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Committee       Policy, Finance and Strategy  
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## Financial Report for the eleven months ending 31 May 2006

### 1. Purpose

To review the financial performance of the Council for the eleven months ending 31 May 2006.

### 2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

### 3. Background

Accounts are prepared and presented to management for review each month. A detailed report is given to Council each quarter. In the intervening months monthly reports to Council are done by exception. A summation of these is now provided to Council for review.

### 4. Financial Performance

#### 4.1 Year to date Operating Performance

On a consolidated Council basis the operating surplus is \$1,564,000 compared with budget deficit of \$2,111,000. This excludes grant and rate revenue to fund capital expenditure. Including these amounts the actual surplus is \$1,874,000 compared to the budget of \$6,490,000.

Delays in Transport spending continues to have a significant effect, coupled with the timing of expenditure within the Water Group.

The Council Statement of Financial Performance is included as **Attachment 1**.

Further details of the variances are explained below.

## 4.2 Funding Statement

Lower capital expenditure contributes to a lower external funding requirement. Interest expense savings from the lower debt is being offset by the higher than budgeted interest rates.

The Funding statement is included as **Attachment 2**.

## 4.3 Statement of Financial Position

The Council Statement of Financial Position shows the current budget and last year-end's financial position.

The Statement of Financial position is included as **Attachment 3**.

## 4.4 Year to Date Financial Summary

The following table shows the year to date variance by division.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	For the Period Ending - 31 May 2006			
	Last Year	Actual	Budget	Variance
Water Group	813	556	(818)	1,374
Forestry	(891)	(551)	(808)	257
Regional Parks	135	494	(150)	644
<b>Water Supply, Parks &amp; Forests</b>	<b>57</b>	<b>499</b>	<b>(1,776)</b>	<b>2,275</b>
Transport Policy and Strategy	(24)	(37)	(268)	231
Transport Infrastructure & Procurement	1,618	(1,888)	(1,780)	(107)
<b>Total Transport</b>	<b>1,594</b>	<b>(1,925)</b>	<b>(2,048)</b>	<b>124</b>
Environment	505	453	(123)	576
Catchment Management	1,883	1,197	842	355
Corporate	(87)	192	27	165
Finance, IT & Support Services	920	1,004	357	647
Investment in Democracy	(92)	90	68	22
<b>Divisional Operating Surplus</b>	<b>4,780</b>	<b>1,510</b>	<b>(2,653)</b>	<b>4,164</b>
Investment Management	8,695	7,145	7,118	27
Business Unit Rates Contribution	(6,988)	(7,111)	(7,113)	2
<b>Net Council Operating Surplus / (Deficit)</b>	<b>6,487</b>	<b>1,544</b>	<b>(2,648)</b>	<b>4,193</b>
Landcare: Sale of Mabey Road	3,155	-	-	-
Parks - Grant for Waitangirua Purchase	-	-	-	-
Transport - Procurement Capex	23	330	9,138	(8,809)
<b>Total Council Operating Surplus</b>	<b>9,665</b>	<b>1,874</b>	<b>6,490</b>	<b>(4,616)</b>

\* Statement excludes Regional Strategy

### 4.4.1 Water - favourable variance of \$1,374,000

Savings have continued across a number of operational areas, specifically:

- External consultants, \$410,000, mainly due to timing delays and reduced maintenance.
- Materials and suppliers, \$285,000, primarily in power and chemicals.
- Personnel costs, \$139,000 below budget.

- The budget assumes write offs for redundant assets. This in practical terms does not occur until 30 June.

#### 4.4.2 Forestry - favourable variance of \$257,000

Log volumes were up on budget, with a small increase in log prices. Revenue overall is ahead of budget by \$37,000.

Operating expenses overall are \$220,000 less than budget, with finance costs \$60,000 less than budget, coupled with savings in personnel costs, materials and supplies of \$145,000.

#### 4.4.3 Regional Parks– favourable variance of \$644,000

Net savings in contractor and consultant costs of \$772,000 due to a number of projects not proceeding in 2005/6 and being rebudgeted. The rebudgets are included in the forecast but not the year to date numbers.

#### 4.4.4 Public Transport - unfavourable variance of \$644,000

The change in the accounting for heavy maintenance and revenue for funding capital expenditure have been separated out to allow better comparison between actual and budget.

The Rail Contract remains unsigned and this has caused delays in a number of rail projects, especially heavy maintenance and capital expenditure.

Increased costs for inflation are the main contributor to the unfavourable variance.

#### 4.4.5 Transport Policy – favourable variance of \$231,000

Operating expenditure is below budget by \$1,692,000, which in turn has reduced revenue by \$1,461,000 due to delays in Wairarapa log freight, travel co ordination and the Regional Land Transport Strategy.

#### 4.4.6 Environment - favourable variance \$576,000

Total revenue is \$172,000 ahead of budget primarily due to the increased consents fees from the Meridian wind farm consent application.

The Division's expenditure is some \$403,000 less than budget.

The main contributors to this variance are:

- Personnel costs were under budget by \$159,000.
- Consultant costs and internal charges were less than budget by \$118,000 due to less activity than expected.

#### 4.4.7 Catchment Management - favourable variance of \$355,000

External revenue is down by \$1,880,500 due mainly to cut backs in the Bovine Tb programme requested by the Animal Health Board, which has also reduced the associated expenditure overall by \$2,235,000.

#### 4.4.8 Finance, IT and Support – favourable variance of \$647,000

Net rates revenue and collection expenditure is running \$325,000 ahead of budget.

Operating expenditure is \$537,000 below budget in the areas of personnel costs, materials and supplies and contractors and consultants as reported at the quarterly review.

#### 4.5 Forecast to 30 June 2006

Excluding the revenue to fund capital expenditure, the forecast deficit is \$428,000 compared with the previous forecast deficit of \$891,000. This is due mainly to improved results in Finance and Corporate, resulting from reassessments of the year to date expenditure.

Including revenue to fund capital expenditure our surplus has increased to \$4,079,000, an increase of \$4,825,000 on the previous forecast. This is due to two main factors:

1. Government monies to part fund the purchase of the Landcorp Farm at Waitangirua will be paid to GWRC by way of grant. It had previously been assumed that this money would be paid direct by the Government to Landcorp. This grant of \$3.3 million is treated as revenue in our accounts.
2. Transport is now forecasting capital expenditure of \$1.2 million, mainly on the purchase of the new EMU's. This \$1.2 million is treated as revenue, increasing our surplus by the same amount.

Together these two items have added \$4.5 million to the forecast.

The rebudgets approved by Council on 1 June have also been included in the forecast numbers.

Councillors will notice some significant movements in some Divisions between the year to date and forecast results. The movements are due to the following which is not reflected in the year to date numbers:

- year end accruals in the forecast and to the year to date position
- write off of redundant assets at year end, especially in the Water Group
- conservatism in the forecasts.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year ending 30 June 2006			
	Last Year	Budget	Forecast	Variance
Water Group	873	(817)	(335)	482
Forestry	(637)	(888)	(883)	5
Regional Parks	(311)	(397)	261	658
<b>Water Supply, Parks &amp; Forests</b>	<b>(75)</b>	<b>(2,102)</b>	<b>(957)</b>	<b>1,145</b>
Transport Policy and Strategy	(145)	(174)	213	387
Transport Infrastructure & Procurement	1,184	(1,988)	(2,164)	(176)
<b>Total Transport</b>	<b>1,039</b>	<b>(2,162)</b>	<b>(1,951)</b>	<b>211</b>
Environment	338	(242)	88	330
Catchment Management	2,179	1,142	1,301	159
Corporate	(96)	31	(229)	(260)
Finance, IT & Support Services	949	342	613	271
Investment in Democracy	(78)	74	74	-
<b>Divisional Operating Surplus</b>	<b>4,256</b>	<b>(2,917)</b>	<b>(1,061)</b>	<b>1,856</b>
Investment Management	10,942	8,675	8,392	(283)
Business Unit Rates Contribution	(7,624)	(7,759)	(7,759)	-
<b>Net Council Operating Surplus / (Deficit)</b>	<b>7,574</b>	<b>(2,001)</b>	<b>(428)</b>	<b>1,573</b>
Landcare: Sale of Mabey Road	3,155	-	-	-
Parks - Grant for Waitangirua Purchase	-	-	3,300	3,300
Transport - Procurement Capex	65	10,196	1,207	(8,989)
<b>Total Council Operating Surplus</b>	<b>10,794</b>	<b>8,195</b>	<b>4,079</b>	<b>(4,116)</b>

\* Statement excludes Regional Strategy

## 5. Capital Expenditure

The major variances from budgeted capital expenditure remain with Transport. The transfer of heavy maintenance expenditure from capital to operating expenditure has been separated out for clarity. Other Transport capital expenditure also continues to be delayed. Apart from this other capital expenditure is in line with budget.

### 5.1.1 Year to date variances

Net Capital Expenditure \$(000)'s	For the Period Ending - 31 May 2006			
	Last Year	Actual	Budget	Variance
Water Group	2,933	5,961	5,621	(340)
Forestry	214	90	220	130
Regional Parks	292	218	490	272
<b>Water Supply, Parks &amp; Forests</b>	<b>3,439</b>	<b>6,269</b>	<b>6,331</b>	<b>62</b>
Transport Policy and Strategy	-	-	-	-
Transport Infrastructure & Procurement	139	383	6,836	6,453
Transport - heavy maintenance	-	-	3,914	3,914
<b>Total Transport</b>	<b>139</b>	<b>383</b>	<b>10,750</b>	<b>10,367</b>
Environment	577	329	470	141
Catchment Management	3,893	4,217	4,352	135
Corporate	99	52	124	72
Finance, IT & Support Services	717	355	829	474
Investment in Democracy	24	13	0	(13)
<b>Divisional Capital expenditure</b>	<b>8,888</b>	<b>11,618</b>	<b>22,856</b>	<b>11,238</b>
Parks - Waitangirua Purchase	-	-	-	-
Landcare: Sale of Mabey Road	(3,385)	-	-	-
Investment Management	336	4	500	496
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital expenditure</b>	<b>5,839</b>	<b>11,622</b>	<b>23,356</b>	<b>11,734</b>

\* Statement excludes Regional Strategy

## 5.1.2 Full year forecast

Forecast capital expenditure continues to be well behind budget due to delays in the Transport capital expenditure programme. The reasons for this were reported to Council in April. The other areas of Council are expected to spend their capital expenditure programmes in line with budget

Net Capital Expenditure \$(000)'s	Year ending 30 June 2006			
	Last Year	Budget	Forecast	Variance
Water Group	4,226	6,349	6,696	(347)
Forestry	333	238	119	119
Regional Parks	490	519	411	108
<b>Water Supply, Parks &amp; Forests</b>	<b>5,049</b>	<b>7,106</b>	<b>7,226</b>	<b>(120)</b>
Transport Policy and Strategy	-	-	-	-
Transport Infrastructure & Procurement	204	7,725	1,420	6,305
Transport - heavy maintenance	-	4,270	-	4,270
<b>Total Transport</b>	<b>204</b>	<b>11,995</b>	<b>1,420</b>	<b>10,575</b>
Environment	582	470	238	232
Catchment Management	5,465	5,365	5,110	255
Corporate	99	219	224	(5)
Finance, IT & Support Services	716	1,282	442	840
Investment in Democracy	49	5	5	-
<b>Divisional Capital expenditure</b>	<b>12,164</b>	<b>26,442</b>	<b>14,665</b>	<b>11,777</b>
Parks - Waitangirua Purchase	-	-	5,600	(5,600)
Landcare: Sale of Mabey Road	(3,385)	-	-	-
Investment Management	336	620	10	610
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital expenditure</b>	<b>9,115</b>	<b>27,062</b>	<b>20,275</b>	<b>6,787</b>
* Statement excludes Regional Strategy				

## 6. Communication

No communications are necessary.

## 7. Recommendations

*That the Committee:*

1. ***Receives the report.***
2. ***Notes the content of the report.***

Report prepared by:

Report approved by:

**Chris Gray**  
Finance Manager

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** Statement of Financial Performance

**Attachment 2:** Funding Statement

**Attachment 3:** Statement of Financial Position