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Report to the Policy, Finance and Strategy Committee
from Paul Laplanche, Finance Manager

Financial Report for the four months ended 31 October 2002

1. Purpose

To receive the October 2002 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 \$0.4 million and capital expenditure below budget by \$0.9 million.

The changes in the variance from September 2002 figures reflects an unfavourable result in operating surplus and a favourable result in 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.

3. Financial Performance for the four months to 31 October 2002

3.1 Operating Surplus

The year-to-date operating result after four months reflects an operating surplus ahead of budget of \$0.4 million, which represents an unfavourable variance compared to September 2002 of \$0.2 million.

Detailed variances from budget are shown in the following table:

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sept \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
OPERATING SURPLUS (DEFICIT)							
Water Group	581	216	365 F	39 U	565	565	-
Plantation Forestry	(384)	(72)	312 U	14 F	(225)	(225)	-
Utility Services	197	144	53 F	25 U	340	340	-
Transport	380	163	217 F	42 F	(106)	(106)	-
Landcare	959	880	79 F	3 F	1,557	1,557	-
Environment	60	5	55 F	139 U	(134)	(134)	-
Wairarapa	134	81	53 F	42 F	(108)	(108)	-
Corporate Advisory Services	(34)	(15)	19 U	12 U	(15)	(15)	-
Finance & Admin	28	20	8 F	76 U	(170)	(170)	-
General Manager	22	17	5 F	1 F	(55)	(55)	-
Investment in Democracy	7	0	7 F	3 F	(3)	(3)	-
Rates Collection	(14)	0	14 U	36 U	0	0	-
Net Divisional Surplus (Deficit)	1,739	1,295	444 F	197 U	1,306	1,306	-
Investment Management	2,349	2,409	60 U	29 U	8,163	8,163	-
Investment Rates Contribution	(1,942)	(1,942)	-	-	(5,827)	(5,827)	-
Total Operating Surplus (Deficit)	2,146	1,762	384 F	226 U	3,642	3,642	-

Significant elements of the \$0.2 million unfavourable operating variance since September 2002 are outlined below:

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

- Increased expenditure of \$100,000, mainly within the Harbours and Consents management areas. This expenditure relates to projects that were planned to occur earlier in the financial year.
- Reduced revenue of \$37,000. The annual charging round for consents is slightly behind because our new electronic system is yet to be implemented. Additional time was spent identifying and resolving issues at the project stage.

(2) ***Finance and Administration unfavourable variance of \$0.08 million, due to:***

- Increased expenditure of \$31,000 relating to the Records Management System which is being progressively rolled out.
- Additional expenditure of \$21,000 due to unbudgeted work undertaken to review our procurement practices.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the four months is \$0.9 million below budget with a favourable variance compared to September 2002 of \$0.1 million.

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sept \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
NET CAPITAL EXPENDITURE							
Utility Services	467	839	372 F	10 U	3,093	3,093	-
Landcare	266	457	191 F	34 F	3,282	3,282	-
Environment	45	203	158 F	120 F	299	299	-
Transport	0	27	27 F	27 F	27	27	-
Wairarapa	46	190	144 F	13 U	290	290	-
Finance & Admin	78	105	27 F	39 U	484	484	-
Investment in Democracy	32	25	7 U	25 F	30	30	-
Total Net Capital Expenditure	934	1,846	912 F	144 F	7,505	7,505	-

The significant elements of the \$0.1 million favourable capital expenditure variance since September 2002 are outlined below:

(1) ***Environment favourable variance of \$0.12 million, due to:***

- A delay in the vehicle replacement programme. We had planned for three utility vehicles and a car to be replaced during October. However, the replacement programme has been delayed to allow a review of our preferred supplier arrangements.

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:

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Finance Manager

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Joint Venture Consultancy Costs to 31 October 2002