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Committee Policy, Finance and Strategy
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Financial Report for the ten months ended 30 April 2003

1. Purpose

To inform the committee of the financial performance for the ten months ended 30 April 2003 and to provide an explanation of major changes in variances since the last quarterly report.

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 \$4.0 million and net capital expenditure below budget by \$1.2 million.

The change in the variances from the March 2003 figures reflect a favourable result in both operating surplus and net capital expenditure.

The forecast position to 30 June 2003 is as approved at the Policy, Finance and Strategy Committee meeting on 13 May 2003.

3. Financial Performance for the ten months to 30 April 2003

3.1 Operating Surplus

As noted above the year-to-date operating result after ten months reflects an operating surplus ahead of budget of \$4.0 million, which represents a favourable variance compared to the March 2003 quarter of \$1.0 million.

Detailed variances from budget are shown in the following table:

OPERATING SURPLUS (DEFICIT)	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from March \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast Budget Variance \$000s
Water Group	1,707	539	1,168 F	350 F	1,818	565	1,253
Plantation Forestry	(203)	(187)	16 U	30 F	(118)	(225)	107
Utility Services	1,504	352	1,152 F	380 F	1,700	340	1,360
Transport	1,466	26	1,440 F	289 F	183	(106)	289
Landcare	2,240	1,391	849 F	130 F	1,819	1,558	261
Environment	448	(107)	555 F	83 F	43	(134)	177
Wairarapa	195	28	167 F	94 F	(62)	(108)	46
Corporate Advisory Services	(252)	(38)	214 U	69 U	(198)	(15)	183
Finance & Admin	233	(18)	251 F	69 F	(182)	(170)	12
General Manager	(82)	2	84 U	26 U	(120)	(54)	66
Investment in Democracy	126	(3)	129 F	24 F	51	(3)	54
Rates Collection	19	0	19 F	15 F	(86)	0	86
Net Divisional Surplus (Deficit)	5,897	1,633	4,264 F	989 F	3,148	1,308	1,840
Investment Management	5,866	6,111	245 U	4 U	7,945	8,163	218
Business Unit Rates Contribution	(4,856)	(4,856)	-	-	(5,827)	(5,827)	
Total Operating Surplus (Deficit)	6,907	2,888	4,019 F	985 F	5,266	3,644	1,622

Significant elements of the \$1.0 million favourable operating variance since March 2003 are outlined below:

- (1) Water Group \$0.35 million favourable variance, due to:

- Capitalisation of an initial \$185,000 of previously expensed YTD operational project costs, primarily related to contractors and materials, as a consequence of starting the annual operational project review process.
 - A combination of \$100,000 in favourable variances generated by all other departments within the division, as a result of lower than budgeted direct operating expenditure.
 - Further incremental financial cost savings of \$60,000 arising from ongoing lower than planned debt levels.
- (2) Transport \$0.29 million favourable variance, due to:
- \$270,000 relating to the Wellington CBD bus priority lanes which should have been brought to charge during April (this was not accrued in error).
- (3) Landcare \$0.13 million favourable variance, due to:
- Invoicing of year to date December watercourses \$30,000, not previously brought to charge.
 - Further personnel savings due to being several staff members short of a full complement \$30,000.
 - Further savings in indirect costs (depreciation, financial costs and loss/gain on sale) \$36,000.
 - Ongoing timing related savings (in both Flood Protection and Parks and Forests) compared with monthly phasing in the budget.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the ten months is \$1.2 million below budget which represents a favourable variance compared to the March 2003 quarter of \$0.6 million.

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from March \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
NET CAPITAL EXPENDITURE							
Utility Services	2,191	2,426	235 F	9 U	3,088	3,093	5 F
Landcare	1,045	1,994	949 F	591 F	1,397	3,282	1,885 F
Environment	238	246	8 F	8 U	264	299	35 F
Transport	64	27	37 U	24 U	105	27	78 U
Wairarapa	232	270	38 F	6 F	231	290	59 F
Finance & Admin	150	219	69 F	23 F	191	484	293 F
Investment in Democracy	58	30	28 U	-	62	30	32 U
Total Net Capital Expenditure	3,978	5,212	1,234 F	579 F	5,338	7,505	2,167 F

Significant elements of the \$0.6 million favourable variance since March 2003 are outlined below:

- (1) Landcare \$0.59 million favourable variance, due to:
- Strand Park channel realignment - this job has now been deferred for a year. Savings in the capital expenditure programme since March 2003 are \$362,000.
 - Otaihanga road raising - this job will not proceed this financial year as planned and has been rebudgeted into 2003/04. Savings since March 2003 are \$99,000
 - River works mouth to SH1 - this project is behind target year to date, but will be completed within budget for the full year. Savings since March 2003 are \$61,000 (timing only).

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:

Report approved by:

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Greg Schollum
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