
FINANCIAL REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2021

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1. Purpose

To consider the financial performance for the period ending 30 September 2021.

Recommendations

That the report be received.

2. Discussion

The presentation of the financials includes two variance analysis reports against both the financial statement and against the activities. This ensures Council can understand the variances against the ledger, and against the activities at a surplus/(deficit) value. The reason for the second variance analysis is to demonstrate the overall relationship between the income and expenditure at an activity level.

The third report details the expenditure of the capital works programme across activities. This helps track key capital projects across the year and ensures the progress of these projects remains transparent to Council.

The fourth and fifth reports detail the internal and external loans balances. The internal loans report forecasts the balance as at 30 June 2022, whereas the external loans show the year-to-date current balances due to payments throughout the year.

2021/22	3 MONTHS ENDING 30 SEPTEMBER 2021				2021/22
Annual Plan		YTD	YTD	YTD	Revised Budget
\$000		Actual	Revised Budget	Variance	\$000
		\$000	\$000	\$000	
	Income				
33,270	Rates	8,408	8,359	49	33,270
7,248	Govt Grants & Subsidies	6,567	4,958	1,609	16,217
7,323	User Fees & Other	1,227	1,677	(450)	7,866
17,286	Land Sales	-	750	(750)	14,650
2,155	Regulatory Fees	890	676	214	2,155
2,104	Development Contributions	589	526	63	2,104
388	Interest & Dividends	23	97	(74)	388
-	Reserves Contributions	105	-	105	-
55	Other Capital Contributions	40	2	38	55
69,829	Total Income	17,849	17,045	804	76,705
	Expenditure				
13,565	Staff	2,928	3,161	233	13,529
587	Members Remuneration	116	147	31	587
8,904	Contracts	2,098	2,189	91	9,724
2,902	Professional Fees	609	995	386	3,881
9,997	Depreciation	2,499	2,499	-	9,997
13,926	Costs of Sales	2	100	98	7,290
3,920	Refuse & Recycling Costs	785	846	61	3,920
1,723	Repairs & Maintenance	284	430	146	1,739
1,410	Electricity & Fuel	316	333	17	1,410
652	Grants	174	160	(14)	652
1,115	Technology Costs	245	281	36	1,099
303	Projects	143	302	159	1,206
639	Rates Expense	432	479	47	634
423	Insurance	76	98	22	423
2,037	Other Costs	392	496	104	2,041
62,103	Total Expenses	11,100	12,516	1,416	58,132
7,726	Operating Surplus / (Deficit)	6,749	4,529	2,220	18,573

This table has rounding (+/- 1)

The financials for September 2021 show an overall favourable variance of \$2.22M. This is made up mainly from the timing of the Three Waters Stimulus funding carried over from the 2020/21 financial year and the timing of the government grants and subsidies budget. The land sales budget and metered water revenue are behind expected budget. Operational expenditure is trending lower across all areas with larger variances in professional fees, staff costs, projects, repairs and maintenance and other costs.

Income of \$17.849M against the year-to-date budget of \$17.045M

Overall income has a favourable variance against the revised budget of \$804k. This mainly relates to the Three Waters Stimulus funding carried over from the 2020/21 financial year, offset by the timing of land sales and metered water revenue.

The key variances are:

- Government grants and subsidies revenue of \$6.567M is \$1.6M favourable against budget. This is made up mainly from the timing of the remaining \$4.2M of Three Waters Stimulus funding carried over from the 2020/21 financial year and the fall of the government grants and subsidies budget by \$1.9M. This is offset by the timing of the Waka Kotahi New Zealand Transport Agency (Waka Kotahi) roading subsidy by (\$704k). The subsidies are claimed for both the operational and capital roading work programmes.
- User fees and other has an unfavourable variance of (\$450k). This is mainly due to delays with the water meter readings of (\$321k) with extra external resources being committed by the provider to catch-up on the readings. There is also (\$22k) in swimming pool admissions and (\$95k) variance in other income. Other income relates to Tourism Infrastructure funding (TIF) contributing to the new Clyde toilet and the Miners Lane carpark, this is due to be claimed in October 2021 and January 2022.
- Land sales has an unfavourable variance of (\$750k). This relates to land Council agreed to sell as part of the long-term planning process. This land is currently having preparation work carried out for it to be ready for sale. All other land sales revenue from subdivisions will start to come through later in the financial year, once the sales are completed.
- Regulatory fees have a favourable variance of \$214k. This is predominately due to the timing of building consent revenue received of \$184k.
- Interest and dividends revenue is unfavourable against budget by (\$74k). Market interest rates on term deposits continue to trend lower than budget.
- Reserve contributions has a favourable variance of \$105k. These contributions are dependent on developers' timeframes and therefore difficult to gauge when setting budgets.

Expenditure of \$11.1M against the year-to-date budget of \$12.516M

Expenditure has a favourable variance of \$1.42M. The main drivers being contracts, staff, professional fees, and other costs.

The key variances are:

- Staff costs has a favourable variance of \$233k. The variance is predominantly due to vacant positions, timing of recruitment and staff training.
- Contracts has a favourable variance of \$91k. Contract expenditure is determined by workflow and the time of the contract. This will mean that the phased budgets will not necessarily align with actual expenditure, meaning some work appears favourable, and some contracts spend year-to-date appear (unfavourable). Planned maintenance \$181k; contracts (\$128k); physical works contracts \$126k, and roading contracts (\$84k) are the key timing variances year-to-date. The contracts variance of (\$128k) is being driven by Three Waters Stimulus operational improvements projects. This is being funded by the Three Waters Stimulus funding.
- Professional fees has a favourable variance of \$386k. This is due to the timing of professional fees against budget. Major favourable variances include management consultants of \$208k,

engineering fees of \$50k and network and asset management fees of \$30k. This is similar to contract expenditure where budget and actuals do not align throughout the year but typically align by the end of the year.

- Costs of sales has a favourable variance of \$98k. This relates to the timing of land sales within the Three Waters function, where at present work is being carried out to ready the land for sale.
- Repairs and maintenance have a favourable variance of \$146k. This is made up of the timing of various projects still to be completed as well as the building maintenance requirements.
- Projects are also favourable at \$159k. This variance relates to the phasing schedule for Tourism Central Otago projects. Additional resources have been required to deliver the projects; this is now underway.

Other costs breakdown is as below:

2021/22 Annual Plan \$000	Other Costs breakdown	YTD Actual \$000	YTD Revised Budget \$000	YTD Variance \$000		2021/22 Revised Budget \$000
534	Administrative Costs	60	116	56	●	550
691	Office Expenses	158	172	14	●	666
234	Operating Expenses	77	67	(10)	●	234
327	Advertising	45	77	32	●	329
175	Valuation Services	43	44	1	●	175
76	Retail	9	20	11	●	87
2,037	Total Other Costs	392	496	104		2,041

This table has rounding (+/- 1)

- Other costs have been reconfigured this financial year and include only need based costs which will fluctuate against budget from time to time. There are no large variances of note to report on at present.

Profit and Loss by Activity – 30 September 2021

ACTIVITY	INCOME			EXPENDITURE			SURPLUS/(DEFICIT)			
	Actuals \$000	Revised \$000	Variance \$000	Actuals \$000	Revised \$000	Variance \$000	Actuals \$000	Revised \$000	Variance \$000	
Infrastructure	589	526	63	(94)	-	94	683	526	157	●
Roading	2,014	2,786	(772)	2,193	2,200	7	(179)	586	(765)	●
Waste Management	1,195	1,236	(41)	1,248	1,261	13	(53)	(25)	(28)	●
Parks Reserves Recreation	1,818	1,785	33	1,594	1,766	172	224	19	205	●
Corporate Services	74	70	4	(52)	31	83	126	39	87	●
People and Culture	415	428	(13)	375	460	85	40	(32)	72	●
CEO	211	215	(4)	61	274	213	150	(59)	209	●
Property	1,206	1,094	112	1,184	1,327	143	22	(233)	255	●
Governance and Community	2,355	2,131	224	1,030	1,290	260	1,325	841	484	●
Planning (Regulatory)	1,602	1,403	199	1,365	1,502	137	237	(99)	336	●
Three Waters	6,178	5,265	913	2,197	2,401	204	3,981	2,864	1,117	●
Total	17,849	17,045	804	11,100	12,516	1,416	6,749	4,529	2,220	●

This table has rounding (+/- 1)

* The funding activity has been removed as this is not an operational activity.

- **Infrastructure** – income has a favourable variance of \$63k. This variance is due to development contributions received being higher than budgeted. Contributions are linked with the timing of subdivision developments in Cromwell and Alexandra. Expenditure has a favourable variance of \$94k. The credit expenditure relates to the cost recovery of internal expenditure, which is not budgeted for as this is a fully on-charged cost recovery account.
- **Roading** – income has an unfavourable variance of (\$772k). This is mainly due to the Waka Kotahi subsidy. This subsidy moves in conjunction with the subsidised roading operating and capital work programmes. Operating expenditure is on schedule with the budget, with a small favourable variance of \$27k. The capital work programme is currently behind with a favourable variance of \$826k, which will ramp up over the summer season.
- **Waste Management** - income has an unfavourable variance of (\$41k). User fee revenue is lower than budget. User fee revenue of \$275k is on par with last years' actuals of \$270k. Expenditure has a favourable variance of \$13k.
- **Parks and Recreation** – income has a favourable variance of \$33k. Ministry of Business Innovation and Employment (MBIE) responsible camping funding carried over from prior year is offsetting lower than expected swimming pool income. The pools like many council facilities were closed during August and September 2021 due to COVID-19 restrictions, reducing admissions. Expenditure has a favourable variance of \$172k. Driving this favourable variance is the timing of workplans and staffing requirements with underspends in: contracts \$46k; other cost of \$38k; building repairs and maintenance \$28k and staff costs of \$24k.
- **Corporate Services** – income has a small favourable variance of \$4k. Expenditure has a favourable variance of \$83k. Information Services have underspent in equipment hire. Insurance is slightly behind budget at present but is likely to be higher than budget when renewed in November 2021.
- **People and Culture** – income has a small unfavourable variance of (\$13k). Expenditure has a favourable variance of \$85k. Driving this favourable variance are underspends in human resources \$12k, health and safety \$9k, libraries \$66k and administration \$4k. The libraries underspend is partially due to the timing of budget and the Kōtui and Collection HQ annual fee which is yet to be paid.
- **CEO** – Expenditure has a favourable variance of \$213k. This is mainly due to the timing and need for consultants of \$97k, staff of \$60k and other costs of \$17k. The wildling pines annual grant budget of \$20k has not been uplifted.
- **Property** – has a favourable income of \$112k. TIF funding of \$82.5k has been received and will be used to fund new toilets in Clyde. The remaining favourable variance of \$40k is MBIE funding carried forward for the completion of the Ophir Community Hall project, with additional funding due. Expenditure has a favourable variance of \$143k made up of underspends in community buildings \$116k, elderly persons housing \$22k and airports \$20k.
- **Governance and Community Engagement** – income has a favourable variance of \$224k. This is due to the budget phasing of grants received in tourism, \$365k of Strategic Tourism Assets Protection Programme (STAPP) funding has been carried forward from the previous year and \$1M has been received from MBIE for Tourism Communities Support, Recovery and Re-set plan (SRR) funding. Expenditure has a favourable variance of \$260k. There are underspends in promotions and tourism \$149k, regional identity \$36k, visitor centres \$26k, governance \$23k, economic development \$15k and community development \$8k. The promotions and tourism variance relates to the phasing schedule for Tourism Central Otago projects.

- **Planning (Regulatory)** – has a favourable income variance of \$199k. This is mainly due to an increase in building permit revenue of \$184k. Expenditure has a favourable variance of \$137k. Most of this variance is due to timing and needs, including: management and planning consultants of \$61k; training and compliance costs of \$25k and staff costs of \$20k.
- **Three Waters** – income has a favourable variance of \$913k. This is due to the timing of the \$4.2M of Three Waters Stimulus funding carried over from the 2020/21 financial year and the fall of the government grants and subsidies budget of \$1.9M. Offset by the timing of the land sales (\$750k) and metered water revenue (\$341k) to budget. Expenditure has a favourable variance of \$204k. Cost of sales variance of \$100k relates to the land sales revenue. There is work being carried out to ready the land for sale. Water and wastewater management fees are also lower than budget by \$66k overall.

Capital Expenditure

Year-to-date, 7% of the total capital spend against the full year's revised capital budget, has been expensed.

2021/22						2021/22	Progress
Annual Plan	CAPITAL EXPENDITURE	YTD Actual	YTD Revised Budget	YTD Variance		Revised Budget	to date against revised budget
\$000		\$000	\$000	\$000		\$000	
6,058	Council Property and Facilities	234	3,952	3,718	●	9,146	3%
382	Waste Management	236	384	148	●	913	26%
-	i-SITES	-	-	-	●	4	0%
50	Customer Services and Administration	10	15	5	●	62	16%
204	Vehicle Fleet	1	-	(1)	●	256	0%
248	Planning	-	21	21	●	348	0%
352	Information Services	57	189	132	●	1,386	4%
164	Libraries	15	51	36	●	512	3%
1,713	Parks and Recreation	283	700	417	●	3,755	8%
7,420	Roading	1,161	1,987	826	●	7,950	15%
14,243	Three Waters	2,325	9,396	7,071	●	38,726	6%
30,834	Grand Total	4,322	16,695	12,373		63,058	7%

Council Property and Facilities \$3.718M favourable against budget:

Cromwell Town Centre projects are driving the majority of this variance by \$3.41M. The work programme is currently in the design phase for the Cromwell Memorial Hall and Events Centre. A request for proposal and tender evaluation process for the architectural design for demolition and construction was carried out in October and November 2021 with the contract expected to start by the end of November 2021. The Ophir Community Centre bathroom upgrade project is progressing and is due to be completed in November 2021. Work has begun on the new Clyde toilets, with toilets on order and delivery expected in December 2021.

8 December 2021

Waste Management \$148k favourable against budget:

The glass crushing plant project is behind budget by \$48k. The transfer station reconfiguration projects are yet to start, contributing to \$100k of the underspend.

Information Services \$132k favourable against budget:

Information services projects are behind budget. Projects include Geographic Information Services \$82k, enhanced customer experience digital services \$16k, enterprise resource planning information services \$11k and financial performance improvement \$9k.

Parks and Recreation \$417k favourable against budget:

Parks and recreation has a favourable variance of \$417k. This variance is driven by a mixture of the timing of project budgets and contractor's availability to perform the work. Projects include landscaping, signage and irrigation. The Cromwell pool replacement heat pump is on order and due for delivery in February 2022 with preliminary fitting work to be carried out in December 2021.

Roading \$826k favourable against budget:

Subsidised roading projects are behind budget, this is mainly due to delays to the capital programme and receiving final funding allocations from Waka Kotahi. Subsidised roading projects that are behind the scheduled budget include: gravel renewals \$350k; sealed road renewals \$321k; and carpark renewals \$252k. These works will ramp up over the summer construction season.

Three Waters is \$7.071M favourable against budget:

The favourable variance is due to the timing of construction projects. The main drivers include the Clyde wastewater reticulation network construction, Alexandra northern reservoir, Alexandra pumpstation upgrades and Lake Dunstan water supply. Capital renewal programmes are being prepared and procurement plans are currently being drafted.

Internal Loans

Forecast closing balance for 30 June 2022 is \$4.075M.

OWED BY	Original Loan	1 July 2021 Opening Balance	30 June 2022 Forecast Closing Balance
Public Toilets	670,000	491,239	468,048
Tarbert St Bldg	25,868	13,067	11,574
Alex Town Centre	94,420	49,759	44,545
Alex Town Centre	186,398	91,041	79,921
Alex Town Centre	290,600	155,412	139,137
Centennial Milkbar	47,821	21,284	18,192
Vincent Grants	95,000	19,000	9,500
Pioneer Store Naseby	21,589	10,949	9,609
Water	867,000	717,829	691,212
ANZ Bank Seismic Strengthening	180,000	149,030	143,504
Molyneux Pool	650,000	571,900	539,400
Maniototo Hospital	1,873,000	1,775,142	1,723,630
Alexandra Airport	218,000	204,485	197,216
Total	5,219,695	4,270,138	4,075,488

External Loans

The total amount of external loans at the beginning of the financial year 2021/22 was \$189k. As at 30 September 2021, the outstanding balance was \$179k. Council has received \$9.4k in principal payments and \$1.8k in interest payments.

Owed By	Original Loan	1 July 2021 Actual Opening Balance	Principal	Interest	30 September 2021 Actual Closing Balance
Cromwell College	400,000	130,770	5,761	1,259	125,009
Maniototo Curling	160,000	35,662	2,244	292	33,418
Oturehua water	46,471	22,623	1,418	283	21,205
Total	606,471	189,054	9,423	1,834	179,632

Reserve Funds table

- As at 30 June 2021 the Council has an unaudited closing reserve funds balance of \$7.035M. This reflects the whole district's reserves and factors in the district-wide reserves which are in deficit at (\$16.7M). Refer to Appendix 1.
- Taking the 2020-21 unaudited Annual Report closing balance and adding 2021-22 income and expenditure, carry forwards and resolutions, the whole district is projected to end the 2021-22 financial year with a closing deficit of (\$10.772M).

3. Attachments

Appendix 1 - Council Reserve Funds 2021/22

Report author:

Reviewed and authorised by:




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17/11/2021

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17/11/2021