

2018/19 financial results, including water account

What is the operating year end result (actual \$ and variance to budget)? What are the main drivers of this result?

The Council's operating result is a surplus of \$3.1 million (\$3.5 million higher than budget). This is primarily due to

- Additional vested assets and development contributions (\$1.6m)
- Rates funded surplus (\$1.7m)
 - Rates funding position - \$1.7 million surplus is due to:
 - Water activity \$864,000
 - We budgeted a surplus of \$395,000 to gradually reduce the water account balance
 - More water was used (1.5%) - \$140,000
 - We collected more outstanding water rates - \$136,000
 - Lower spending - \$208,000
 - Rest of Council activities \$880,000
 - Partnering with NZTA to optimise funding - \$245,000
 - Reduced energy costs through LED street light conversion \$80,000 (*\$130,000 since conversion*)
 - Savings in roading maintenance contract - \$145,000
 - Additional rates revenue - \$176,000
 - Other net cost savings \$168,000

When is the Council adopting its Annual Report for 2018/19?

26 September 2019

What is the current balance of the Water Account?

https://www.kapiticoast.govt.nz/media/35684/corp-19-865-finance-report-as-at-30-june-2019-2019-07-22-141221_.pdf (Pages 11& 12 explain)

At the end of 2018/19, the deficit in the water account is now \$0.5 million, compared to the budgeted \$1.0 million deficit. The additional surplus is likely to lead to the water account deficit being nil by 30 June 2021, which is two years earlier than originally planned.

Table 5	2014/15 Actual \$m	2015/16 Actual \$m	2016/17 Actual \$m	2017/18 Actual \$m	2018/19 Actual \$m	2018/19 Budget \$m	2019/20 Budget \$m	2020/21 Budget \$m
Cost of providing water	8.1	8.0	8.5	8.3	8.0	8.4	8.7	9.6
Water rates revenue	7.6	7.6	7.8	8.6	8.9	8.8	9.1	9.7
Annual surplus/(deficit)	(0.5)	(0.3)	(0.7)	0.2	0.9	0.4	0.4	0.1
Balance of water account	(0.5)	(0.8)	(1.6)	(1.4)	(0.5)	(1.0)	(0.1)	(0.0)
Variable Price (Including GST)	\$0.95	\$0.99	\$1.04	\$1.09	\$1.14	\$1.14	\$1.19	\$1.24
Fixed Price (Including GST)	\$189	\$190	\$199	\$207	\$215	\$215	\$222	\$233
Fixed Portion	54%	55%	57%	54%	54%	55%	55%	55%

Q: What is the likely impact on the Water Account for 2019/20 and beyond – both in terms of the account balance and the charges?

Based on the 2019/20 budget it looks like we will be able to reduce the water account to a deficit of \$100k by the end of 2019/20. It is very likely that we will be able to reduce the water account to zero by the end of 2020/21. This means that the originally planned \$0.05 increase in volumetric charges and \$11 increase in fixed charges (see table above) might be able to reduce a bit. This of course depends on the weather and the level of growth that we see and decisions of the future Council.