

**Title:** Financial Report to 31 August 2018  
**Section:** Finance & Affordability  
**Prepared by:** Prabath Jayawardana (Financial Services Team Leader)  
**Meeting Date:** 11 October 2018

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Legal     Financial     Significance = low

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## Report to FINANCE & AUDIT Committee for information

### SUMMARY

This report is intended as a high level view of Council's financials. The report covers the Council's financial performance for the first two months ended 31 August 2018 of the 2018/19 financial year. It includes commentary against a year to date (YTD) Annual Plan on the statement of financial performance.

Most of the variances for the August YTD financial report relate to the roading emergency program. Full discussion on the emergency works program and the expected phasing of the program that was a result of the June 2018 flood event is included within this report.

A summary of the main key financial indicators for August 2018 YTD are:

- The net surplus is favourably ahead of Annual Plan by \$1.6m due to receiving more revenue than was planned.
  - YTD total revenue being \$2.2m favourably over Annual Plan is mainly due to the timing of capital grants for the inner harbour major project and higher subsidies received from New Zealand Transport Agency for roading emergency works.
  - The YTD total expenditure is unfavourably over Annual Plan (\$570k) due to higher than planned costs for the roading emergency works program. The higher roading costs were partially offset by lower than planned finance costs and employee costs.
- Capital expenditure for August YTD is \$3.3m against the YTD Annual Plan of \$3m. The capital program is slightly ahead of the phased YTD Annual Plan due to roading renewals having completed more than was expected in the first two months of 2018/19.

Full financial reporting, inclusive of Statement of Financial Position, internal loans and reserve balances will be given after the first quarter of 2018/19. This is to allow more meaningful information as there are minimal movements in capital programs, internal loans and reserve balances in the first few months of any new financial year.

The decisions or matters in this report are considered to be of **low** significance in accordance with the Council's Significance and Engagement Policy.

## RECOMMENDATIONS

That the Finance & Audit Committee:

1. Notes the contents of this report.

Authorised by:

A handwritten signature in blue ink that reads "Pm Foreman". The signature is written in a cursive, flowing style.

Pauline Foreman  
**Chief Financial Officer**

## **BACKGROUND**

1. The 2018–2028 Long Term Plan (LTP) increased the provision for roading emergency works from a previous budget level of \$2m to \$3m for the first three years of the plan.
2. The 33% increased level of expenditure to \$3m represented an average level of emergency repair costs that were expected to be incurred in any one year.
3. In June 2018, the emergency flood event that occurred predominantly around the Tolaga Bay area was assessed as costing a total of \$25.4m to repair the damage to roads. The assessment of repairs and reinstatement occurred after the adoption of the 2018–2028 LTP.

## **DISCUSSION**

4. Roading emergency works for August YTD were \$3.5m, \$500k more than the full year budget of \$3m.
5. The June 2018 emergency event program of work costing \$25.4m is expected to be completed over 2–3 years. Within these estimated costs are Gisborne District Council costs of around \$450k per year, which is for administration of the program.
6. The total \$25.4m costs has 100% external funding approved for the works, with 92% coming from the New Zealand Transport Agency and remaining 8% from the Provincial Growth Fund (PGF). There has been an additional \$1.2m of flood damage that occurred after the original PGF claim. They will be funded at 92% from the Transport Agency Council will incur the local share.
7. However, while we have the funding approved it has not been received for the August 2018 period. Funding for August YTD is at the normal Transport Agency subsidy rates (68% to 88%). The date of 100% payment has yet to be confirmed by the Transport Agency, but it is expected to coincide with the end of the first quarter of 2018/19.
8. It is expected that around \$9–10m of the program will be completed in 2018/19. While this has nil financial impact on Council, operating expenditure and operating revenue will both show variances of the amount of the program that is completed.

## **CONSIDERATIONS**

### **Financial/Budget**

9. The Annual Plan Budget for 2018/19 does not account for the June 2018 emergency event program of expenditure. For the majority of the reinstatement works there is no financial costs to be incurred by Council as it will be fully funded externally. A small portion (\$1.2m) will be subject to an 8% local share contribution (or \$96k).
10. However, there will be significant variances reported against operational expenses and operational revenue.
11. Until 100% of external funding is paid, the local share will be “bankrolled” by Council. The timing of receiving higher subsidies has still to be confirmed, but it was indicated by the Transport Agency to be in place by October or November 2018.

## NEXT STEPS

Date	Action/Milestone
Oct 2018	Confirmation of dates when the 100% external funding will start to be paid.
Nov 2018	Review of the program, and phasing of expenditure over the next 2-3 years.

## APPENDICES

- Appendix 1 - Statement of Comprehensive Revenue and Expenses for the period ended 31 August 2018