

Report No.	20-164
Decision Required	

FINANCIAL PERFORMANCE FOR THE FOUR MONTHS ENDED 31 OCTOBER 2020

1. PURPOSE

- 1.1. This report is to inform members of Council of the financial performance for the past four months to 31 October 2020 against the Council's annual plan budget.

2. RECOMMENDATION

That the Committee recommends that Council:

- a. receives the information contained in Report No. PX20-164.

3. FINANCIAL IMPACT

- 3.1. This item reports Horizons Regional Council's overall financial performance for the period ending 31 October 2020.

4. COMMUNITY ENGAGEMENT

- 4.1. There is no requirement for community engagement.

5. SIGNIFICANT BUSINESS RISK IMPACT

- 5.1. Assuming that the activities track to the 2020-21 Annual Plan, there is no significant business risk.

6. FINANCIAL REPORTING OF ACTUAL RESULTS TO THE ANNUAL PLAN BUDGET

- 6.1. For the period ending 31 October 2020 the operating surplus is \$969k, compared to the year to date (YTD) budgeted surplus of \$1.158M. This is (\$189k) unfavourable to budget (2019-20: \$821k favourable variance). The majority of the variance has arisen from revenue being less than expected for this time of year – in both Resource Management and Investment revenue.
- 6.2. Attached to this report is the Council monthly report for the period ending 31 October 2020, reporting actual revenue and expenditure for each of the business activities, along with explanations for the material variances to budget.
- 6.3. It is worth noting that the budget comparisons in this report are to the published Annual Plan. While Council have approved additional budget spends such as Jobs for Nature, Shovel Ready Infrastructure Projects and Carry Forwards, these have yet to be loaded in at this stage. The November monthly report will contain these revised budgets.

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- 6.4. Land, Water and Air Management is \$73k favourable overall, with SLUI (\$353k) unfavourable due to the timing of the first milestone payment. This is currently offset by other parts of the Land Management programme being favourable, as well as a slight favourable variance in Consent and Pollution Management revenue as a result of the prosecutions of some incidents.
- 6.5. Flood Protection and Control Works is \$627k favourable overall due to the timing of works, with wet conditions hampering works beginning in earnest this year.
- 6.6. Biosecurity and Biodiversity Management are currently \$94k favourable due to timing of getting contractors underway and the need to wait for lambing and docking to finish on farms.
- 6.7. Regional Leadership and Governance is (\$420k) unfavourable as a result of additional staff and external contractors being used for the emphasis on climate change and One Plan.
- 6.8. Transport is currently \$101k favourable as a result of the quarterly inflation payment being less than anticipated as well as additional revenue from the Regional Ticketing project.
- 6.9. Corporate Support is (\$401k) unfavourable due to the timing of costs (such as rates and insurance) being incurred at the start of the year. It is expected this will even out during the year as these costs are allocated to the other parts of the business where appropriate.
- 6.10. Investments is (\$263k) unfavourable due to interest revenue being even lower than expected after being revised during the Annual Plan process. It is expected that this will remain at year end and the treasury function is attempting to maximise as many returns as possible throughout the year.

7. CAPITAL EXPENDITURE

- 7.1. Council CAPEX is a large part of the cash-flow needs for the year. Many of the capital projects occur during the summer months and the spend is reflective of that, year to date.
- 7.2. A summary of each part of the business with a CAPEX budget, and the spend to date is as follows;

Budget	% YTD	Actual	Full Year Annual Plan
Land Management	0.14%	741	521,000
River & Drainage Schemes	9.32%	1,039,818	11,152,144
Water Quality & Quantity	7.81%	64,004	820,000
Biosecurity	66.00%	118,800	180,000
Biodiversity	4.10%	13,950	339,930
Community Relationships	0.00%	-	5,000
Emergency Management	2.24%	4,268	190,308
Information	18.35%	266,972	1,454,771
Passenger Services	0.00%	18,068	-
Corporate Support	2.86%	82,710	2,896,986
Total	9.16%	1,609,331	17,560,139

8. ACCOUNTS RECEIVABLE

Accounts receivable as at 31 October 2020 is **\$896k** (this does not include rates).

SUNDRY DEBT		INVOICE AMOUNTS						INVOICE AGES			
MONTH	TOTALS	Under \$1k	\$1k to \$5k	\$5k to \$20k	\$20k to \$50	\$50k to \$100k	Over \$100k	Current	1 month	2 month	3+ months
OCT 2020	\$896,113.03	-\$240,564	\$232,206	\$371,618	\$256,176	\$86,250	\$190,426	\$733,812	\$21,032	\$4,315	\$155,641
Percentage	100%	-26.85%	25.91%	41.47%	28.59%	9.62%	21.25%	81.89%	2.35%	0.48%	17.37%
No. of Invoices	466	302	109	43	9	1	1	261	22	14	140
SEP 2020	\$1,230,135.62	-\$77,988	\$423,202	\$427,768	\$184,629	\$82,097	\$190,426	\$1,056,785	\$4,484	\$49,095	\$116,467
Percentage	100%	-6.34%	34.40%	34.77%	15.01%	6.67%	15.48%	85.91%	0.36%	3.99%	9.47%
No. of Invoices	665	409	196	51	6	1	1	275	9	13	142
AUG 2020	\$1,649,043.25	-\$15,818	\$180,364	\$235,532	\$108,759	\$0	\$1,140,206	\$1,077,858	\$442,324	-\$43	\$126,746
Percentage	100%	-0.96%	10.94%	14.28%	6.60%	0.00%	69.14%	65.36%	26.82%	0.00%	7.69%
No. of Invoices	444	320	88	28	3	0	4	236	45	15	143

The current balance (being one month or less) makes up 81.89% of total receivables. The debt over three months old is being actively managed, which includes payment plans. Of the three largest and oldest invoices owing, two are from regulatory investigation costs dating back further than 12 months. One of these is in the court process currently, with the other in process with the debt collectors.

9. INVESTMENT

9.1. MWRC Holdings

9.1.1. The Investment Portfolio of MWRC Holdings Ltd is tracking as expected. North St continues to perform well. The Victoria Ave is now moved from development to operations with key tenants in place and again is generating net operating surpluses. The value of the CentrePort investment was confirmed on 30 June 2020 with an indicative increase in value of \$31M to a carrying value of \$70M.

9.2. Cash and Equity Investments

9.2.1. As at 31 October 2020 Horizons had a cash balance of \$28M, including \$17M in term investments (2019:\$23M).

9.2.2. Hobson Wealth Investment continues to perform well over the 12-month period with a 2.5% increase in portfolio value. Currently the value of the combined portfolio is sitting at \$3.24M from the original \$2M invested in December 2015. The portfolio is currently invested in growth assets, rather than assets that provide returns to Council. The management team are investigating options for transitioning to a balance between growth and increased returns for Council.

9.2.3. Interest rates remain at historical lows and Horizons monitors the rates to maximise returns on its cash-flows whilst meeting policy and minimising risks. Interest rates continue to be lower than what was budgeted in the Annual Plan. Treasury advice is received quarterly and the Finance team takes this into consideration when making investment decisions.

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10. DEBT**10.1. Loans**

Council currently has \$49M of loan stock (of which \$17M is arising from the Victoria Avenue development [gray shaded]) as outlined in the table below:

Type	Term	\$ value	Interest Rate	Date Maturing
Fixed	5 mo	4,000,000	0.51%	3-Mar-21
Fixed	6 mo	3,000,000	0.54%	15-Mar-21
Fixed	2 yrs 3 mo	3,000,000	2.25%	15-May-21
Floating	7 yrs	5,000,000	Currently 0.97%	18-Aug-21
Fixed	3 yrs 8 mo	4,000,000	2.71%	14-Apr-22
Floating	5 yrs	2,500,000	Currently 0.91%	21-Aug-22
Floating	6 yrs	2,500,000	Currently 0.96%	21-Aug-23
Fixed	4 yrs 9 mo	2,000,000	2.09%	15-Apr-24
Fixed	5 yrs 10 mo	2,500,000	3.54%	15-Apr-24
Fixed	5 yrs 10 mo	2,500,000	3.75%	15-Apr-25
Fixed	5 yrs 2 mo	2,000,000	2.81%	15-Apr-25
Fixed	5 yrs 2 mo	5,000,000	2.81%	15-Apr-25
Fixed	6 yrs 4 mo	4,000,000	3.25%	15-Apr-25
Fixed	7 yrs 2 mo	2,000,000	2.97%	15-Apr-26
Fixed	8 yrs 2 mo	2,000,000	3.12%	15-Apr-27
Fixed	9 yrs 10 mo	3,000,000	3.19%	15-Apr-29

10.2. Additional Reporting on Debt

With Council core debt levels now greater than \$30M additional disclosures must be reported to Council each month. Those disclosures are the level of Fixed/Floating debt as well as the maturity profile for the debt.

Council currently has 68.73% of debt at fixed interest rates and 31.27% borrowed at floating interest rates.

The debt maturity profile for Council currently has 61% of all debt maturing within 1-3 years. Of the fixed debt required to mature, 45% is within 1-3 years. The 3 to 5 year time band has 39% of all debt maturing, with 55% of the fixed debt maturing within the same period.

10.3. Swaps

Council currently has six interest rate swaps as detailed in the table below. These swaps in total fix \$8M of Council's debt at what was considered historically low interest rates.

Description	Term	Amount	Fixed Rate	Start Date	End Date
ASB Fixed	3 yrs 6 mo	1,000,000	4.26%	18-Sep-17	18-Mar-21
ASB Fixed	4 yrs 6 mo	1,000,000	3.90%	22-Mar-17	24-Sep-21
ASB Fixed	4 yrs 6 mo	2,000,000	4.47%	18-Sep-17	18-Mar-22
ASB Fixed	8 yrs	2,000,000	4.54%	22-Mar-16	22-Mar-24
ASB Fixed	7 yrs	2,000,000	3.87%	18-Sep-17	18-Sep-24

11. AUDITS

- 11.1. The Annual Report is currently being audited and will be available within the newly confirmed legislative timeframe. The summary will also be audited as legislatively required. Both will be available within the statutory requirements period of 4 weeks from adoption.

12. SIGNIFICANCE

- 12.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

Adrian Smith
CHIEF FINANCIAL OFFICER

Craig Grant
GROUP MANAGER CORPORATE & GOVERNANCE

ANNEXES

- A Council Summary Report