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Committee Policy, Finance and Strategy
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Financial Report for the ten months ended 30 April 2004

1. Purpose

To inform the Committee of the financial performance for the ten months ended 30 April 2004 and to provide an explanation of the major changes in variances since the last quarterly report which was considered by the Committee on 31 May 2004.

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 continued favourable financial results in both operating and net capital expenditure, with the operating surplus ahead of budget by \$3.8 million and net capital expenditure below budget by \$2.1 million.

The change in the variances from the March 2004 figures reflect a favourable result in both operating surplus and net capital expenditure.

The forecast position to 30 June 2004 is as approved at the Policy, Finance and Strategy Committee meeting on 31 May 2004.

3. Financial Performance for the ten months to 30 April 2004

3.1 Operating Surplus

As noted above the year-to-date operating result after ten months reflects an operating surplus ahead of budget of \$3.8 million, which represents a favourable variance compared to the March 2004 quarter of \$0.3 million.

Detailed variances from budget are shown in the following table:

	2003/04 YTD Actual \$000s	2003/04 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from March \$000s	2003/04 Year Forecast \$000s	2003/04 Year Budget \$000s	Forecast vs Budget Variance \$000s
OPERATING SURPLUS (DEFICIT)							
Water Group	1,502	430	1,072 F	150 F	1,048	335	713 F
Plantation Forestry	(137)	191	328 U	17 F	(371)	229	600 U
Utility Services	1,365	621	744 F	167 F	677	564	113 F
Transport	(1,053)	(505)	548 U	73 U	721	(510)	1,231 F
Landcare	2,326	1,575	751 F	-	1,985	1,973	12 F
Environment	401	(19)	420 F	131 F	40	(284)	324 F
Wairarapa	(537)	64	601 U	284 U	(901)	36	937 U
Corporate Advisory Services	148	79	69 F	39 F	8	(15)	23 F
Finance & Admin	294	(93)	387 F	37 F	128	(270)	398 F
General Manager	160	24	136 F	2 F	173	29	144 F
Investment in Democracy	128	71	57 F	28 U	178	85	93 F
Rates Collection	304	0	304 F	176 F	327	0	327 F
Net Divisional Surplus (Deficit)	3,536	1,817	1,719 F	167 F	3,336	1,608	1,728 F
Investment Management	7,801	5,705	2,096 F	125 F	9,363	8,086	1,277 F
Business Unit Rates Contribution	(5,737)	(5,737)	-	-	(6,884)	(6,884)	-
Total Operating Surplus (Deficit)	5,600	1,785	3,815 F	292 F	5,815	2,810	3,005 F

Significant elements of the \$0.3 million favourable operating variance since March 2004 are outlined below:

- (1) Water Group \$0.15 million favourable variance, due to:
 - A variety of incremental cost savings being primarily materials & supplies (\$60,000) and contractors & consultants (\$79,000).
- (2) Environment \$0.13 million favourable variance, due to:
 - Cost savings of \$53,000 in materials and supplies due to underspends in various projects, most significant of these is the Queen Elizabeth II National Trust Private Land Protection.
 - Cost savings of \$73,000 in consultant expenses in various projects due to timing of expenditure including, Soil Quality Monitoring (\$30,000), Contaminated Sites (\$16,000), and Marine Protection (\$8,000) and permanent costs savings in laboratory services in connection with our freshwater programmes.

- (3) Wairarapa \$0.28 million unfavourable variance, due to:
- Further flood repair works of \$88,000 for River Schemes.
 - Reduced net revenue from the Animal Health Board of \$71,000 for Bovine Tb control.
 - Additional roading costs (storm repairs) and reduced net logging revenue of \$62,000 for Reserve Forests.
- (4) Rate Collection \$0.18 million favourable variance, due to:
- Unbudgeted rates penalty revenue received of \$137,000.
 - On-going savings of \$41,000 due to reduced expenditure relating to implementation of new rates collection agency agreements.
- (5) Investment Management \$0.13 million favourable variance, due to:
- Savings in interest costs due to lower than budgeted committed line and reduced short-term money market borrowing. The need for reduced drawdowns borrowed funds is due to higher than budgeted operating surpluses and delayed capital expenditure.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the ten months is \$2.1 million below budget which represents a favourable variance compared to the March 2004 quarter of \$0.6 million.

	2003/04 YTD Actual \$000s	2003/04 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from March \$000s	2003/04 Year Forecast \$000s	2003/04 Year Budget \$000s	Forecast vs Budget Variance \$000s
NET CAPITAL EXPENDITURE							
Utility Services	3,070	5,025	1,955 F	306 F	4,295	5,852	1,557 F
Landcare	1,579	2,025	446 F	244 F	2,688	2,947	259 F
Environment	213	267	54 F	22 U	237	267	30 F
Transport	570	218	352 U	-	734	238	496 U
Wairarapa	351	344	7 U	36 F	427	349	78 U
Corporate Advisory Services	5	0	5 U	-	5	0	5 U
Chief Executive	30	34	4 F	-	34	34	-
Finance & Admin	250	234	16 U	4 U	247	513	266 F
Rates Collection	21		21 U	-	21	0	21 U
Investment in Democracy	0	5	5 F	-	5	5	-
Total Net Capital Expenditure	6,089	8,152	2,063 F	560 F	8,693	10,205	1,512 F

Significant elements of the \$0.6 million favourable variance since March 2004 are outlined below:

- (1) Utility Services \$0.31 million favourable variance, due to:
- Deferral of and delayed progress with, various Water Group and Plantation Forestry capital work projects which have generated a further combined incremental favourable difference against budget since March. However, it is still

anticipated that the final full year total capital expenditure figure will be as forecast in March.

(2) Landcare \$0.24 million favourable variance, due to:

- Major capital works programmes being still behind plan due to the February 2004 floods and rock supply issues. These floods created a huge demand for rock in the lower North Island and suppliers have not yet been able to meet demand.

4. Communications

Emphasis should be placed on the results after each quarter end.

5. Recommendations

That the report be received and the contents noted.

Report prepared by:

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