

Financial results for nine month period and delegated financial authority requests

TO	Thames Coromandel District Council
FROM	Steve Baker - Chief Financial Officer
DATE	28 April 2017
SUBJECT	Financial results for nine month period and delegated financial authority requests

1 Purpose of report

To seek Council adoption of the March 2017 budget review for the 2016/17 Financial Year. To provide the Council with cumulative financial information for the year to date to enable it to monitor the financial performance of the organisation; to inform the Council of requests made under the delegated financial authority in the current financial year; and to seek approval for further requests for additional budget.

2 Background

A local authority must manage its revenues, expenses, assets, liabilities, investments, and general dealings prudently and in a manner that promotes the current and future interests of the community.

Council amended the financial delegation to the Chief Executive on the 7 October 2015. Further refinements were passed by Council on 9 December 2015; April 2016; and 21 February 2017. The delegation requires regular reporting of any emergency approvals made under delegation by the Mayor Deputy Mayor and Chair of the Audit Committee or under the Chief Executive delegation.

3 Issue

To enable the Council to act prudently and in a manner that promotes the current and future interests of the community, financial performance must be monitored on a regular basis.

Under the new Chief Executive financial delegation the Council must approve budget requests over and above the Annual Plan budgets and tolerances set in the delegation.

4 Discussion

Financial performance

Comment on the financial performance is discussed in detail in the attached report **Attachment A**.

March 2017 Budget revision update

Twice each financial year staff undertake budget revisions to update the annual plan budgets.

Budgets are set at a particular point in time with the process completed before the financial year to which it relates even commences. It is constructed based upon assumptions and the priorities and projected environment within which we believe will exist over the tenure of the

budget. The reforecasting process gives us the ability to take stock and update our projected revenues, expenses and overall anticipated bottom line based on incoming actuals and the changing environment we operate within. This is key to enabling us to adjust for continually changing business events.

An overview of the budget revision outcome follows- .

Prospective Statement of Comprehensive Revenue and Expense				
Comparison to the October 2016 Budget Revision				
	Annual plan	Revised Oct	Revised Mar	
	2016/2017	2016/2017	2016/2017	Movement
	NZ\$000's	NZ\$000's	NZ\$000's	NZ\$000's
REVENUE				
Rates ¹	61,434	61,456	61,603	147
Fees and charges	10,061	10,451	10,891	439
Development and financial contributions	1,667	1,772	1,308	(465)
Subsidies and grants	8,639	8,525	8,968	443
Interest revenue	12	50	141	91
Other revenue	1,867	2,267	2,206	(61)
Gains	1,905	0	0	0
Total revenue	85,584	84,521	85,115	594
EXPENDITURE				
Personnel costs	16,737	16,516	16,226	290
Depreciation and amortisation expense	19,007	18,994	18,473	521
Finance costs	2,636	2,326	2,318	8
Other expenses	42,318	41,838	43,277	(1,438)
Total operating expenditure ²	80,699	79,675	80,294	(619)
Share of associate's surplus (deficit)	0	0	0	0
Surplus (deficit) before tax	4,885	4,846	4,821	(25)
Income tax expense	0	0	0	0
Surplus (deficit) after tax	4,885	4,846	4,821	(25)
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Gain on property revaluation	27,842	38,715	57,728	19,012
Total other comprehensive income revenue and expense	27,842	38,715	57,728	19,012
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	32,727	43,562	62,549	18,987

Movement in budgeted Revenue

Fees and charges - Movement an increase of \$439,000

- Solid Waste - Projected revenue from transfer stations continues to rise with increased flows through them. Accordingly transfer station revenue has been revised up by \$190,000. The projected costs associated with handling this increased volume have also increased but by a lesser amount.
- Building Control - Building consent revenue revised up by \$120,000 based on volume of consents processed to date.
- Mercury Bay - Hotwater Beach parking revenue has been revised upwards by a further \$35,000 reflecting the increased charges and use of this facility..

Development Contributions - a downward movement of \$465,000

- This revenue line is determined by actions of others. Which in turn are determined by the market forces. Whilst there is increasing development activity in the District it is ultimately up to the market as to when development projects a progressed to the point where development contributions are levied.

Subsidies and Grants -

- Economic Development - Grant revenue of (\$433,000) associated with the Great Walks project has been deferred to 2017/18 to align with the delivery of the project. Grant revenue for the electric car charging stations has been included in the revision \$175,000
- Grant funding for Hot Water Beach disposal field \$167,000 and rubbish compactors \$78,000 have been included in the latest revision. These projects are to be delivered by 30 June 2017.
- NZTA Rooding subsidy revised upwards by \$241,000. Unfortunately, this is linked to the damage from recent storm events and it only covers approximately 48% of the 'qualifying restoration costs' of these events on our rooding infrastructure.

Movement in Budgeted Operating Expenditure

Personnel Costs - Movement a decrease of \$290,000

- Due to staff vacancies, with recruitment in some areas proving a challenge.

Depreciation - Movement a decrease of \$521,000

- Driven in large part by resetting a large number of asset classes under rooding surfaces out to two years as they are exceeding their expected useful lives. By extending the useful lives of these assets we reduce the annual depreciation expense associated with them.

Other Expenses - Movement an increase of \$1,438,000

Budget movements previously approved by Council

- District Rooding - Storm events costs have been increased by \$490,000 as a result of March and April storm events. With a further \$415,000 of remedial work included in the Annual Plan for 2017/18.
- Council - ECM Upgrade - \$164,000

Budget movements provided for under Delegated Financial authority Policy

- RMA Appeals - Legal costs increase of \$42,000. Council is currently in Environment Court assisted mediation to settle two appeals.
- Solid Waste - Projected volumes through the transfer stations continues to rise. Accordingly Transfer station expenditure has been revised up by \$146,000. This increase is more than offset by the additional revenue expected.

Budget movements where Council approval is sought.

- Economic Development - Costs of (\$859,000) associated with the Great Walks project has been deferred to 2017/18 to align with the delivery of the project
 - Costs for the delivery of the electric car charging stations has been included in the March revision \$165,000
 - Costs of (\$72,000) associated with the Coromandel Harbour project have been deferred to 2017/18 to align with the delivery of the project
- District Plan - Legal costs have been revised upwards by \$222,000 and Contract Variables by \$35,000 reflecting the cost of the appeals component of the District Plan process.
- Water - Contract Provisional up \$345,000 increased reactive work requirement (pipe failures, meter locates, toby replacement and water meters more than doubled YTD) and Energy up \$40,000(8%) due to 8 months actuals reflecting more likely full year.
- Wastewater - Contract Provisional up \$150,000; due to increased reactive works (blockages this year are tracking at twice that of last year)
 - Energy cost have been revised up by \$150,000 (Now same level as the original budget) reflecting higher than anticipated usage over the extended

- summer period.
- SBR Solids disposals up \$143,000 Due to underestimated volumes of sludge being generated from the Whitianga plant, while bio-solids costs are down \$70,000 due to unavailability of suitable green-waste and operational costs being less than anticipated.
 - Emergency Management - The revision includes non-recoverable costs for Comers Corner Fire of \$40,000
 - Thames County Building - Asbestos removal \$53,000

Gain on Property Valuation - Movement an increase of \$19,012,000

- Each year Council revalues its fixed assets for accounting purposes - This year the valuation adjustment factors is higher than anticipated particularly on land.

Capital Works Programme 2016/17

Annual Plan Capital Works budget for 2016/17		\$30.44m
Revised programme per September 2016 Revision		\$28.77m
Additional Council approved CAPEX Budgets 2016/17 (post revision)	\$0.12m	
Staff proposed CAPEX adjustments February budget review	<u>(\$0.84m)</u>	<u>(\$0.72m)</u>
Revised programme		\$28.05m

Listed below are the proposed budget revision movements in excess of \$15,000 in Capital works budgets for 2016/17 together with comments supporting the requested changes. A further 35 capital projects budgets have movements of less than \$15,000 with a cumulative reduction of \$93,840.

Capital Works Projects 2016/17 March budget revision comparison to October 2016 revision	PROJ NO	ANNUAL PLAN BUDGET	REVISED OCT 2016 END BUDGET	Other Council Approvals 2016/17	Chief Executive Approvals	March Review Proposed Movements	REVISED Mar 2017 END BUDGET	Comments
DESCRIPTION OF PROJECT								
DISTRICT								
Emergency Management - Rural Fire Equipment	1108	20,000	20,000			(18,550)	1,450	Budget reduced as Rural Fire is transitioning to Central Government from 1 July 2017.
Economic Development - Lees Road Seal Development	2445	1,356,000	456,625			(174,374)	282,251	Portion of project deferred to 2017/18
Admin - Computer Software	1103	288,147	498,298	(265,188)		343	233,453	Council approval to reduce ECM Capex Budget replacing with operational costs March 2017
Admin - Computer Hardware	1106	311,567	367,174			(35,997)	331,177	Revised downwards based on updated project information
Admin - Plant & Vehicles	1105	539,000	444,000			(79,655)	364,365	Revised downwards based on updated fleet information
Hazard Management - Buffalo Beach Coastal Erosion	2380	548,605	21,471			(16,841)	4,630	Project deferred. Alternate solution has been submitted and approved for the 2017/18 year
Hazard Management - Macrocarpa Reserve Erosion	2449	100,000	60,000			(30,000)	30,000	Forecast cost reduction reflects updated project information together with an alternate solution which has been submitted and

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								approved for the 2017/18 year.
RDG - Maintenance Chip Seals	1181	750,000	583,000			(49,402)	533,598	Reduction in budget the result of competitive tender rates for the work programme.
Solid Waste - Rubbish Compactors	2478			265,000			265,000	Council approved new project.
Waste Water - Whitianga Pump Station Upgrade	2144		91,388			25,000	116,388	Forecast cost increase based on updated project information from PowerCo.
Waste Water - Whitianga Plant Optimisation	2469	315,245	315,245			(24,991)	290,254	Required scope of works revised has resulted in reduced work package.
Wastewater Matarangi Consent Renewals Land Disposal	2446	100,000	101,728			(16,231)	85,497	Forecast cost reduction reflects updated project information
Water Thames Drinking Water Standards upgrades	2472	428,733	428,733			(176,397)	252,336	Savings in the cost of UV Units being installed.
Water Hahei Consent Renewals	2403		31,331			(17,903)	13,428	Forecast cost reduction reflects updated project information
Water - Whangamata Consent Renewal - Manuka Place	2337	94,048	73,380			(14,575)	58,805	Forecast cost reduction reflects updated project information
Water - Coromandel Consent Renewal - Karaka	2471	131,877	132,000			(25,062)	106,938	Project scope reduced as telemetry at site not required.

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Stormwater - Renewals	2421	429,235	500,994			(116,669)	384,325	One project will not be completed due to unavailability of contractor.
Stormwater - Kopu Stormwater Land Purchase	2407	505,077	503,817	(429,607)			74,210	Ponding in Kaiwhenua not required. Decision made not to pursue acquisition of all of the Lots.
THAMES WARD								
Community Facility - Roding Goldmine Experience Carpark	2477			47,500			47,500	Council approved Community Board recommendation for fencing Plus CE approval for Security requirements.
Community Facility - Roding Queen Street Pedestrian Refuges	2465	50,000	50,000			(50,000)	Nil	Project on hold until planning work to determine where the refuges should be placed occurs.
Community Facility - Parks Porritt Park Playground Equipment	2463	42,879	59,879			46,120	105,999	Reflects additional equipment - which is externally funded.
Community Facility - Parks Thames Skatepark	2292	292,368	357,355	33,000	8,537		398,892	New fence approved by Council. Chief Executive approved security requirement.
Community Facility - Parks Thames Indoor Sports Facility	2354	3,893,743	4,147,010			700,553	4,847,563	Provisional Sum - negotiations are underway.

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COROMANDEL WARD								
Community Facility - Parks Coromandel Sportville	1020	472,867	200,000			(74,127)	125,873	Reflects only the resealing of existing Court. The additional Court design and proposal will be bought to Council next year.
MERCURY BAY WARD								
Community Facility - Public Convenience Bull Paddock New Toilet	2455	168,131	130,000			(21,870)	108,130	Forecast cost reduction reflects updated project information. Surplus funds to be transferred to TCDC portion of MBIE funding for effluent disposal system at Hot Water Beach.
Community Facility - Public Convenience Renewals	2414	124,770	124,770			(45,000)	79,770	Forecast cost reduction reflects updated project information. Surplus funds to be transferred to TCDC portion of MBIE funding for effluent disposal system at Hot Water Beach.
Community Facility - Public Convenience Hot Water Beach Toilet Upgrade	2415	617,909	676,131		40,000		716,131	The design agreed in consultation with the community included external finishing of wood panelling with a wave pattern in it around the entire structure to provide

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								a finish to fit with the beach environment it is located in was not included within contract price.
Community Facility - Public Convenience Hot Water Beach Toilet Disposal Fields	2479			250,500	164,820		415,320	In the original proposal it was envisaged that UV treatment and additional Power supply would not be required. They now are. Additional costs to be met from savings in Mercury Bay public convenience renewals, bull paddock projects together with car parking revenue from Hot Water Beach.
Community Facility - Public Convenience Buffalo Beach New Toilet	2456	168,131	168,131			(79,711)	88,420	Carried forward into 2017/18
Community Facility - Harbours Purangi Ramp Upgrade and New Pontoon	2453	178,639	178,639			(30,000)	148,639	The contract sum and Final price of the project will be under budget.
Community Facility - Halls Renewals	2412	21,016	21,016			28,413	49,429	External funding obtained to cover the increase in budget.

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Community Roding - Whitianga Town Upgrade	2252	913,461	710,423			(226,236)	484,187	Carried forward into 2017/18 - Delivery will now be in the March to June 2018
Mercury Bay Museum	2452	120,000	120,000			(30,000)	90,000	Updated pricing for the repair of the Museum roof
TAIRUA/PAUANUI WARD								
Community Roding - Footpath Construction	1156	37,515	93,196			(37,210)	55,986	Three sites budgeted. Community Board requested Surf Club crossing point only to be done this financial year. Further reduction in budget required.
Community Roding - Footpath Rehabilitation	1177	36,779	36,779			(25,249)	11,530	Costs updated based on condition assessments undertaken this year.
WHANGAMATA WARD								
Community Roding - Curb/Channel/Swale	2443	842,510	832,027			(121,073)	710,954	Part of project deferred to 2017/18 due to March 2017 storm events

While the budget revision above includes remedial work packages for its roading infrastructure as a result of recent adverse weather events it was not possible to financially reflect those that will emerge over the coming weeks. Three that have surfaced at the time of writing this report are:

- **Onemana Slip**
A land slip has occurred within a Council reserve located to the east and upslope of the private properties located at 328 & 330 Onemana Drive. Some of the vegetation immediately above the slip has a high risk of instability and some of the existing trees are leaning downslope and are similarly unstable; removal of these trees will need to be carried out.
The development of a geotechnical solution to remediate the area and to address the future flow of storm water from the Reserve area is underway. At this stage the total cost of the remedial work is currently.
- **Tararu Cemetery (Thames Coast Road)**
Road access way severely damaged. Two large pine trees have fallen down over headstones causing minimal damage to the headstones. Access to remove the trees appears to be restricted to helicopter extraction. Staff are in the process of developing a remedial action plan.
- **Colville Cemetery**
Reinstatement work will be required for the washed out metal access way to Colville Cemetery.

This budget revision is used to provide the updated opening position for the 2017/18 Annual Plan which we will bring to Council for approval in June 2017.

Annual Plan 2017/18 - Update

Based on the March budget revision above and recent discussions with Council on the Annual Plan for 2017/18 the projected average rate increase is forecast to be 3.38%. Movements by individual Community Board Area are listed in the following table:

Community Board area	Local CB rates only	District plus CB area rates
Thames	9.88%	4.55%
Coromandel-Colville	-1.90%	1.61%
Mercury Bay	10.12%	4.22%
Tairua/Pauanui	1.28%	2.30%
Whangamata	1.53%	2.41%

In addition Councils external borrowings are forecast to rise from \$40.7million to \$47.3million over the 2017/18 financial year.

5 Suggested resolution(s)

That the Thames Coromandel District Council:

1. Receives the 'Financial results for nine month period and delegated financial authority requests' report, dated 28 April 2017.
2. Approves March 2017 budget revision as detailed in the report, including the movements in capital expenditure.
3. Notes the average rate increases by Community Board area and external debt projections for the 2017/18 Annual Plan to be presented to Council for adoption in June 2017.

References-Tabled/Agenda Attachments

Attachment A - March 2017 - Finance monthly report

Attachment A