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Report to the Policy and Finance Committee
from Fiona Pantelis, Financial Accountant

Financial Report for the four months ended 31 October 2001

1. Purpose

To receive the October 2001 Financial Statements (forwarded under separate cover).

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 capital expenditure, with the operating surplus ahead of budget by \$2.5 million and capital expenditure below budget by \$1.2 million.

The changes in the variance from September 2001 figures reflect favourable results in both operating and capital expenditure.

At this time the "Forecast" still assumes no variance from the original budget. It is our normal practice for the year-end forecast figures to be prepared as part of the half year review. This enables the Council to consider any unforeseen changes in expenditure priorities within the context of the likely year end financial result.

As requested this report includes details of the external costs incurred to date on the Tranz Metro issue. This will continue to be updated in future reports.

3. Financial Performance for the four months to 31 October 2001

3.1 Operating Surplus

The year-to-date operating result after four months reflects an operating surplus ahead of budget of \$2.5 million, which represents an additional favourable variance compared to September 2001 of \$0.3 million.

Detailed variances from budget are shown in the following table:

	2001/02 YTD Actual \$000s	2001/02 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sept \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s
OPERATING SURPLUS (DEFICIT)						
Water Group	1,136	538	598 F	69 F	1,537	1,537
Plantation Forestry	(110)	(172)	62 F	34 F	(546)	(546)
Utility Services	1,026	366	660 F	103 F	991	991
Transport	289	(103)	392 F	143 U	(270)	(270)
Landcare	899	586	313 F	160 F	1,343	1,343
Environment	282	36	246 F	52 F	(282)	(282)
Wairarapa	339	(37)	376 F	8 U	484	484
Corporate Advisory Services	125	(2)	127 F	13 F	(6)	(6)
Finance & Admin	(62)	(68)	6 F	170 U	(518)	(518)
General Manager	43	9	34 F	13 F	26	26
Investment in Democracy	8	(192)	200 F	267 F	(136)	(136)
Rates Collection	43	0	43 F	10 F	0	0
Net Divisional Surplus (Deficit)	2,992	595	2,397 F	297 F	1,632	1,632
Investment Management	2,401	2,277	124 F	41 F	7,979	7,979
Business Unit Rates Contribution	(1,927)	(1,927)	-	-	(5,782)	(5,782)
Total Operating Surplus (Deficit)	3,466	945	2,521 F	338 F	3,829	3,829

Significant elements of the \$0.3 million favourable operating variance since September 2001 are outlined below:

(1) Transport unfavourable variance of \$0.14 million, due to:

A \$150,000 unfavourable Patronage variance with latest data received from operators adding no increase to the \$467,000 claimed for patronage funding in September.

A \$49,000 unfavourable timing variance for timetable production costs. This work had been budgeted for later in the year.

A \$57,000 favourable timing variance with work on kickstart funded car parks delayed until summer.

(2) Landcare favourable variance of \$0.16 million, due to:

Bad weather during October has resulted in an underspend to date in projects like the Akatarawa possum operation, stopbank and stream maintenance will recommence when weather conditions improve.

(3) Finance & Administration unfavourable variance of \$0.17 million, due to:

Increased expenditure on Microsoft licences of \$183,000 as a result of a unilateral change in the licencing arrangements with Microsoft which has resulted a catch up maintenance payment being required.

(4) Investment in Democracy favourable variance of \$0.26 million, due to:

The change from an unfavourable to a favourable variance in Investment in Democracy is due to an under accrual of election costs in the October accounts. This variance should have substantially reversed in the half year accounts.

Capital Expenditure

Year-to-date capital expenditure for the four months is \$1.2 million below budget and a favourable variance compared to September 2001 of \$0.6 million.

	2001/02 YTD Actual \$000s	2001/02 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sept \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s
NET CAPITAL EXPENDITURE						
Utility Services	325	1341	1,016 F	710 F	4,644	4,644
Landcare	386	611	225 F	213 F	1,695	1,695
Environment	18	64	46 F	-	322	322
Transport	0	35	35 F	-	35	35
Wairarapa	196	200	4 F	8 U	225	225
Corporate Advisory Services	0	34	34 F	-	34	34
Investments	0	0	-	-	0	0
Finance & Admin	337	197	140 U	320 U	1,046	1,046
Investment in Democracy	0	0	-	-	117	117
Total Net Capital Expenditure	1,262	2,482	1,220 F	595 F	8,118	8,118

The significant elements of the \$0.6 million favourable capital expenditure variance since September 2001 are outlined below:

(1) Utility Services favourable variance of \$0.71 million, due to:

Continued delays in starting a number of Wholesale Water Group capital works projects have generated a further favourable timing difference variance of \$0.4 million. The remaining \$0.3m favourable variance, is due to permanent savings generated by significantly fewer minor asset acquisitions, of which \$0.2m is within the Water Supply Operations Network function.

(2) Landcare favourable variance of \$0.21 million, due to:

Work on the Stratton Street Woolshed has been delayed due to the architect not

completing design work by due dates, causing an underspend to date of \$55,000. The project is now due to be completed by Christmas.

Work on Phase Five of the implementation of the HRFMP is on target to be completed to programme by year-end. However, an underspend to date has occurred due to further consultation being required to inform the community of proposed work at Ava Bridge, and delays experienced in appointing consultants to carry out the physical model study of the Ava to Ewen reach.

(3) *Finance & Administration unfavourable variance of \$0.32 million, due to:*

The change from a favourable to an unfavourable variance has occurred because \$321,000 has been spent on the Records Management System during October. The total project is expected to remain within the project budget.

4. **Communications**

Emphasis should rightly be placed on the results after six months (i.e. the half year review).

5. **Recommendations**

That the report be received and the contents noted.

Report prepared by:

Approved for submission:

FIONA PANTELIS
Financial Accountant

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Tranz Metro Costs to 31 October 2001