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Committee Policy, Finance and Strategy
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Financial Report for the eleven months ended 31 May 2004

1. Purpose

To inform the Committee of the financial performance for the eleven months ended 31 May 2004 and to provide an explanation of 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 \$5.0 million and net capital expenditure below budget by \$2.0 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 eleven months to 31 May 2004

3.1 Operating Surplus

As noted above the year-to-date operating result after eleven months reflects an operating surplus ahead of budget of \$5.0 million, which represents a favourable variance compared to the March 2004 quarter of \$1.4 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	1,653	465	1,188 F	266 F	1,048	335	713 F
Plantation Forestry	(154)	210	364 U	19 U	(371)	229	600 U
Utility Services	1,499	675	824 F	247 F	677	564	113 F
Transport	213	(507)	720 F	1,195 F	721	(510)	1,231 F
Landcare	2,298	1,764	534 F	217 U	1,985	1,973	12 F
Environment	381	(143)	524 F	235 F	40	(284)	324 F
Wairarapa	(720)	36	756 U	439 U	(901)	36	937 U
Corporate Advisory Services	63	56	7 F	23 U	8	(15)	23 F
Finance & Admin	315	(127)	442 F	92 F	128	(270)	398 F
General Manager	152	26	126 F	8 U	173	29	144 F
Investment in Democracy	155	78	77 F	8 U	178	85	93 F
Rates Collection	312	0	312 F	184 F	327	0	327 F
Net Divisional Surplus (Deficit)	4,668	1,858	2,810 F	1,258 F	3,336	1,608	1,728 F
Investment Management	8,440	6,287	2,153 F	182 F	9,363	8,086	1,277 F
Business Unit Rates Contribution	(6,310)	(6,310)	-	-	(6,884)	(6,884)	-
Total Operating Surplus (Deficit)	6,798	1,835	4,963 F	1,440 F	5,815	2,810	3,005 F

Significant elements of the \$1.4 million favourable operating variance since March 2004 are outlined below:

- (1) Water Group \$0.27 million favourable variance, due to:
 - A variety of incremental cost savings being primarily personnel costs (\$45,000), materials & supplies (\$84,000), contractors & consultants (\$54,000) and lower than budgeted depreciation charges, (\$69,000).
- (2) Transport \$1.20 million favourable variance, due to:
 - Claiming of patronage growth funding credits from Transfund New Zealand.
- (3) Landcare \$0.22 million unfavourable variance, due to:
 - Revised work programmes following the February 2004 floods are now well underway, which when combined with the significant expenditure incurred over April/May in the clean up operations has resulted in an unfavourable variance.
- (4) Environment \$0.24 million favourable variance, due to:
 - Unbudgeted revenue of \$31,000 due to a Department of Conservation grant for the biodiversity strategy.
 - Underspends in materials and supplies of \$67,000 and consultants of \$124,000 in various projects, partially offset by increases in personnel costs of \$32,000 due to changes to the Holidays Act in relation to calculating leave.

- (5) Wairarapa \$0.44 million unfavourable variance, due to:
- Further flood repair works of \$250,000 for River Schemes.
 - Reduced net revenue from the Animal Health Board of \$60,000 for bovine Tb control.
 - Additional roading costs (storm repairs) and reduced net logging revenue for Reserve Forests of \$59,000.
 - A \$46,000 decrease in the Land Management surplus, because of storm repair works for Catchment Schemes, and the timing of Riparian project expenditure.
- (6) Rate Collection \$0.18 million favourable variance, due to:
- Unbudgeted rates penalty revenue received of \$100,000.
 - On-going savings of \$85,000 due to reduced expenditure relating to implementation of new rates collection agency agreements.
- (7) Investment Management \$0.18 million favourable variance, due to:
- Savings in interest cost due to lower than budgeted committed line and reduced short-term money market borrowing. The need for reduced drawdown 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 eleven months is \$2.0 million below budget which represents a favourable variance compared to the March 2004 quarter of \$0.5 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	3,763	5,492	1,729 F	80 F	4,295	5,852	1,557 F
Landcare	1,726	2,376	650 F	448 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	363	344	19 U	24 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	279	234	45 U	33 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	6,970	8,970	2,000 F	497 F	8,693	10,205	1,512 F

Significant elements of the \$0.5 million favourable variance since March 2004 are outlined below:

- (1) Landcare \$0.45 million favourable variance, due to:
- Rock supply issues and flood delays have plagued the capital works programme since February and we will be further behind schedule than forecast at the end of the third quarter. The two most significant jobs that make up the above variance are the Belmont edge protection works which is still on target for year end, and the Strand Park Channel construction where the delays mean the underspend will be significantly more than the \$60,000 forecast.

4. Communications

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

5. Recommendations

That the report be received and the contents noted.

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Report approved by:

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