

Pūrongo pūtea ia toru marama
Q1 Quarterly Financial Report

September 2023 – Period 3
For the three months ended 30 September 2023



**Western
Bay of Plenty**
District Council

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Financial Summary

Financial Snapshot

Year to date Actuals as a % of Budget



	Actual Year to date	Budget Full year
Total debt	94,775	149,000
less Cash and cash equivalents	7,835	32,761
Net Debt	86,940	116,239



	Actual Year to date	Budget Full year
Total debt	94,775	149,000
Total revenue	35,727	158,709
Debt to revenue ratio	2.65	0.94



Financial Statements

Statement of Comprehensive Revenue and Expense Council Wide

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD ENDED 30 SEPTEMBER 2023	2024	2024	2024	2023	2024	2024
	Actual	Budget	Variance	Actual	Actual YTD	Budget
	Year to date	Year to date	Year to date	Year to date	as % of Budget Full yr	Full year
\$000						
Revenue						
Rates	22,758	23,041	(283)	21,345	26%	92,163
Subsidies and grants	2,044	9,640	(7,596)	4,583	5%	38,561
Development and financial contributions	6,516	3,003	3,513	3,289	54%	12,011
Fees and charges	3,297	3,245	52	3,225	25%	12,979
Interest revenue	117	69	48	13	51%	278
Other revenue	995	679	316	705	91%	2,717
Total revenue	35,727	39,677	(3,950)	33,160	23%	158,709
Expenses						
Personnel costs	7,837	7,877	40	7,198	25%	31,508
Depreciation and amortisation expense	5,968	6,889	720	10,823	2504%	26,754
Finance costs	1,229	1,471	243	998	21%	5,886
Other expenses	16,104	15,633	(470)	13,864	26%	62,533
Total expenses	31,137	31,670	533	32,884	25%	126,680
Share of associate's surplus/(deficit)						
Income tax expense					0%	(2)
Surplus/(deficit) after tax	4,590	8,007	(3,417)	275	14%	32,026

Statement of Comprehensive Revenue and Expense by Activity

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2024	2024	2024	2023	2024	2024
FOR THE PERIOD ENDED 30 SEPTEMBER 2023	Actual	Budget	Variance	Actual	Actual YTD as	Budget
\$000's	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year
Revenue						
Communities	3,465	4,237	(772)	4,237	82%	16,947
Reserves & Facilities	3,758	3,407	352	3,407	110%	13,627
Regulatory	3,454	3,778	(324)	3,778	91%	15,111
Water Supply	3,871	3,702	169	3,702	105%	14,809
Wastewater	4,144	3,709	435	3,709	112%	14,836
Stormwater	1,697	1,824	(127)	1,824	93%	7,296
Transport	9,951	13,632	(3,681)	13,632	73%	54,527
Solid Waste	1,366	1,359	7	1,359	101%	5,435
Natural Environment	339	260	78	260	130%	1,041
Representation	1,019	1,016	3	117	100%	4,063
Planning for the future	1,201	1,201	0	1,201	100%	4,803
Economic	247	247	1	247	100%	987
Corporate Services	1,216	1,306	(91)	1,306	93%	5,226
Total revenue	35,727	39,677	(3,950)	38,778	90%	158,709

	2024	2024	2024	2023	2024	2024
	Actual	Revised	Variance	Actual	Actual YTD as	Budget
	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year
Expenses						
Communities	3,218	3,067	150	3,067	105%	12,269
Reserves & Facilities	2,388	2,793	(405)	2,793	86%	11,172
Regulatory	3,896	3,780	116	3,780	103%	15,119
Water Supply	4,227	4,150	77	4,150	102%	16,601
Wastewater	4,060	3,702	358	3,702	110%	14,807
Stormwater	1,528	1,171	357	1,171	131%	4,682
Transport	7,512	7,316	197	7,316	103%	29,264
Solid Waste	878	1,334	(456)	1,334	66%	5,334
Natural Environment	164	384	(220)	384	43%	1,535
Representation	846	1,006	(160)	964	84%	4,026
Planning for the future	1,057	1,197	(141)	1,197	88%	4,790
Economic	224	226	(2)	226	99%	902
Corporate Services	1,141	1,545	(404)	1,545	74%	6,179
Total expenses	31,137	31,670	(533)	31,627	98%	126,680
Surplus/(deficit) after tax	4,590	8,007	(3,417)	7,151		32,029

Financial performance variances commentary

Revenue

- Rates Income of \$22.8M are \$0.3M below year-to-date budget.
- Subsidies and Grants of \$2.0M are \$7.6M below year-to-date budget. This is due to timing of the Waka Kotahi subsidy claims (\$6.1M) being delayed at the start of each financial year and the phasing of capital grants budgeted for Pensioner Housing (\$1.2M).
- Financial Contributions of \$6.5M are \$3.5M above year-to-date budget mainly driven by higher than planned contributions in Roothing of \$2.5M.
- Fees and Charges of \$3.3M are \$0.05M above year-to-date budget.
- Other Revenue of \$1.0M is above than year-to-date budget by \$0.3M and includes Dividends and Forestry Harvesting Proceeds.

Expenses

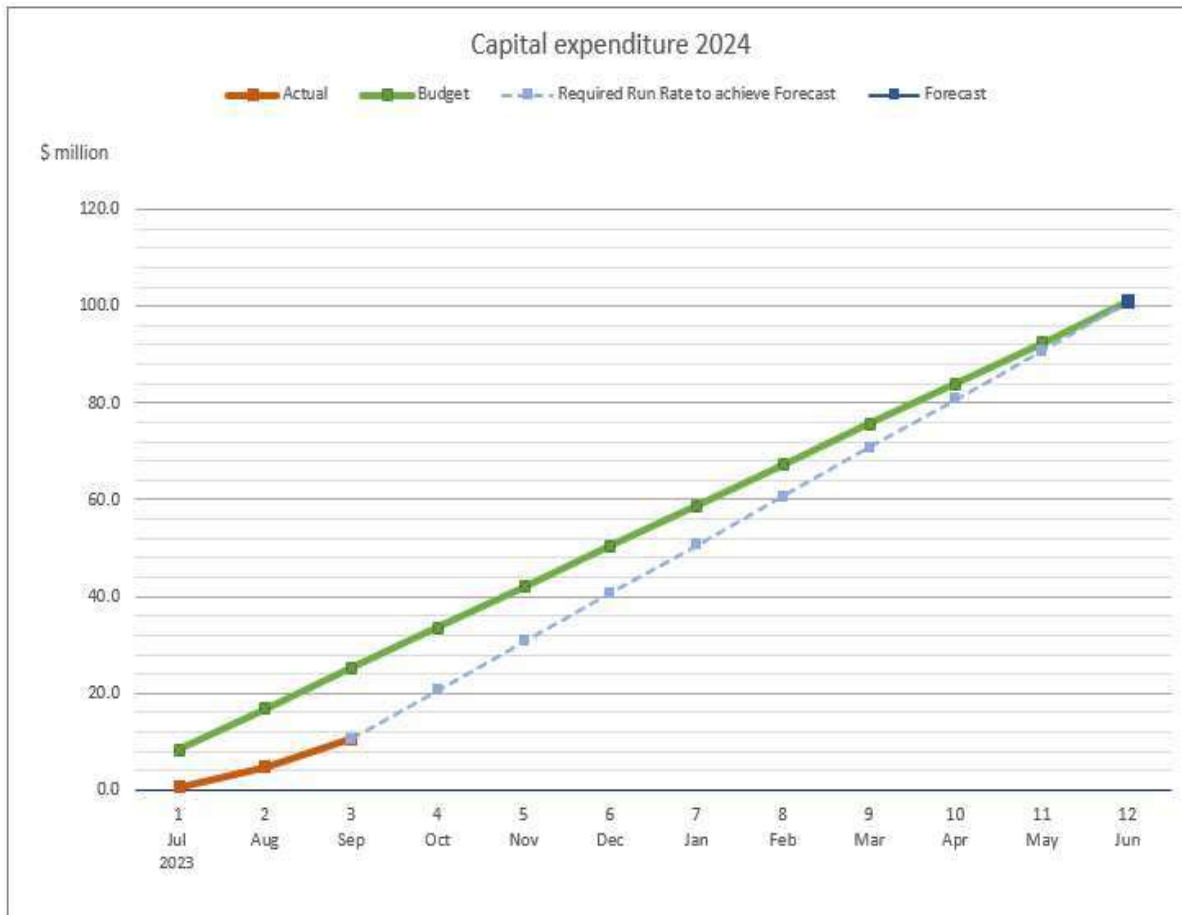
- Personnel Costs of \$7.8M are \$0.04M below year-to-date budget.
- Depreciation expense of \$6M is \$0.7M below year-to-date budget due to timing factors as depreciation is driven from existing asset budgets.
- Finance Costs of \$1.2M is \$0.2m below year-to-date budget due to lower than planned borrowings.
- Other Expenses of \$16.1M are higher than year-to-date budget by \$0.5M, with variances due to timing issues and phasing of budgets. The main variance areas being Maintenance Contractor Costs for Water, Stormwater & Wastewater.

Capital Expenditure

Council Capital Expenditure

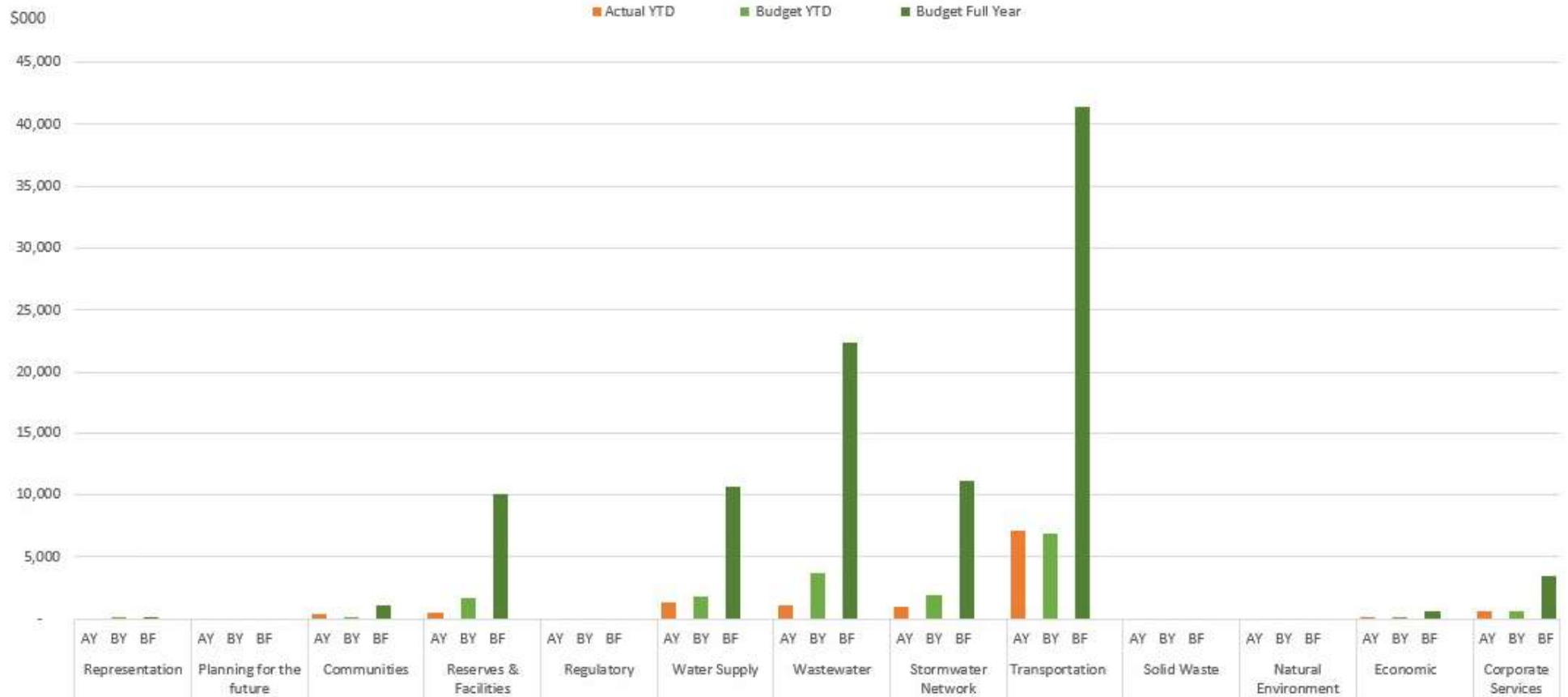
	2024 Actual Year to date	2024 Revised Budget Year to date	2024 Variance Year to date	2023 Actual Year to date	2024 Actual YTD as % of Revised Budget FY	2024 Revised Budget Full year
Total Capital Expenditure	12,065	25,216	(13,150)	108	12%	100,863

Overview



Council's capital programme spend is \$12.1M as September 2023 compared to full year budget \$100.9M. The spend year-to-date makes up 12% of Council's planned capital programme delivery for 2023. Noted that the Budgeted amount excludes carry forwards from 22/23 to 23/24.

Capital expenditure by Activity



Capital expenditure by Activity

\$000	2024	2024	2024	2023	2024
	Actual	Revised	Variance	Actual	Actual YTD
	Year to date	Year to date	Year to date	Year to date	as % of Rev
					Budget FY
Representation	-	9	(9)	-	0%
Planning for the future	-	-	-	11	0%
Communities	331	279	51	702	0%
Reserves & Facilities	526	2,511	(1,985)	775	1%
Regulatory	-	-	-	-	0%
Water Supply	1,340	2,668	(1,329)	764	1%
Wastewater	1,122	5,589	(4,466)	39	1%
Stormwater Network	1,015	2,798	(1,783)	577	1%
Transportation	7,102	10,349	(3,247)	6,937	7%
Solid Waste	-	-	-	-	0%
Natural Environment	-	-	-	-	0%
Economic	15	142	(127)	13	0%
Corporate Services	615	871	(256)	778	1%
TOTAL	12,065	25,216	(13,150)	10,595	12%

Capital Expenditure Analysis

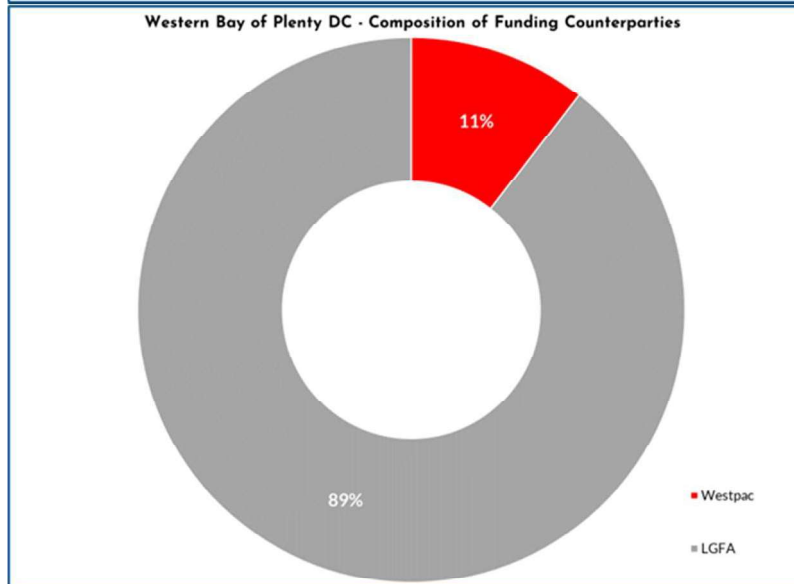
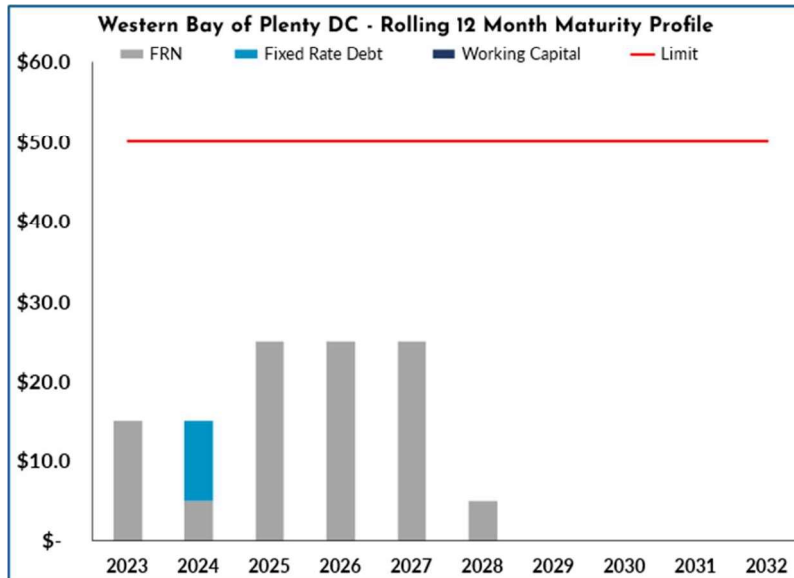
This commentary provides analysis of variances for amounts higher than \$300,000 against budget.

- Reserves & Facilities is \$1.9M below year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes, with two main projects being delayed with Dave Hume Pool Covering and the Panepane Wharf Replacement.
- Water supply is \$1.3M below year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes.
- Wastewater is \$4.4M below year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes. With three main projects contributing to the reported variance being:
 - Waihi Beach WW SAS Lagoon project & Waihi Beach WWTP upgrade is under year-to-date budget of \$0.4M due to delays with rescoping the project.
 - Te Puke WWTP & Rangioru Business Park contribution is \$3.7M under year-to-date budget due to consent delays and impacts on planning and design.
- Stormwater Network is \$1.7M below year-to-date budget with impacts of budget phasing and delays related to Ōmokoroa Structure Plan projects \$0.9M below year-to-date budget and includes delays related to design updates for works around Prole Rd however expected that project will be on track by the end of the year.
- Transportation is \$3.2M under year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes however expected that projects will be on track by the end of the year. This is being driven by the following specific projects:
 - Katikati Structure Plans – spend is \$0.1M below year-to date budget.
 - Omokoroa Structure Plans – spend is \$1.2M below year-to-date budget.
 - Asset Management for Transportation – spend is \$1.8m below year-to-date budget.

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 \$'000	2024	2024	2023
	Actual Year to date	Budget Full year	Actual Year to date
Current assets			
Cash and cash equivalents	7,835	32,761	44,118
Receivables	41,756	10,155	8,049
Prepayments	467	496	264
Total current assets	50,058	43,411	52,431
Non-current assets			
Other financial assets	12,965	12,542	12,542
Investment in associates	3,766	4,666	3,316
Property, plant and equipment	1,851,171	1,762,661	1,661,712
Intangible assets	4,994	6,022	4,781
Forestry assets	8,266	8,938	8,938
Total non-current assets	1,881,162	1,794,830	1,691,289
Total assets	1,931,220	1,838,241	1,743,720
Current liabilities			
Payables and deferred revenue	37,632	22,529	37,939
Derivative financial instruments		795	(138)
Borrowings and other financial liabilities	15,000	15,000	
Employee entitlements	4,411	3,032	3,634
Provisions	313	313	313
Total current liabilities	57,356	41,669	41,748
Non-current liabilities			
Derivative financial instruments	(2,580)	6,478	(1,540)
Borrowings and other financial liabilities	79,775	119,000	80,000
Employee entitlements	19	19	19
Provisions	262	265	265
Total non-current liabilities	77,476	125,760	78,744
Total liabilities	134,832	167,429	120,492
Net assets	1,796,388	1,670,813	1,623,229
Equity			
Accumulated Funds	996,635	1,012,389	965,141
Reserves	799,753	658,424	658,088
Total equity	1,796,388	1,670,813	1,623,229

Treasury – Funding



Debt
\$95.0m

Total Drawn Debt

Weighted Average Margin

0.71%

Margin on Facilities

Headroom

\$30.0m

Undrawn Bank Facilities

Liquidity

\$8.0m

Cash + Deposits

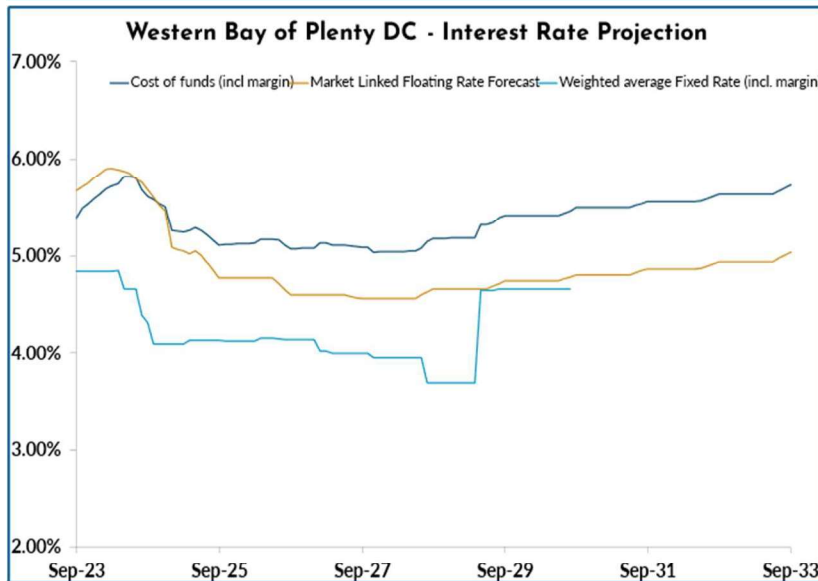
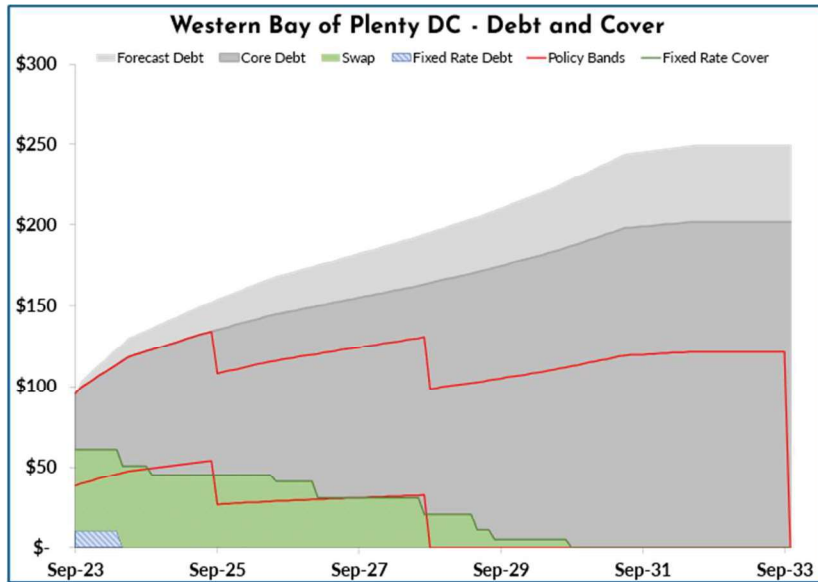
Key Metrics

External % Debt Borrowed as Floating	89.5%
External % Debt Borrowed as Fixed	10.5%
Current % of Debt Fixed	63.7%
Current % of Debt Floating	36.3%
Value of Fixed Rate (m)	\$60.5
Weighted Average Cost of Fixed Rate Instruments	4.25%
Weighted Average Cost of Fixed Rate Instruments (incl margin)	4.84%
Value of Forward Starting Cover	\$21.0
Weighted Average Cost of Forward Starting Cover	3.87%
Value of Floating Rate (m)	\$34.5
Current Floating Rate	5.68%
Current Floating Rate (incl margin)	6.39%
All Up Weighted Average Cost of Funds Including Margin	5.40%
Total Facilities In Place	\$125.0

New Borrowing:

During the quarter, WBOPDC borrowed \$5m of new debt through the LGFA. The loan was issued on a floating rate made up of 3-month BKBM + 29 basis points and matures 15 April 2026.

Treasury – Hedging (before separation of affordable waters / current state)



Strategy

- › Western Bay remains below the minimum of interest rate hedging policy at the end of the 0-2 and 2-5 year buckets due to forecast debt climbing, and swaps naturally decaying. No new cover has been added as swap rates break to fresh highs for this cycle. As a result, there is still a requirement to add to fixed rate hedging to bring cover levels back above minimums, assuming current debt forecasts are accurate.
- › Despite the election resulting in a resounding loss for Labour, uncertainty around waters reform remains high. New Zealand is unlikely to have a government until 3rd November when final election results are expected, however, it is clear we will have a National, ACT and, possibly, New Zealand First coalition. There is still significant uncertainty around the debt transfer mechanism and indeed if reforms will even go ahead. National has said it will replace legislation with a sustainable system that ensures drinking water, stormwater and wastewater remain in local control. As yet, we do not know if Entity C will be set up, therefore where the debt will ultimately sit.
- › Should a water reform go ahead, Western Bay could find itself in an over-hedged position and therefore, we do not want to add to hedging at current levels. Regardless, we are monitoring the following swaps and will continue to do so with an eye on the election:

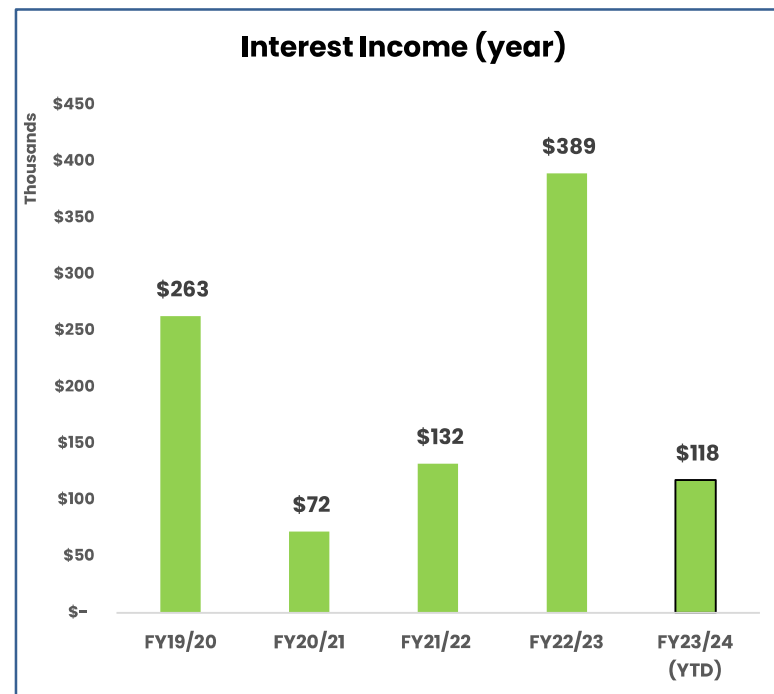
- › \$8m starting May 2024 and maturing May 2026 (indicative rate: 5.58%)
- › \$5m starting Feb 2027 and maturing Feb 2029 (indicative rate: 5.03%)

*Bancorp and the WBOPDC Treasury team have put together a discussion document (see Attachment 2) explaining in further detail the Hedging Policy Breaches.

POLICY BANDS				
Period	Minimum Cover	Maximum Cover	Weighted Average Cover %	Within Policy?
0 – 2 years	40%	100%	63.7%	BREACH
2 – 5 years	20%	80%	33.4%	BREACH
5 – 10 years	0%	60%	12.8%	OK

Treasury – Investments & Bank Counterparty Limits

WEIGHTED AVERAGE INTEREST RATE FOR CURRENTLY HELD INVESTMENTS		
	Amount	Average Rate
Call Deposits	\$5,000,000	4.80%
Term Deposits		
	\$5,000,000	
Weighted Average Interest Rate as at 30 Sep-23		4.80%
Benchmark Average Interest Rate as at 30 Sep-23		5.76%
(Benchmark = average 6-month BKBM mid-rate between Start and End of Month)		



Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into. Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Western Bay of Plenty District Council remains within its bank counterparty exposure policy limits.

BANK / INVESTMENT COUNTERPARTY EXPOSURE LIMITS as at 30 Sep-23							
Counterparty	Rating (minimum long term)	Gross Limit (m)	IR Swaps (m)	Bank/Investments (m)	Total (m)	% of Gross Limit	% of Total Exposure
ANZ	AA-	30	2.1	8	10.1	34%	86%
ASB	AA-	30	0.0	0	0.0	0%	0%
BNZ	AA-	30	1.7	0	1.7	6%	14%
Westpac	AA-	30	0.0	0	0.0	0%	0%
		120	3.8	8	11.8	10%	100%
		(Source = S&P Global)					