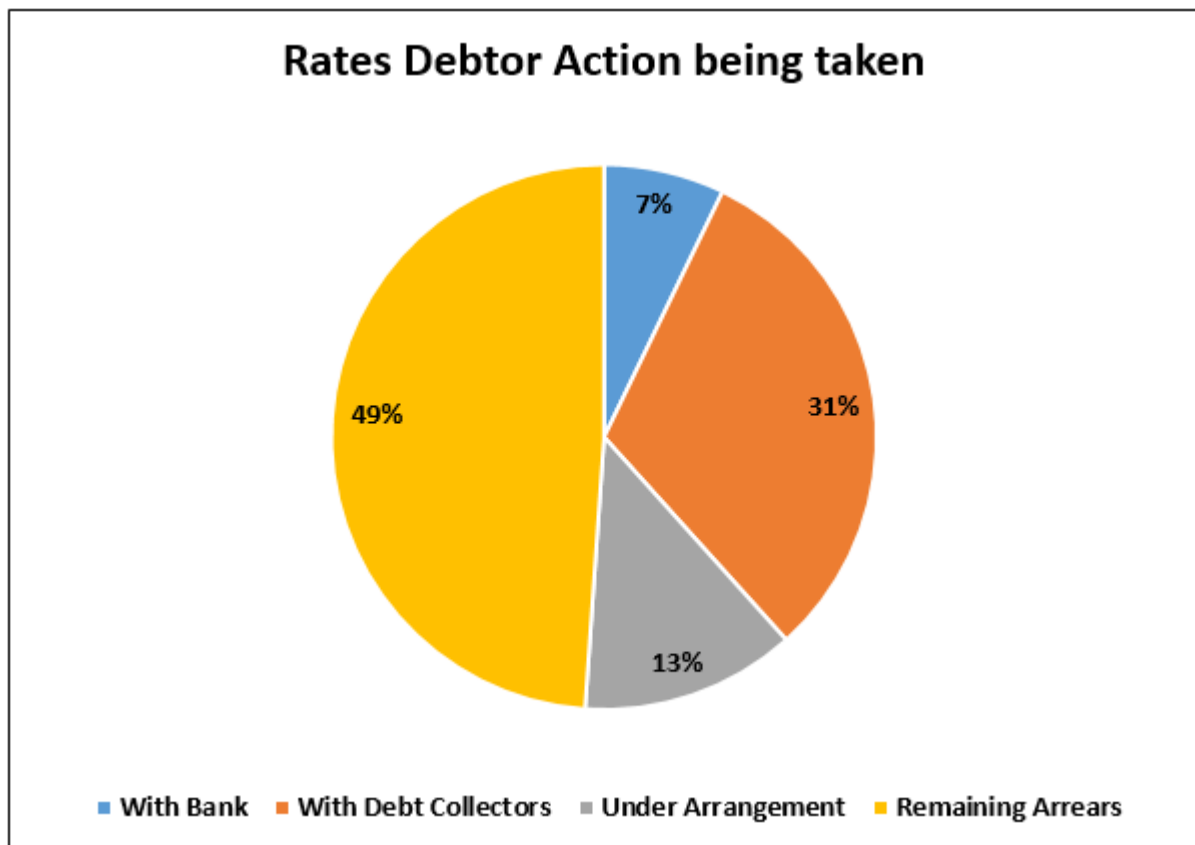
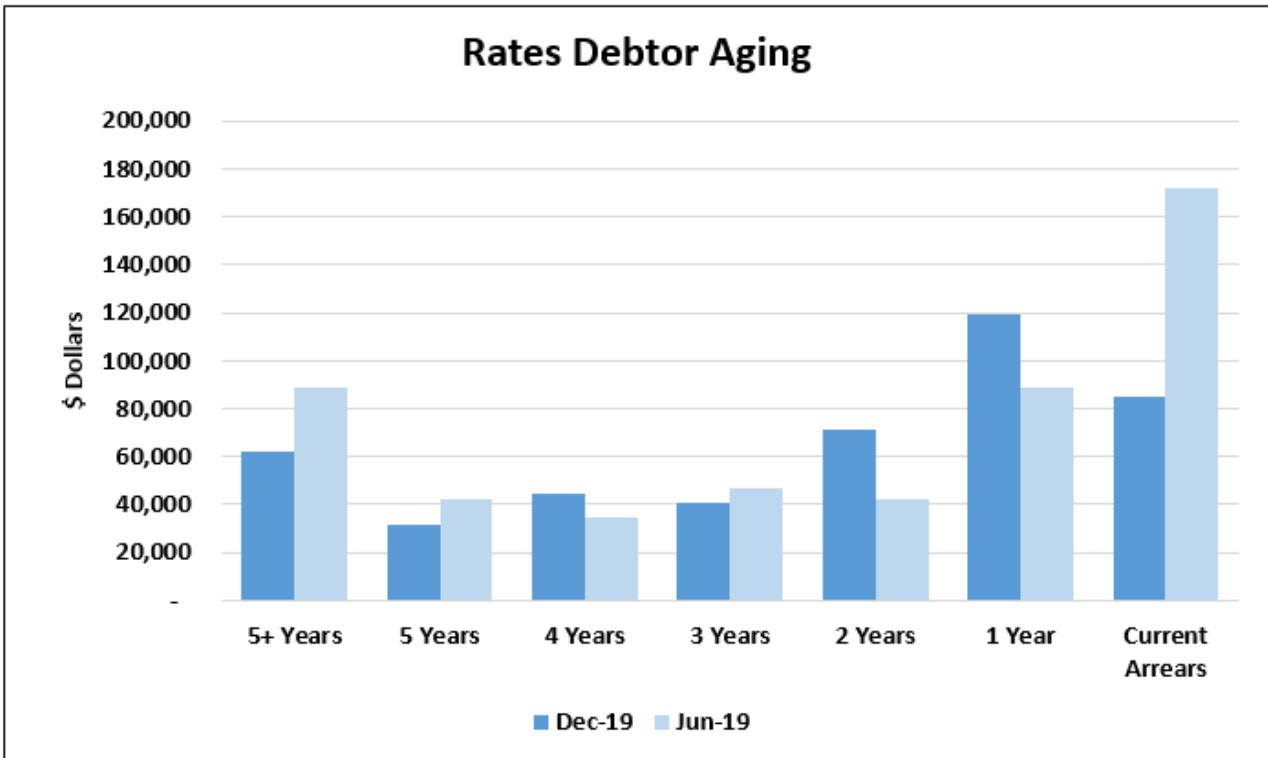


The pie chart shows where the debt was budgeted to sit, by activity, by 30 June 2020.

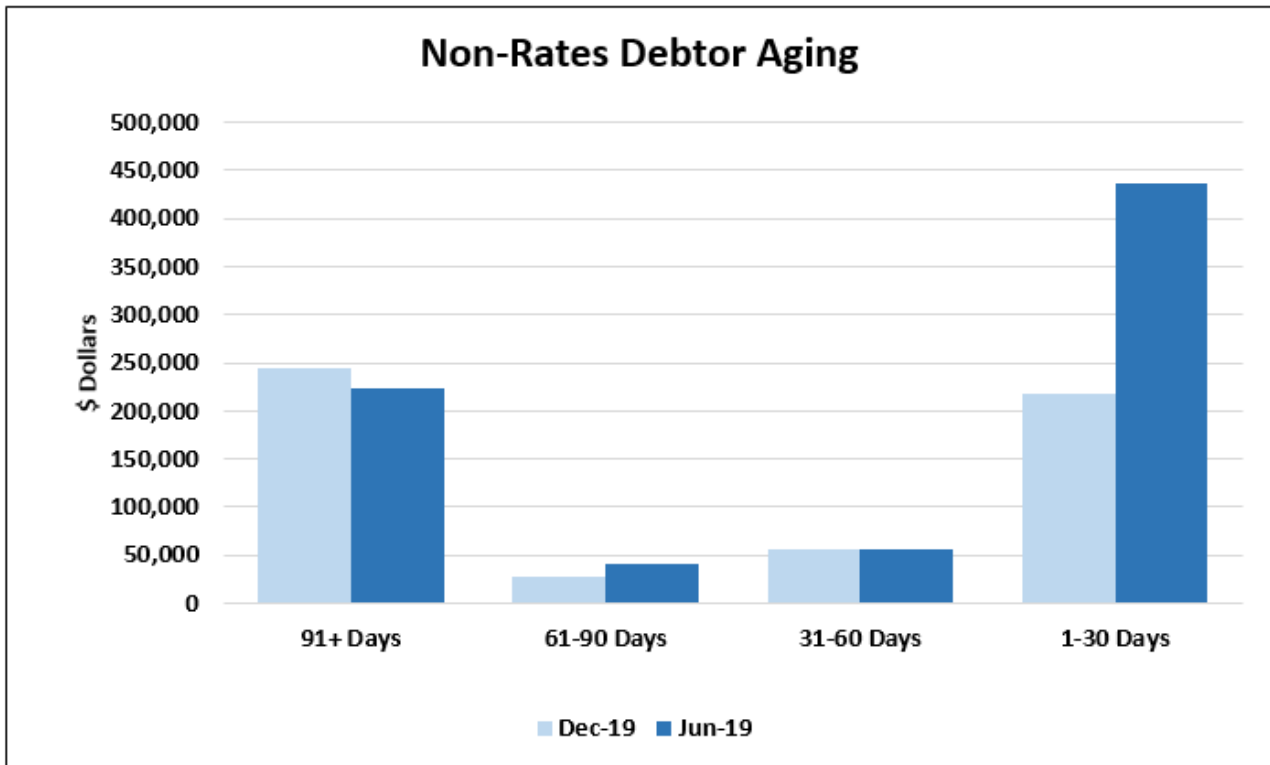
Treasury Compliance with Policy		
<u>Liquidity (Liquid Assets + Debt / Debt)</u>		
✔	Limit >110%	Actual 109%
<u>Finance Costs / Total Revenue</u>		
✔	Limit <10%	Actual 0.8%
<u>Finance Costs / Total Rates Revenue</u>		
✔	Limit <20%	Actual 1.4%
<u>Debt per Head of Population</u>		
✔	Limit <\$2,000	Actual \$ 1,124

At 31 December 2020, Council was compliant with the Treasury Policy with one exception and that is due to the level of Council debt maturing in any single year. The \$10m drawn in July 2019 all matures in 2024 which does expose the Council to a large repayment/refinancing risk if credit is tight due to economic conditions and refinancing is difficult. Future debt will be raised using a spread of maturity dates to avoid this in the future.

Rates Outstanding



The next set of graphs give some details on rates debtors and what is outstanding. Currently, the largest issue facing Council is unpaid rates on Maori owned land and is difficult to collect. This currently sits at \$215k (down from \$250k due to some writes off in December 2019). Officers are currently working through what is collectable, and what isn't in the remainder of this figure.



Council also has a large number of non-rate based debtors (water rates, landfill, consenting, dog registrations, infringements, etc.). Again some of these are old, and officers are working through what’s collectable and what is not.

Comprehensive Income and Expenditure Statement

The report on the following page differs from the FIS (Funding Impact Statement) the Council is used to seeing, in that it includes non-cash accounting entries such as depreciation (the notional cost of assets wearing out), revaluations, and gains or losses on the sale of assets (predominately vehicles). This view of the Council’s finances is very similar to what the Annual Report will show later in the year.

What this statement does show is that Council is running an accounting loss of \$99k for the first six months:

Central Hawkes Bay District Council
For the Period July 2019 - December 2019
 Month



Comprehensive Income and Expenditure Report

	YTD Actuals	YTD Budget	Bud Var	FLAG	Comments
Operating Income					
General rates, uniform annual general charges and rates penalties	6,669,270	6,717,524	(48,254)	✘	General Rates are down on budget due to the write off of historical Maori Land Rates which were uncollectable. \$215k of Maori Land Rates remains outstanding, down from \$250k at 30 June 2019.
Targeted rates	3,555,052	3,627,878	(72,826)	✘	Water Rates down due to write off of historical uncollectable debts in July 2019.
Subsidies and Grants (Operating and Capital)	5,116,213	4,781,624	334,588	✔	Council has received two unbudgeted grants - a tourism grant \$150k and a economic development grant. In addition the libraries have also received a bequest of \$91k, also unbudgeted. NZTA subsidies are also up on budget and are partly timing based and partly additional funding concerning storm repairs. Offsetting this a expected grant re public toilets of \$133k which is yet to be received.
Fees, charges	1,933,539	1,722,879	210,660	✔	Consenting, Building Control, and landfill activity running ahead of budget - this reflects the buoyant economy and the higher volumes this is driving in these areas.
Interest and dividends from investments	65,303	69,942	(4,609)	✘	Slightly down on budget due to lower interest rates than modelled in the budget.
Development Contributions	27,571	10,986	16,585	✔	Development Contributions are higher than budget due to the higher level of greenfield developments occurring in the region, particularly strong in Otane.
Other Income	284,822	114,726	150,096	✔	\$121k of donations have been received towards the Wapawa Four upgrade which were unbudgeted.
TOTAL	17,631,770	17,045,529	586,241	!	
Applications of Operating					
Payments to staff	2,793,990	2,683,464	(110,526)	✘	Council is incurring additional staff costs in the compliance area due to the additional volumes being experienced in the consenting area. This is being matched by additional income. Library staff costs are also over budget, but this is covered by additional revenue from MSD grants.
Payments to suppliers	8,652,628	8,029,097	(623,531)	✘	A number of areas are over budget: Economic Development are spending their unbudgeted grant \$104k; Planning and Regulatory are having to outsource more work than budgeted due to the high consenting volumes \$134k (this is matched by additional income), the Solid Waste activity has had to but additional Carbon Credits due to high volumes going to landfill \$108k (again this has additional matched fees and charges); Water Services are up on budget in costs due to leak repairs and higher compliance costs \$70k; Legal and Software Licensing costs are also up on budget.
Depreciation and Amortisation	6,142,171	6,051,012	(91,159)	✘	Significant Revaluation of Assets upwards in June 2019 has impacted depreciation (higher asset values lead to higher depreciation charges) - this is a non cash accounting entry, but does reflect what it will cost in the future to replace these assets.
Finance costs	141,698	296,490	154,792	✔	Interest Rates are lower than the assumption used when setting the budget
TOTAL	17,730,487	17,060,063	(670,424)	✘	
Operating Surplus/(Deficit)	(98,717)	(14,534)	(84,183)	✔	

The Councils finances in the FIS format

That is, where is the cash coming in from, and where is it being spent. Page 5 is the whole of Council, and page 6 is by activity.

Each of these pages has financial commentary on them so I won't repeat it all here, except to say at a high level revenue is running ahead of budget on the back of higher volumes of consenting and tonnes through the landfill, and unbudgeted grants and donations.

At a cost level, many of these higher volumes are also driving higher costs such as additional carbon credits required, or having to outsource the consents as Council Officers can't process the current volume all in-house.

At a total net operating level Council is ahead of budget by \$497k.

In the first six months of the year, Council has created/purchased \$13.3m of assets which is slightly behind its ambiguous target but well above last year.

Council has also increased its investment portfolio by \$5.1m.

To fund the new assets and investments, it has increased its borrowings by \$14.0m, with the balance being funded from operational surpluses.

**Central Hawkes Bay District Council
For the Period July 2019 - December 2019**



Funding Impact Statement Report

Sources of Operating	YTD Actuals	YTD Budget	Bud Var	FLAG	Comments
General rates, uniform general charges and rates penalties	6,669,270	6,717,524	(48,254)	✘	General Rates are down on budget due to the write off of historical Maori Land Rates which were uncollectable. \$215k of Maori Land Rates remains outstanding, down from \$250k at 30 June 2019.
Targeted rates	3,555,052	3,627,878	(72,826)	✘	Water Rates down due to write off of historical uncollectable debts in July 2019.
Subsidies and Grants for Operating Purposes	2,318,693	1,625,835	692,858	✔	Council has received two unbudgeted grants - a tourism grant \$150k and a economic development grant. In addition the libraries have also received a bequest of \$91k also unbudgeted. NZTA subsidies are also up on budget (\$480k) and are partly timing based and partly additional funding concerning storm repairs. Offsetting this a expected grant re public toilets of \$133k which is yet to
Fees, charges	1,933,536	1,722,129	211,407	✔	Consenting, Building Control, and landfill activity running ahead of budget - this reflects the buoyant economy and the higher volumes this is driving in these areas.
Interest and dividends from investments	65,303	69,912	(4,609)	✘	Slightly down on budget due to lower interest rates than modelled in the budget.
Local authorities fuel tax, fines, infringement fees and other receipts	407,757	98,148	309,609	✔	\$121k of donations have been received towards the Waipawa Pool upgrade which were unbudgeted.
TOTAL	14,949,611	13,861,426	1,088,185	✔	
Applications of Operating					
Payments to staff	2,793,990	2,683,464	110,526	!	Council is incurring additional staff costs in the compliance area due to the additional volumes being experienced in the consenting are. This is being matched by additional income. Library staff costs are also over budget, but this is covered by additional revenue from MSD grants.
Payments to suppliers	8,651,811	8,047,440	(604,371)	✘	A number of areas are over budget: Economic Development are spending their unbudgeted grant \$104k; Planning and Regulatory are having to outsource more work than budgeted due to the high consenting volumes \$134k (this is matched by additional income), the Solid Waste activity has had to but additional Carbon Credits due to high volumes going to landfill \$108k (again this has additional matched fees and charges); Water Services are up on budget in costs due to leak repairs and higher compliance costs \$70k; Legal and Software Licensing costs are also up on budget.
Finance costs	141,698	284,316	142,618	✔	Interest Rates are lower than the assumption used when setting the budget
Other operating funding applications	817	(18,343)	(19,160)	✔	Overhead Allocations - there is a timing issue with the budget phasing. The budget comes back to zero by year end.
TOTAL	11,588,316	10,996,877	(370,387)	✘	
Net Operating Cash Flows	3,361,295	2,864,549	496,746		

Sources of Capital	YTD Actuals	YTD Budget	Bud Var	FLAG	Comments
Subsidies and grants for capital expenditure	2,797,519	3,155,789	(358,270)	✘	NZTA subsidies are up on budget. This is largely timing based. The settled weather leading up to Christmas meant Councils resealing program was ahead of schedule.
Gross proceeds from sale of assets	18,811	17,328	1,483	✔	This figure was derived from vehicle sales as part of the on going vehicle replacement program.
Development and financial contributions	27,571	10,986	16,585	✔	Development Contributions are higher than budget due to the higher level of greenfield developments occurring in the region, particularly strong in Otane.
Increase (decrease) in debt	14,000,000	6,104,844	7,895,156	✔	At present Council is undertaking a significant capital program which means it is spending more than its annual rates income. This program is creating a multigenerational assets and is being matched with multigenerational loans. The decision was made in July 2019 to draw some of these loans early to ensure the funds were available when required. To mitigate the cost of doing this these funds have been invested to fill required to offset the interest holding cost.
TOTAL	16,843,902	9,288,947	7,554,955		
Applications of Capital					
to meet additional demand	0	0	0		
to improve the level of service	7,790,849	8,527,847	736,998	✔	A number of capital projects are out of sync with the budgeted timelines - Otane \$1,034k and Takapau \$413k water supplies have overspent their year to date budget, offsetting this is the Waipukurau water supply project is underspent \$2,015k. The dog pound project has been delayed \$211k due to difficulties securing an appropriate site.
to replace existing assets	5,542,024	5,946,866	404,842	✔	A number of capital projects are out of sync with the budgeted timelines - The Waipukurau Water program is running ahead of budget \$483k; additional costs have been incurred from last years weather event \$139k for roading reinstatements; roading reseals are ahead of schedule with good weather leading up to Christmas \$440K; offsetting this is bridge strengthening \$386k which is behind budget (the design work complete but the physical work yet to commence).
Increase (decrease) in reserves	(2,467,130)	(1,793,522)	673,608	✘	Reserve accounts movements are balanced up annually, so this discrepancy will correct then.
Increase (decrease) of investments	4,677,420	(421,218)	(5,098,638)	✔	This is related to the loan comment above. The increase in investments (bonds/term deposits) reflects the loan money Council has drawn early and is being held in investments until it is needed to fund the capital program.
TOTAL	15,543,163	12,259,973	(3,283,190)		
Net Capital Cash Flows	1,300,739	(2,971,026)	4,271,765		
Grand Total	4,662,034	(106,477)	4,768,511		

Central Hawkes Bay District Council
For the Period July 2019 - December 2019



Funding Impact Statement Report by Activity

	Community Leadership		Planning and Regulatory		Land Transport		Solid Waste		3 Waters		Recreation and Community Facilities	
	YTD Actuals	Bed Var	YTD Actuals	Bed Var	YTD Actuals	Bed Var	YTD Actuals	Bed Var	YTD Actuals	Bed Var	YTD Actuals	Bed Var
Sources of Operating												
General rates, uniform annual charges and rates penalties	662,033	4,801	349,420	2,174	3,234,277	10,223	658,681	4,143	0	0	1,772,501	12,441
Targeted rates	0	0	0	0	0	0	148,486	1,376	3,406,566	(74,202)	0	0
Subsidies and Grants for Operating Purposes	326,826	250,939	0	0	1,842,631	486,964	25,283	(1,297)	0	0	123,951	(43,748)
Fees, charges	10,630	10,630	777,519	18,195	19,476	10,032	635,848	119,830	174,317	54,161	255,312	(1,335)
Interest and dividends from investments	0	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	236	(8,666)	84,221	3,287	0	0	185,000	185,000	138,235	130,735
TOTAL	999,551	266,430	1,127,237	11,703	5,240,604	510,565	1,528,299	124,119	3,765,883	164,359	2,290,599	98,033
Applications of Operating												
Payments to staff and suppliers	650,123	24,030	834,538	(21,624)	2,823,700	(193,191)	1,278,823	(226,334)	1,856,312	(85,091)	1,458,239	(48,863)
Finance costs	0	0	2,184	7,506	0	0	31,770	4,230	233,214	177,592	63,854	6,684
Other operating funding applications	153,554	(6,332)	273,522	(11,880)	764,848	(51,557)	225,568	(3,358)	671,144	(23,150)	438,138	(19,032)
TOTAL	803,677	17,158	1,110,244	(25,998)	3,594,548	(160,748)	1,535,561	(232,602)	2,767,270	63,311	1,960,032	(61,212)
Net Operating Cash Flows	189,873	249,272	16,993	37,701	1,646,056	691,313	(7,262)	356,720	998,613	101,047	330,567	159,244
Sources of Capital												
Subsidies and grants for capital expenditure	0	0	2,647,519	(342,035)	0	0	0	0	150,000	(16,235)	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	(103)	(1,603)	0	0	0	0	27,843	20,349	(175)	(2,161)
Increase (decrease) in debt	0	0	(3,348)	(343,398)	0	0	(55,002)	(98,652)	(303,683)	(6,402,233)	(73,303)	(241,591)
TOTAL	0	0	(3,348)	(343,398)	2,647,416	(343,638)	(55,002)	(98,652)	(125,840)	(6,338,125)	(73,478)	(243,752)
Applications of Capital												
to meet additional demand	0	0	0	0	0	0	0	0	0	0	0	0
to improve the level of service	0	0	211,002	0	612,686	(46,883)	558,405	(191,823)	6,368,566	632,079	147,959	150,806
to replace existing assets	0	0	4,105,431	0	37,506	37,506	54,631	23,381	1,150,703	(195,833)	156,196	280,868
Increase (decrease) in reserves	(2,113)	(3,336)	0	0	(676,364)	225,486	(243,633)	(178,467)	(1,195,613)	421,709	(219,232)	119,314
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	(2,113)	(3,336)	0	211,002	4,041,813	276,109	363,403	(346,315)	6,323,656	917,895	84,923	550,988
Net Capital Cash Flows	2,113	3,336	(3,348)	(555,000)	(1,394,396)	(619,747)	(418,405)	247,663	(6,443,496)	(7,316,020)	(158,401)	(794,733)
Grand Total	191,986	273,591	13,045	(147,291)	251,660	262,283	(425,667)	(553,450)	(5,450,883)	(5,251,960)	172,166	344,057

Activity Comments

Community Leadership: Council has received two unbudgeted grants - a tourism grant \$150k and a economic development grant.

Planning and Regulatory: The dog pound project has been delayed \$21k due to difficulties securing an appropriate site impacting both the capital spend and loan funding timing requirements. The loan funding required for developing the District Plan is yet to be journalled.

Land Transport: Additional capital costs have been incurred from last years weather event \$133k for roading reinstatement; roading resals are ahead of schedule with good weather leading up to Christmas \$440k; offsetting this is bridge strengthening \$366k which is behind budget (the design work complete but the physical work yet to commence). This additional activity, and timing of activity, means that the subsidies received from NZTA are also correspondingly ahead of budget. Transfers to and from reserves get balanced up at year end, and this line will be corrected at this point.

Solid Waste: Landfill volumes are ahead of budget resulting in additional revenues and additional carbon credits being brought. Leachate to Landfill program driving capital spend.

3 Waters: Operational budget is on track. The Takapou and Otane Water Supply Projects are driving the capital spend, offset by timing savings in Waipukurau Water and District Wide Sewer programs

Recreational and Community Facilities: Subsidies and Grants are behind budget due to the budgeted public toilet construction grant \$133k not being received yet. Offsetting this is a \$30k request (again unbudgeted) being received for the library service. Other income relates mainly to the Waipoua Pool donations which were unbudgeted. Staff costs are ahead of budget in libraries, but is offset by a MSD grant. Capex is behind budget due the timing of public toilet construction, as well as minor capital work across multiple buildings/libraries.

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

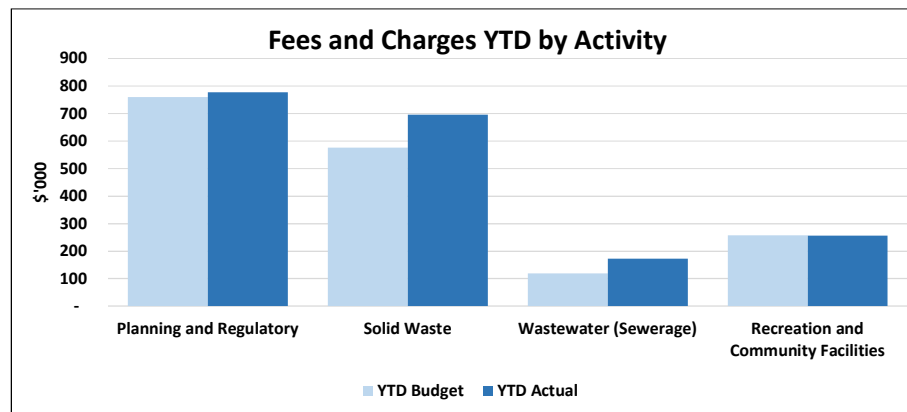
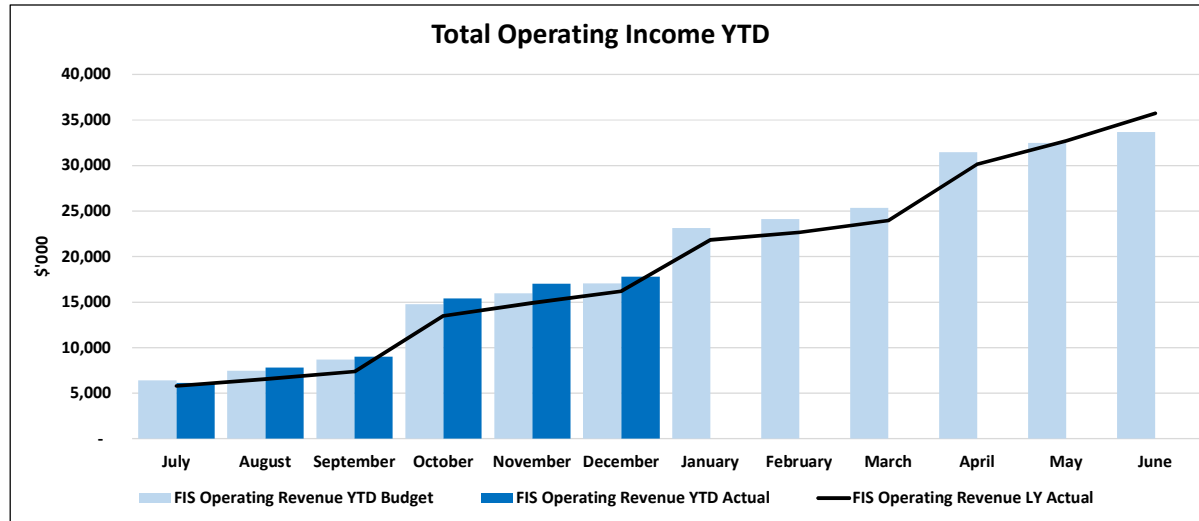
Officers will continue to monitor and manage the finances of Council.

RECOMMENDATION

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

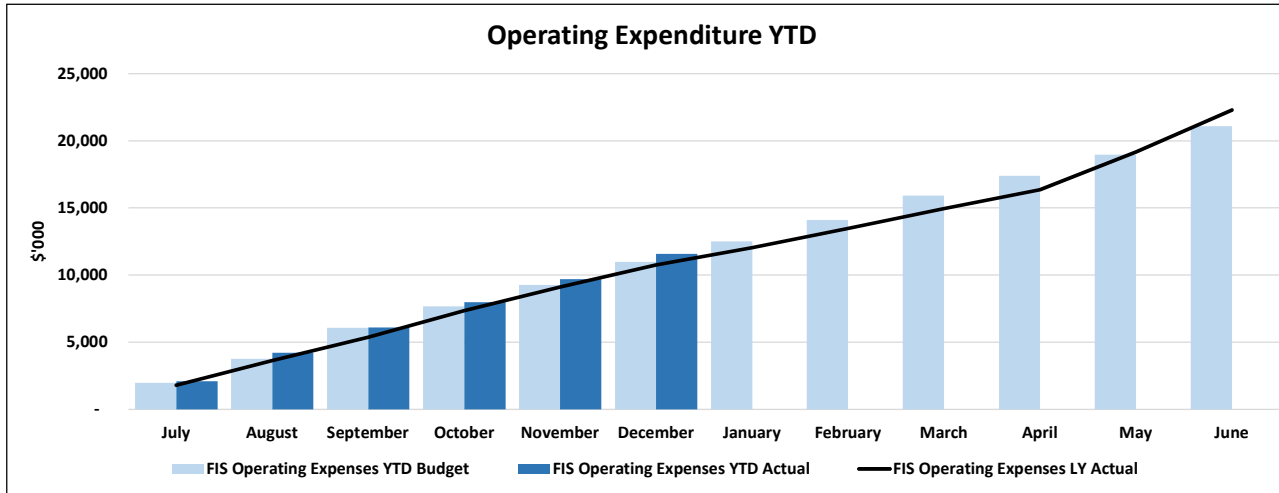


OPERATING INCOME



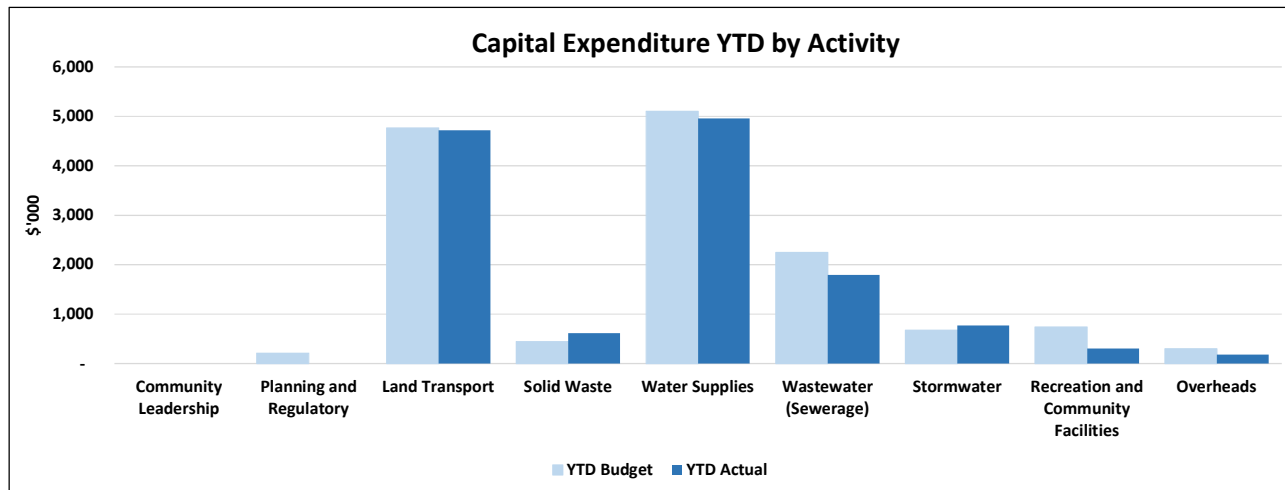
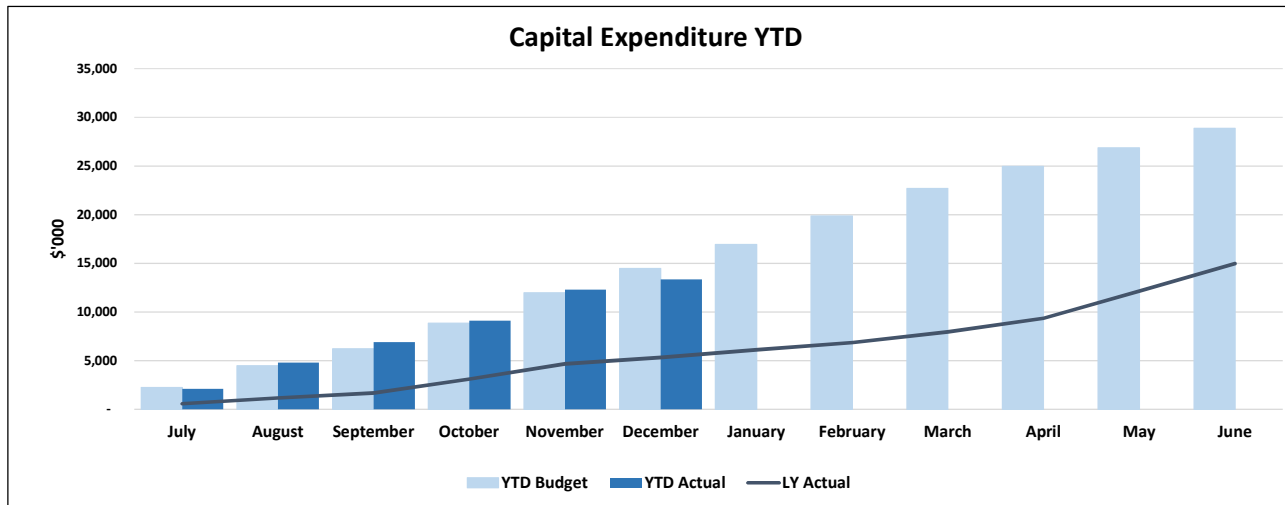


OPERATING EXPENDITURE





Capital Expenditure



Central Hawkes Bay District Council
For the Period July 2019 - December 2019

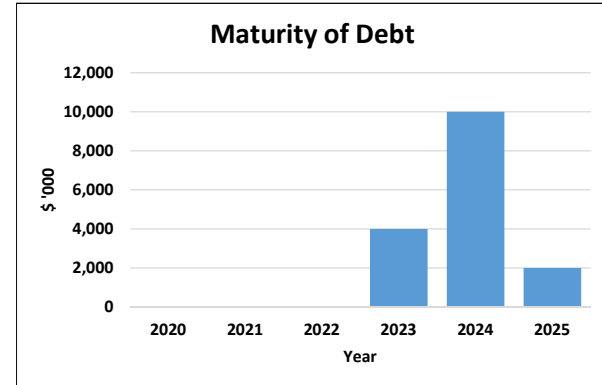
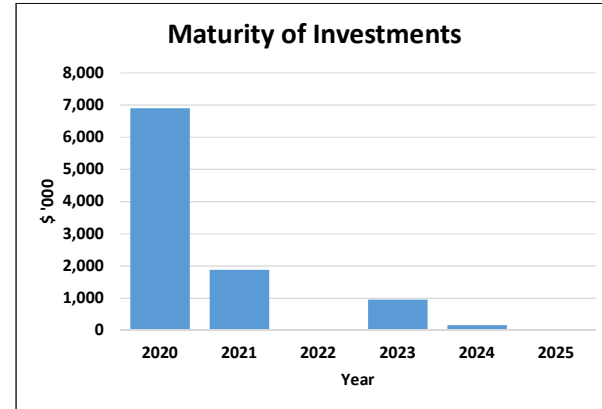


Cash and Investment Position

	Maturity Date	Int Rate (Face)	Int Rate (Actual)	Amount 30/06/2019	Amount Now	Movement
<u>ANZ Cheque and Call Accounts</u>						
				925,681	-	44,040
						(969,721)
<u>Term Deposits</u>						
ANZ	21/11/2019	3.95%	3.95%	530,280	-	(530,280)
ANZ	19/07/2019	2.20%	2.20%	1,500,000		(1,500,000)
ANZ	31/07/2019	3.00%	3.00%	1,000,000		(1,000,000)
BNZ	17/07/2020	2.92%	2.92%	-	4,000,000	4,000,000
				3,030,280	4,000,000	969,720
<u>Bonds and Capital Notes</u>						
LGFA Capital Notes	25/08/2025	3.54%	3.54%	32,000	32,000	0
LGFA Capital Notes	15/04/2024	1.78%	1.78%	-	160,000	160,000
LGFA Capital Notes	16/12/2019	1.56%	1.56%	-	64,000	64,000
Westpac Bond	12/09/2019	5.61%	5.61%	496,000	-	(496,000)
ANZ Bond	1/09/2023	3.71%	3.71%	355,000	355,000	0
ASB Bond	7/09/2023	3.33%	3.33%	600,000	600,000	0
ASB Bond	26/05/2021	4.25%	1.36%	-	1,880,000	1,880,000
ASB Bond	25/02/2020	4.42%	1.22%	-	2,945,000	2,945,000
				1,483,000	6,036,000	4,553,000
<u>Total Cash and Investments Held</u>				5,438,961	9,991,960	4,552,999

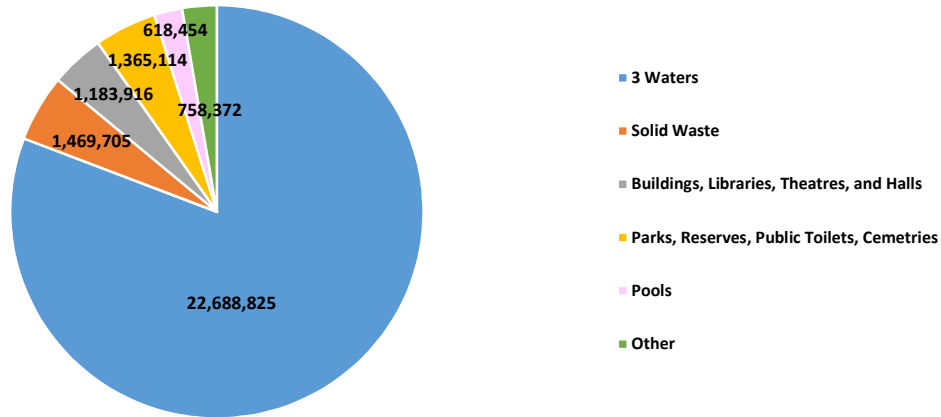
Debt Position

	Draw Date	Maturity Date	Interest Rate	Amount 30/06/2019	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
ANZ Seasonal Facility (\$1,500,000)				-	-	-
<u>Total Debt</u>			1.85%	2,000,000	16,000,000	14,000,000





Forecast Debt by Division @ 30/06/20



Treasury Compliance with Policy

Liquidity (Liquid Assets + Debt / Debt)

	Limit	Actual
✓	>110%	109%

Finance Costs / Total Revenue

	Limit	Actual
✓	<10%	0.8%

Finance Costs / Total Rates Revenue

	Limit	Actual
✓	<20%	1.4%

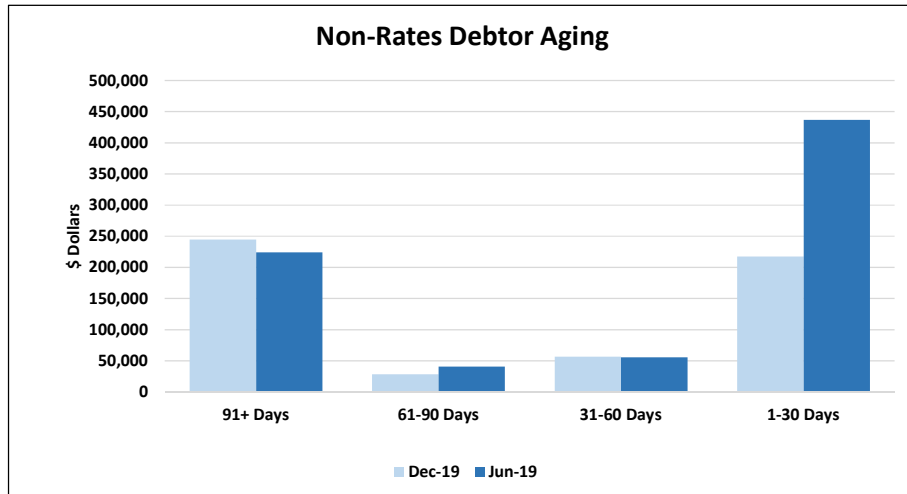
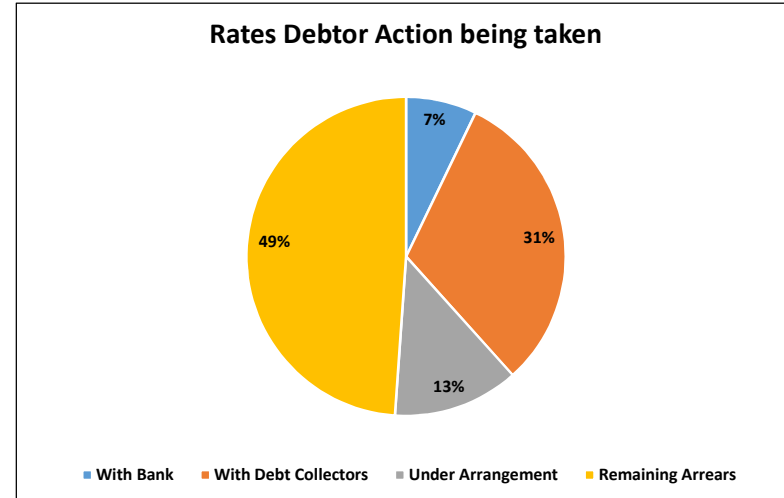
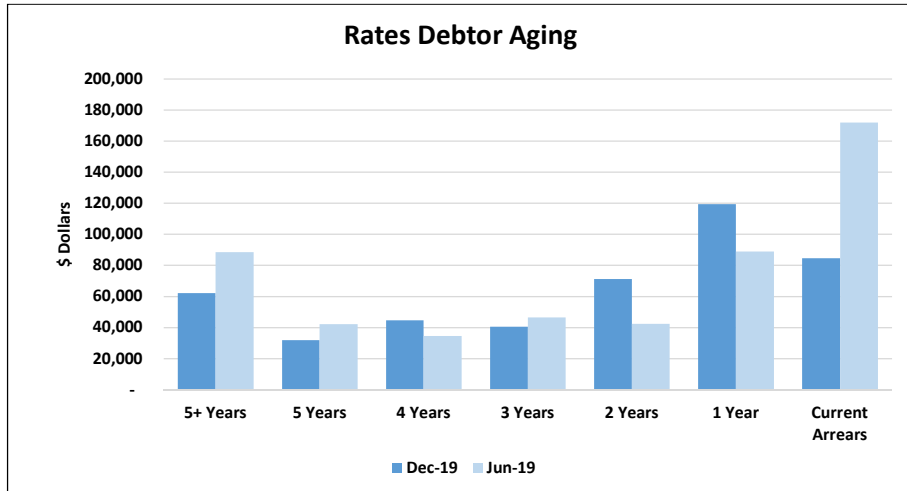
Debt per Head of Population

	Limit	Actual
✓	<\$2,000	\$ 1,124

Central Hawkes Bay District Council
 For the Period July 2019 - December 2019
 Sources of Capital



Rates Outstanding



Central Hawkes Bay District Council
For the Period July 2019 - December 2019
 Month



Comprehensive Income and Expenditure Report

	YTD Actuals	YTD Budget	Bud Var	FLAG	Comments
Operating Income					
General rates, uniform annual general charges and rates penalties	6,669,270	6,717,524	(48,254)	⊗	General Rates are down on budget due to the write off of historical Maori Land Rates which were uncollectable. \$215k of Maori Land Rates remains outstanding, down from \$250k at 30 June 2019.
Targeted rates	3,555,052	3,627,878	(72,826)	⊗	Water Rates down due to write off of historical uncollectable debts in July 2019.
Subsidies and Grants (Operating and Capital)	5,116,213	4,781,624	334,588	⊙	Council has received two unbudgeted grants - a tourism grant \$150k and a economic development grant. In addition the libraries have also received a bequest of \$91k also unbudgeted. NZTA subsidies are also up on budget and are partly timing based and partly additional funding concerning storm repairs. Offsetting this a expected grant re public toilets of \$139k which is yet to be received.
Fees, charges	1,933,539	1,722,879	210,660	⊙	Consenting, Building Control, and landfill activity running ahead of budget - this reflects the buoyant economy and the higher volumes this is driving in these areas.
Interest and dividends from investments	65,303	69,912	(4,609)	⊗	Slightly down on budget due to lower interest rates than modelled in the budget.
Development Contributions	27,571	10,986	16,585	⊙	Development Contributions are higher than budget due to the higher level of greenfield developments occurring in the region, particularly strong in Otane.
Other Income	264,822	114,726	150,096	⊙	\$121k of donations have been received towards the Waipawa Pool upgrade which were unbudgeted.
TOTAL	17,631,770	17,045,529	586,241	⊙	
Applications of Operating					
Payments to staff	2,793,990	2,683,464	(110,526)	⊗	Council is incurring additional staff costs in the compliance area due to the additional volumes being experienced in the consenting area. This is being matched by additional income. Library staff costs are also over budget, but this is covered by additional revenue from MSD grants.
Payments to suppliers	8,652,628	8,029,097	(623,531)	⊗	A number of areas are over budget: Economic Development are spending their unbudgeted grant \$104k; Planning and Regulatory are having to outsource more work than budgeted due to the high consenting volumes \$134k (this is matched by additional income), the Solid Waste activity has had to but additional Carbon Credits due to high volumes going to landfill \$108k (again this has additional matched fees and charges); Water Services are up on budget in costs due to leak repairs and higher compliance costs \$70k; Legal and Software Licensing costs are also up on budget.
Depreciation and Amortisation	6,142,171	6,051,012	(91,159)	⊗	Significant Revaluation of Assets upwards in June 2019 has impacted depreciation (higher asset values lead to higher depreciation charges) - this is a non cash accounting entry, but does reflect what it will cost in the future to replace these assets.
Finance costs	141,698	296,490	154,792	⊙	Interest Rates are lower than the assumption used when setting the budget
TOTAL	17,730,487	17,060,063	(670,424)	⊗	
Operating Surplus/(Deficit)	(98,717)	(14,534)	(84,183)	⊙	

Central Hawkes Bay District Council
For the Period July 2019 - December 2019



Funding Impact Statement Report

Sources of Operating	YTD Actuals	YTD Budget	Bud Var	FLAG	Comments
General rates, uniform annual general charges and rates penalties	6,669,270	6,717,524	(48,254)	⊗	General Rates are down on budget due to the write off of historical Maori Land Rates which were uncollectable. \$215k of Maori Land Rates remains outstanding, down from \$250k at 30 June 2019.
Targeted rates	3,555,052	3,627,878	(72,826)	⊗	Water Rates down due to write off of historical uncollectable debts in July 2019.
Subsidies and Grants for Operating Purposes	2,318,693	1,625,835	692,858	✓	Council has received two unbudgeted grants - a tourism grant \$150k and a economic development grant. In addition the libraries have also received a bequest of \$91k also unbudgeted. NZTA subsidies are also up on budget (\$480k) and are partly timing based and partly additional funding concerning storm repairs. Offsetting this a expected grant re public toilets of \$133k which is yet to be received.
Fees, charges	1,933,536	1,722,129	211,407	✓	Consenting, Building Control, and landfill activity running ahead of budget - this reflects the buoyant economy and the higher volumes this is driving in these areas.
Interest and dividends from investments	65,303	69,912	(4,609)	⊗	Slightly down on budget due to lower interest rates than modelled in the budget.
Local authorities fuel tax, fines, infringement fees and other receipts	407,757	98,148	309,609	✓	\$121k of donations have been received towards the Waipawa Pool upgrade which were unbudgeted.
TOTAL	14,949,611	13,861,426	1,088,185	✓	
Applications of Operating					
Payments to staff	2,793,990	2,683,464	110,526	!	Council is incurring additional staff costs in the compliance area due to the additional volumes being experienced in the consenting are. This is being matched by additional income. Library staff costs are also over budget, but this is covered by additional revenue from MSD grants.
Payments to suppliers	8,651,811	8,047,440	(604,371)	⊗	A number of areas are over budget: Economic Development are spending their unbudgeted grant \$104k; Planning and Regulatory are having to outsource more work than budgeted due to the high consenting volumes \$134k (this is matched by additional income), the Solid Waste activity has had to but additional Carbon Credits due to high volumes going to landfill \$108k (again this has additional matched fees and charges); Water Services are up on budget in costs due to leak repairs and higher compliance costs \$70k; Legal and Software Licensing costs are also up on budget.
Finance costs	141,698	284,316	142,618	✓	Interest Rates are lower than the assumption used when setting the budget
Other operating funding applications	817	(18,343)	(19,160)	✓	Overhead Allocations - there is a timing issue with the budget phasing. The budget comes back to zero by year end.
TOTAL	11,588,316	10,996,877	(370,387)	⊗	
Net Operating Cash Flows	3,361,295	2,864,549	496,746		

Central Hawkes Bay District Council
For the Period July 2019 - December 2019



Funding Impact Statement Report Continued

Sources of Capital	YTD Actuals	YTD Budget	Bud Var	FLAG	Comments
Subsidies and grants for capital expenditure	2,797,519	3,155,789	(358,270)	✘	NZTA subsidies are up on budget. This is largely timing based. The settled weather leading up to Christmas meant Councils resealing program was ahead of schedule.
Gross proceeds from sale of assets	18,811	17,328	1,483	✔	This figure was derived from vehicle sales as part of the on going vehicle replacement program.
Development and financial contributions	27,571	10,986	16,585	✔	Development Contributions are higher than budget due to the higher level of greenfield developments occurring in the region, particularly strong in Otane.
Increase (decrease) in debt	14,000,000	6,104,844	7,895,156	✔	At present Council is undertaking a significant capital program which means it is spending more than its annual rates income. This program is creating a multigenerational assets and is being matched with multigenerational loans. The decision was made in July 2019 to draw some of these loans early to ensure the funds were available when required. To mitigate the cost of doing this these funds have been invested to till required to offset the interest holding cost.
TOTAL	16,843,902	9,288,947	7,554,955		
Applications of Capital					
to meet additional demand	0	0	0		
to improve the level of service	7,790,849	8,527,847	736,998	✔	A number of capital projects are out of sync with the budgeted timelines - Otane \$1,034k and Takapau \$413k water supplies have overspent their year to date budget, offsetting this is the Waipukurau water supply project is underspent \$2,015k. The dog pound project has been delayed \$211k due to difficulties securing an appropriate site.
to replace existing assets	5,542,024	5,946,866	404,842	✔	A number of capital projects are out of sync with the budgeted timelines - The Waipukurau Water program is running ahead of budget \$483k; additional costs have been incurred from last years weather event \$139k for roading reinstatements; roading reseals are ahead of schedule with good weather leading up to Christmas \$440K; offsetting this is bridge strengthening \$386k which is behind budget (the design work complete but the physical work yet to commence).
Increase (decrease) in reserves	(2,467,130)	(1,793,522)	673,608	✘	Reserve accounts movements are balanced up annually, so this discrepancy will correct then.
Increase (decrease) of investments	4,677,420	(421,218)	(5,098,638)	✔	This is related to the loan comment above. The increase in investments (bonds/term deposits) reflects the loan money Council has drawn early and is being held in investments until it is needed to fund the capital program.
TOTAL	15,543,163	12,259,973	(3,283,190)		
Net Capital Cash Flows	1,300,739	(2,971,026)	4,271,765		
Grand Total	4,662,034	(106,477)	4,768,511		

Central Hawkes Bay District Council
For the Period July 2019 - December 2019



Funding Impact Statement Report by Activity

	Community Leadership		Planning and Regulatory		Land Transport		Solid Waste		3 Waters		Recreation and Community Facilities	
	YTD Actuals	Bud Var	YTD Actuals	Bud Var	YTD Actuals	Bud Var	YTD Actuals	Bud Var	YTD Actuals	Bud Var	YTD Actuals	Bud Var
Sources of Operating												
General rates, uniform annual general charges and rates penalties	662,033	4,801	349,420	2,174	3,294,277	10,223	658,681	4,149	0	0	1,772,501	12,441
Targeted rates	0	0	0	0	0	0	148,486	1,376	3,406,566	(74,202)	0	0
Subsidies and Grants for Operating Purposes	326,828	250,939	0	0	1,842,631	486,964	25,283	(1,297)	0	0	123,951	(43,748)
Fees, charges	10,690	10,690	777,519	18,195	19,476	10,092	695,848	119,890	174,317	54,161	255,912	(1,395)
Interest and dividends from investments	0	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	298	(8,666)	84,221	3,287	0	0	185,000	185,000	138,235	130,735
TOTAL	999,551	266,430	1,127,237	11,703	5,240,604	510,565	1,528,299	124,119	3,765,883	164,959	2,290,599	98,033
Applications of Operating												
Payments to staff and suppliers	650,123	24,090	834,538	(21,624)	2,829,700	(129,191)	1,278,823	(226,934)	1,856,912	(85,091)	1,458,239	(48,863)
Finance costs	0	0	2,184	7,506	0	0	31,170	4,290	239,214	177,552	63,654	6,684
Other operating funding applications	159,554	(6,932)	273,522	(11,880)	764,848	(51,557)	225,568	(9,958)	671,144	(29,150)	438,138	(19,032)
TOTAL	809,677	17,158	1,110,244	(25,998)	3,594,548	(180,748)	1,535,561	(232,602)	2,767,270	63,311	1,960,032	(61,212)
Net Operating Cash Flows	189,873	249,272	16,993	37,701	1,646,056	691,313	(7,262)	356,720	998,613	101,647	330,567	159,244
Sources of Capital												
Subsidies and grants for capital expenditure	0	0	0	0	2,647,519	(342,035)	0	0	150,000	(16,235)	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	(103)	(1,603)	0	0	27,849	20,349	(175)	(2,161)
Increase (decrease) in debt	0	0	(3,948)	(343,998)	0	0	(55,002)	(98,652)	(303,689)	(6,402,239)	(73,303)	(241,591)
TOTAL	0	0	(3,948)	(343,998)	2,647,416	(343,638)	(55,002)	(98,652)	(125,840)	(6,398,125)	(73,478)	(243,752)
Applications of Capital												
to meet additional demand	0	0	0	0	0	0	0	0	0	0	0	0
to improve the level of service	0	0	0	211,002	612,686	(46,883)	558,405	(191,829)	6,368,566	632,079	147,959	150,806
to replace existing assets	0	0	0	0	4,105,491	97,506	54,631	23,981	1,150,703	(135,893)	156,196	280,868
Increase (decrease) in reserves	(2,113)	(9,996)	0	0	(676,364)	225,486	(249,633)	(178,467)	(1,195,613)	421,709	(219,232)	119,314
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	(2,113)	(9,996)	0	211,002	4,041,813	276,109	363,403	(346,315)	6,323,656	917,895	84,923	550,988
Net Capital Cash Flows	2,113	9,996	(3,948)	(555,000)	(1,394,396)	(619,747)	(418,405)	247,663	(6,449,496)	(7,316,020)	(158,401)	(794,739)
Grand Total	191,986	273,591	13,045	(147,291)	251,660	262,289	(425,667)	(553,450)	(5,450,883)	(5,251,960)	172,166	344,057

Activity Comments

Community Leadership: Council has received two unbudgeted grants - a tourism grant \$150k and a economic development grant.
Planning and Regulatory: The dog pound project has been delayed \$211k due to difficulties securing an appropriate site impacting both the capital spend and loan funding timing requirements. The loan funding required for developing the District Plan is yet to be journalled.
Land Transport: Additional capital costs have been incurred from last years weather event \$139k for roading reinstatements; roading reseals are ahead of schedule with good weather leading up to Christmas \$440K; offsetting this is bridge strengthening \$386k which is behind budget (the design work complete but the physical work yet to commence). This additional activity, and timing of activity, means that the subsidies received from NZTA are also correspondingly ahead of budget. Transfers to and from reserves get balanced up at year end, and this line will be corrected at this point.
Solid Waste: Landfill volumes are ahead of budget resulting in additional revenues and additional carbon credits being brought. Leachate to Landfill program driving capital spend.
3 Waters: Operational budget is on track. The Takapau and Otane Water Supply Projects are driving the capital spend, offset by timing savings in Waipukurau Water and District Wide Sewer programs
Recreational and Community Facilities: Subsidies and Grants are behind budget due to the budgeted public toilet construction grant \$133k not being received yet. Offsetting this is a \$90k bequest (again unbudgeted) being recieved for the library service. Other Income relates mainly to the Waipawa Pool donations which were unbudgeted. Staff costs are ahead of budget in libraries, but is offset by a MSD grant. Capex is behind budget due the timing of public toilet construction, as well as minor capital work across multiple buildings/libraries.