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Report 01.03

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Report to the Policy and Finance Committee
from Anne Quaintance, Financial Accountant

Financial Report for the five months ended 30 November 2000

1. Purpose

To receive the November 2000 Financial Statements (forwarded under separate cover).

2. Comment

Consistent with Council's decision to receive detailed financial reports each quarter, this report provides a high level update, with explanations by exception.

The year-to-date figures reflect favourable results in both operating and capital expenditure with the operating surplus ahead of budget by \$3.6 million, and capital expenditure below budget by \$2.8 million.

The changes in the variance from September 2000 figures reflect favourable results in both operating and capital expenditure.

At this time the "Forecast" assumes no variance from the original budget. It is our normal practice for the year end forecast figures to be prepared as part of the half year review. This enables the Council to consider any unforeseen changes in expenditure priorities within the context of the likely year end financial result.

3. Financial Performance for the five months to 30 November 2000

3.1 Operating Surplus

The year-to-date operating result after five months reflects an operating surplus ahead of

budget of \$3.6 million, which represents an additional favourable variance compared to September 2000 of \$0.8 million.

Detailed variances from budget are shown in the following table:

	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sep \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
OPERATING SURPLUS (DEFICIT)							
Utility Services	1,026	899	127 F	53 F	2,026	2,026	-
Landcare	1,235	610	625 F	133 F	1,010	1,010	-
Environment	481	137	344 F	173 F	100	100	-
Transport	959	(781)	1,740 F	505 F	(1,029)	(1,029)	-
Wairarapa	331	122	209 F	371 U	73	73	-
Corporate Advisory Services	125	5	120 F	34 F	(13)	(13)	-
Finance & Admin	226	50	176 F	57 F	(326)	(326)	-
General Manager	(7)	(4)	3 U	19 F	(9)	(9)	-
Cost of Democracy	93	49	44 F	60 F	7,579	7,579	-
Investment Management	3,233	3,158	75 F	103 F	114	114	-
Non Divisional	(2,158)	(2,326)	168 F	67 F	(5,584)	(5,584)	-
Total Operating Surplus (Deficit)	5,544	1,919	3,625 F	833 F	3,941	3,941	-

Significant elements of the \$0.8 million favourable operating variance since September 2000 are outlined below:

Landcare \$0.13 million

favourable variance since September 2000

- A further \$30,000 favourable variance is due to continued delays in obtaining rock supplies for the Owen Street and Avalon Berms.
- \$15,000 of the increased favourable variance in the flood protection area is due to delays to the previous year's capital expenditure program, which has resulted in less depreciation expense this year than planned.
- The unbudgeted sale of the dairy unit house at Queen Elizabeth Park has resulted in a favourable revenue variance of \$15,000.
- The delayed start to the Forest Land Review, while awaiting resolution of the mandate issues, and the East Harbour Regional Park land rationalisation and access issues has resulted in a further \$20,000 favourable variance.
- Progress on various restoration projects has been slowed while awaiting consents from the Historic Places Trust and the Territorial Authorities.

Environment \$0.17 million favourable variance since September 2000

- A lower level of expenditure than budgeted for materials (\$60,000) and for contractors and consultants (\$90,000) are the main components of the increase in the year-to-date favourable variance. This is due to delays to the Iwi projects, the storm water research project and the project for the storage and transportation of non-petroleum hazardous substances.

Transport \$0.50 million favourable variance since September 2000

- Delays in receiving charges of \$308,000 for the Wellington Interchange and \$170,000 from Bus Service Operators have led to an increase in the year to date favourable variance. In both cases charges are expected to be received in December 2000.

Wairarapa \$0.37 million unfavourable variance since September 2000

- Additional expenditure of \$150,000 in the River Management activity due to the repair of flood damage from the October 2000 event.
- Completion of external aerial and ground control contracts in the Bovine Tb activity required additional net expenditure of \$230,000 (effectively reversing the favourable variance in this activity as at September 2000).

Investment Management \$0.10 million favourable variance since September 2000

- Unbudgeted revenue of \$50,000 related to settlement of a right of way at Beacon Hill.
- Overall, the Council has spent less than it budgeted year-to-date in both the operational activities and the capital expenditure projects. As a result additional interest revenue has been earned from higher than expected money market deposits and financial costs are lower than budgeted due to lower than expected debt levels at this time.

Capital Expenditure

Year-to-date capital expenditure for the five months is \$2.8 million below budget and a favourable variance compared to September 2000 of \$1.3 million.

CAPITAL EXPENDITURE	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sep \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
Utility Services	953	2,940	1,987 F	1,378 F	5,036	5,036	-
Landcare	765	1,184	419 F	282 U	2,504	2,504	-
Environment	138	314	176 F	114 F	375	375	-
Transport	24	7	17 U	15 F	49	49	-
Wairarapa	119	201	82 F	82 F	228	228	-
Corporate Advisory Services	36	0	36 U	8 F	0	0	-
Finance & Admin	52	255	203 F	18 F	336	336	-
Cost of Democracy	22	23	1 F	22 U	98	98	-
Total Capital Expenditure	2,109	4,924	2,815 F	1,311 F	8,626	8,626	-

The significant elements of the \$1.3 million favourable capital expenditure variance since September 2000 are outlined below:

Utility Services \$1.38 million favourable variance since September 2000

- Temporary timing differences between actual and budgeted expenditure on asset acquisitions (for vehicles and plant and equipment) has resulted in a further favourable variance of \$260,000.
- Delays in starting projects in the Bulk Water capital expenditure program has produced a further favourable variance of \$1.02 million. The major components of the underspend are as follows;

OK Main Refurbishment \$516,000
Plateau Reservoir Branch Main \$208,000
Various system monitoring projects \$298,000

Landcare \$0.28 million unfavourable variance since September 2000

- \$540,000 has now been spent on the land purchase at Boulcott, this effectively reverses the favourable variance at September 2000.
- Unbudgeted revenue of \$83,000 has been received for the sale of land at the Otaki quarry.
- Many of the large capital contracts were not let until December 2000, therefore the capital construction program for the year is running a little behind schedule.

Environment \$0.11 million favourable variance since September 2000

- \$145,000 of the variance in the year to date capital expenditure program is due to the delayed purchase of the air monitoring station, as most of the components have to be imported from the United States.

5. **Communications**

Council's five months results again reflect solid operational and financial performance which should be reported to the community.

However, with the half year review only a few weeks away emphasis should rightly be placed on the results after 6 months, rather than 5 months.

6. Recommendations

That the report be received and the contents noted.

Report prepared by:

Approved for submission:

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Financial Accountant

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