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Report PE-02.59

12 February 2002

File: O/3/2/12

US PE-02.59

Report to the Utility Services Committee
from David Benham, Divisional Manager, Utility Services

Utility Services Division – Plantation Forestry: Proposed Operating Plans 2002-2010

1. Purpose

To provide a more detailed analysis of Plantation Forestry's Operating Plan for 2002/03.

2. Exclusion of the Public

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information Act 1987 are:

That the public conduct of the whole or relevant part of the meeting would be likely to result in the disclosure of information for which good reasons for withholding exists, i.e. to carry on commercial negotiations.

3. Financial Summary

Income Statement

	2002/03 Budget	2001/02 Budget	Budget Variance	2001/02 Forecast
External Income - Logging	3,146,900	2,352,141	794,759 F	2,352,141
External Income - Grazing	350	2,125	1,775 U	5,400
External Income - Land Sale	-	-	-	96,501
Total External Income	3,147,250	2,354,266	792,984 F	2,454,042
Reserve Interest	3,730	3,846	116 U	3,846
Total Income	3,150,980	2,358,112	792,868 F	2,457,888
Direct Expenditure				
Personnel	220,660	219,780	880 U	195,000
Materials	127,337	124,783	2,554 U	100,000
Transport	19,360	22,362	3,002 F	20,000
Internal Contractors				
Utility Support	40,820	43,298	2,478 F	43,298
Engineering Consultancy	5,000	2,000	3,000 U	5,000
IT & Support Services	4,764	4,710	54 U	4,710
Resource Policy	1,300	6,500	5,200 F	6,500
Consents Management	2,000	2,000	-	1,000
Regional Parks (Operations)	10,420	9,016	1,404 U	9,016
Biosecurities / Akura Conservation Centre	-	15,000	15,000 F	22,098
U/H Depot Rent	10,605	10,605	-	10,605
Total Internal Consultants	74,909	93,129	18,220 F	102,227
Direct Expenditure (excl'g Contractors)	442,266	460,054	17,788 F	417,227
Contractors / Consultants	2,019,776	1,572,279	447,497 U	2,050,000
Total Direct Expenditure	2,462,042	2,032,333	429,709 U	2,467,227
Indirect Expenditure				
Financial Costs	826,979	746,206	80,773 U	780,000
Depreciation	22,669	68,811	46,142 F	60,000
Gain on Sale	-4,500	-3,000	1,500 F	-12,444
Corporate Overhead	68,320	59,857	8,463 U	59,857
Total Indirect Expenditure	913,468	871,874	41,594 U	887,413
Total Expenditure	3,375,510	2,904,207	471,303 U	3,354,640
Operating Surplus / (Deficit)	-224,530	-546,095	321,565 F	-896,752
Dividend	-150,000	-150,000	-	-150,000
Adjusted Operating Surplus / (Deficit)	-374,530	-696,095	321,565 F	-1,046,752

Statement of Funding

	2002/03 Budget	2001/02 Budget	Budget Variance	2001/02 Forecast
Cash was provided from:				
Operating Activities				
Operating Surplus	-374,530	-696,095	321,565 F	-1,046,752
Add Back Dividend	150,000	150,000	-	150,000
Add Back Depreciation	22,669	68,811	46,142 U	60,000
Add Back Gain on Sale	-4,500	-3,000	1,500 F	-12,444
Funds from Operations	<u>-206,361</u>	<u>-480,284</u>	<u>276,923 F</u>	<u>-849,196</u>
Investing Activities				
Asset Disposals	10,000	9,000	1,000 U	12,444
Transfer from Reserves	3,730	24,846	21,116 F	24,846
New Loans	1,034,926	1,299,275	264,349 U	1,375,110
Funds from Investing Activities	<u>1,048,656</u>	<u>1,333,121</u>	<u>244,233 U</u>	<u>1,412,400</u>
Funds provided to:				
Investing Activities				
Reserve Interest	3,730	3,846	116 F	3,846
Investment Additions (Silviculture)	201,203	257,800	56,597 U	257,800
Structures & Other Capital Works	70,000	80,000	10,000 F	81,204
Vehicles	27,500	30,000	2,500 F	32,440
Debt Repayment	389,862	331,191	58,671 U	337,914
Funds to Investing Activities	<u>692,295</u>	<u>702,837</u>	<u>102,652 U</u>	<u>713,204</u>
Net Increase / (Decrease) in Funds Held	<u><u>150,000</u></u>	<u><u>150,000</u></u>	<u><u>-</u></u>	<u><u>-150,000</u></u>

4. Key Features

Overall position little changed from last year with the following points to note.

- Increased revenue as harvested volumes expected to increase.
- Expenses generally line ball with 2001/02 budget, other than contractors which are related to harvesting volumes.
- Financial costs up by \$80,000.
- Debt is forecasted to increase by \$645,000 at June 2003, which is \$419,000 greater than predicted at the corresponding time last year.
- We continue to provide for a \$150,000 dividend within all our budget models.

5. Recommendation

- (1) That the report be received and contents noted.*
- (2) That the Plantation Forestry Operating Plan be approved in principle.*
- (3) That the draft operating plans for Plantation Forestry be recommended to the Policy and Finance Committee for inclusion in the Councils proposed Long-term Financial Strategy 2002-2010*

DAVID BENHAM
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