

Audit, Finance & Risk Committee
2 July 2020

Report for Agenda Item | Rīpoata moto e Rāraki take 1

Department: Finance, Legal & Regulatory

Title | Taitara 2019:20 April YTD Financial Overview

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

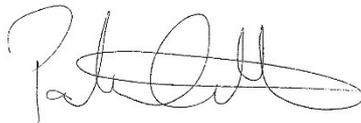
- 1 The purpose of this report is to present the 2019:20 April YTD Actual to Budget, 2019:20 Full Year 10+2 Re-forecast to Full Year Budget and 2019:20 April YTD Capital Expenditure financial results and to report on any significant transactions and/or variances to budget. Also presented for review is the April Statement of Financial Position and 2019:20 April Debtors analysis.

RECOMMENDATION | NGĀ TŪTOHUNGA

- 2 That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report;

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22/06/2020

Reviewed and Authorised by:



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General Manager, Finance, Legal
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22/06/2020

CONTEXT | HOROPAKI

- 3 The main objective of this report is to give the Committee an overview of how the Council is performing from a financial perspective. The approach taken is one of management by exception, whereby officials are required to provide explanations when actual expenditure or revenue does not match the budget.
- 4 The reporting date timeline has been extended one month to be an April Year to Date position so to provide an initial update on the COVID-19 financial impact to Council. Historically reporting has been a Quarter 3 or March Year to Date focus.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

2019:20 April YTD Actuals to Full Year Budget Overview:

- 5 For the month of April, council recorded a (\$2.2m) net operating deficit, which is (\$1.3m) unfavourable for the month. This takes the year to date net operating deficit to (\$2.4m), which is \$4.2m favourable to the Budget net operating deficit of (\$5.9m).
- 6 The April YTD actuals shows additional revenue of \$0.5m, which includes additional Grants and Subsidies income due to receiving the MBIE TIF grant of \$1.2m, there is reduced Consenting income of (\$1.5m) which is partially offset by additional Operational Income of \$0.6m.
- 7 The April YTD actuals has additional expenses of \$2.7m which includes \$2.5m unfavourable within Infrastructure Maintenance (Net impact \$1.7m is after adjusting for NZTA roading subsidised works including the claims still to be made for the flooding events).
- 8 There is also additional spend within Expenditure – Other of \$1.2m which is predominately due to Council Emergency Operations Centre Welfare COVID-19 Response costs which will be reimbursed by Central Government’s National Emergency Management Agency (NEMA) (timing). This is offset by a lower Interest expense of (\$5.9m) which relates to the capital programme delivery.
- 9 COVID-19 impact analysis - \$1.8m unfavourable net deficit position for the April Month:

Revenue

- 10 For noting, the direct COVID-19 impact on Total Operating Revenue for April was down (\$2.2m) on budget, which includes:
 - Regulatory Income (\$0.5m) unfavourable across traffic, parking and campervan infringements along with pay & display parking machines;
 - Operational income (\$1.1m) unfavourable across turnover rents & concession income and refuse revenue and Sport and Recreation income;
 - Consenting Income (\$0.6m) unfavourable across P&D.

Expenditure

11 For noting, the Impact of COVID-19 for the month of April - \$0.4m unfavourable Expenditure for the month:

- Parks & Reserves \$0.4m favourable - A result of level 4 lockdown and non-essential work that wasn't able to be carried out;
- For noting, Expenditure Other – Includes (\$1.2m) expenditure for COVID-19 Welfare Response (which is to be reimbursed from NEMA so timing issue only);

2019:20 10+2 Full Year Re-forecast to Full Year Budget Overview:

12 The Full Year Re-forecast has a (\$4.2m) net operating deficit which is (\$5.3m) favourable to the Budget net operating deficit of (\$9.6m).

13 Within operating revenue, it is expected that revenue will be down by \$3.1m overall, which is due to deferring Coronet forest harvest income of (\$4.9m), reduced Consent income \$1.9m and Regulatory income of \$1.5m. On the favourable side, there is additional income from MBIE and NZTA within Grants and Subsidies of \$2.2m NZTA and Capex recoveries of \$1.1m along with net additional revenue within Operational income of \$2.5m, of which \$2.9m is for Welfare related reimbursement from NEMA for Council's COVID-19 response.

14 Overall expenditure is expected to be \$8.8m under budget. Interest expense is expected to be less than budget by (\$5.7m). There are forecasted additional costs within Infrastructure Maintenance works \$3.2m (NB: Net impact is \$2.6m after adjusting for grants and subsidies and user pays income received). Parks and Reserves maintenance has reduced expenditure from Coronet forest of \$4.6m due to timing.

15 For noting, COVID-19 material impacts within Operational Revenue is \$2.7m reduction:

- Reduced Consenting income \$1.0m across P&D;
- Reduced Regulatory Income \$0.7m from Parking, Traffic and Campervan infringements;
- Reduced Operational Income \$0.7m from Sport and Recreation and Venues and Facilities.
- Reduced Operational income expected from Turnover rents \$0.4m, Shotover Jet Concession Fees \$0.3m and Camp Ground License Fees \$0.1m.

16 For noting, COVID-19 material impacts within Expenditure is \$2.0m reduction:

- Reduction in Parks Maintenance Expenditure – Total reduction in forecast spend of \$415k within Parks and Reserves,
- Reduction in Legal spend \$370k for District Plan as a result of the timing for environmental court and stage three hearings due to lockdown delays
- Reduction in Other spend \$860k for District Plan Commissioner Costs as hearings scheduled for May/June were cancelled due to COVID-19 and were rescheduled to July/August (timing), and \$336k of savings across accommodation, staff training and recruitment

- 17 For noting the re-forecast of the contractor (salaries & wages) staff costs for the full year is expecting this to be now overspent by \$0.7m. The March run-rate had an overspend of \$1.3m so COVID-19 impact has been \$0.6m reduction.
- 18 For noting as part of council's QLDC Civil Defence role, welfare payments are expected to be around \$2.9m. Following the expected reimbursement from NEMA it is expected that the cost to QLDC will be \$50k-80k.
- 19 For noting Council has received an appropriation from MBIE of \$1.4m for Recovery initiatives. Upon signing this contract in May Council has received \$1.0m as the first milestone payment which is currently treated as Income in Advance.
- 20 Within capital revenue, it is expected that revenue will be reduced (\$20.0m) for Grants and Subsidies capex income due to council awaiting approval on NZTA budget approval for numerous projects which are at differing business case stages and (\$26.9m) revenue reduction within income operational which is predominately due to the deferral of the Commonage Land sale.
- 21 For noting, The Full Year 10+2 re-forecast does not include any costs re-classified to OPEX from the capital programme which are reviewed and adjusted as a financial year end adjustment. This includes projects which are potentially not commencing due to not advancing from design stage or may include scoping/investigation/preliminary design works, demolition, removal, tree cutting/planting, earthworks or projects not needed anymore and therefore will need to be expensed.

2019:20 April YTD Capital Expenditure Reporting Overview:

- 22 At end of April 2020 Council was delivering 345 projects with an approved FY20 adjusted budget of \$106.1m. This is a \$57.4m decrease from the 2019:20 Annual Plan budget of \$163.4m.
- 23 The November re-forecast approved by council had \$63.4m of projects deferred and \$0.8m of projects brought forward. The March re-forecast had an additional \$31.8m of deferrals and \$0.6m of projects brought forward. To date within the FY20 there has been:
 - \$47.2m of projects carried forward from 2019 (current projects);
 - \$2.8m of projects externally funded;
 - \$94.5m of deferred projects to future years;
 - \$12.1m of net 3 Waters PMO reductions, and
 - \$0.8m of other adjustments.
- 24 Overall year to date spend is \$47.6m against expected adjusted budget spend of \$106.1m. The forecast spend to June 2020 is \$66.3m. Reasons for the low spend in 2019/20 include:
 - A substantial number of projects across the programmes remain in design stages with construction planned in future years of the LTP.
 - There are a number of major Roding projects which are in various stages of NZTA approval. The largest of which, the Queenstown Arterials and Town Centre Pedestrianisation are still awaiting NZTA approval for funding to proceed as well as

being included in the list of CIP 'Shovel Ready Projects' requested for additional funding in May. Ballantyne road design is nearing completion with some value engineering required before going to tender in July 2020. The Park and Ride options are awaiting mass rapid transit interventions to proceed and active travel programme is dependent on the business cases and master planning activities underway, much of which NZTA is funding directly. \$0.9m of Minor improvements Wānaka funding for the Lakefront shared path was reallocated in the March reforecast to Ballantyne Road/Golf Course Road intersection upgrade and Ballantyne Road Footpath following decisions pending on design of the lakefront. Within Queenstown Parking Improvements, the consent for Boundary St car park is now approved. The project being progressed to detailed design is dependent on alternative car parking options to be considered. The aim is for Council to consider options in the September Council meeting.

- The 3 Waters Programme has experienced delays with land agreements, consenting, developer agreements and minor delays with COVID-19, however a number of projects now have early contractor involvement and will be entering the construction phase in 2020. Total deferrals across 3 waters including PMO adjustments total \$46m.
- Project Manawa, which includes the new council office and civic heart precinct in Queenstown had deferrals of \$23.4m due partly to additional carry forwards added from 2018/19 and delays to the implementation stage whilst the design is completed under the proposed joint venture with Ngai Tahu.
- The Lakeview Development projects are dependent on developer and lease agreements. Some variations to the LTP budget have been progressed through the March Council Meeting, March Reforecast and Internal submissions. Deferrals totalled \$7.9m.
- Solid Waste projects are underway to upgrade facilities however only design and minor upgrades can be completed 2019/20 with the new facilities and plant in Wakatipu depending on development of the land on the Shotover Delta Site.
- A number of HIF (Housing Infrastructure Fund) projects have been delayed due to the Council decisions around development in Ladies Mile, new master planning projects for Ladies Mile and awaiting NZTA approved business cases. Within Quail Rise HIF, the development was delayed due to disagreement from landowners and mediation issues around land zoning. A decision has now been aligned on the link road so QLDC can start working on the agreement and this project.
- Parks includes \$2m deferrals for the Wānaka Lakefront Development Plan. The tendering process for construction of Stage 3 and Stage 2 consultation is about to begin with planning, consenting and design to start at the end of the year. A further portion of budget is to be carried forward at year end.
- Venues & Facilities includes \$2m budget that is proposed to be transferred from the QEC Two New Courts project added to QEC New Turf in the May reforecast to enable construction of the new turf in 2020/21, whilst design is still progressed for the Two New Courts.

25 Average monthly spend YTD is \$4.8m although for the month of April 2020, the spend was \$3.8m which saw a slight slow-down due to COVID-19.

26 There will be a third and final capex re-forecast completed during May/June this financial year that will go to council for the June meeting.

Options

27 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

28 Option 1 The report is for noting, therefore no options are discussed.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

29 As the review of the financial results is an administrative matter, there are no budget or cost implications arising from this report. No anomalies have been identified and it is not proposed to make any significant changes to any internal practices or procedures.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

30 The following Council policies, strategies and bylaws were considered:

- Long Term Plan 2018 – 2028
- Annual Plan 2019:2020
- Refer to online documents here: <http://www.qldc.govt.nz/policies>

31 The recommended option is consistent with the principles set out in the named policy/policies

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

32 The recommended option:

- The recommended option is consistent with the Council's plans and policies.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Finance Management Report – 2019:20 April YTD Actuals to April YTD Budget.
B	Finance Management Report – 2019:20 10+2 Re-forecast to Full Year Budget Overview.
C	Finance Management Report – 2019:20 April YTD Capital Expenditure Reporting Overview.
D	2019:20 April YTD Statement of Financial Position.
E	2019:20 April YTD Debtors Analysis.