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## **Report 01.456**

25 June 2001

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Report to the Policy and Finance Committee  
from Anne Quaintance, Financial Accountant

## **Financial Report for the eleven months ended 31 May 2001**

### **1. Purpose**

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

### **2. Comment**

Consistent with Council's desire to receive detailed financial reports each quarter, this report provides a high level update, with explanations by exception.

The year-to-date figures reflect favourable results in both operating and capital expenditure with the operating surplus ahead of budget by \$2.2 million, and capital expenditure below budget by \$1.7 million.

The changes in the variance from March 2001 figures reflect the reversal of many of the timing differences identified in the nine month results.

The forecast position to 30 June 2001 is as approved at the Policy and Finance Committee on 29 May 2001.

### **3. Financial Performance for the eleven months to 31 May 2001**

#### **3.1 Operating Surplus**

The year-to-date operating result after eleven months reflects an operating surplus ahead of budget of \$2.2 million, which represents an unfavourable variance compared to March 2001

of \$0.9 million.

Detailed variances from budget are shown in the following table:

	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Mar \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	3,044	1,643	1,401 F	318 F	3,106	1,751	1,355 F
Plantation Forestry	(171)	253	434 U	122 U	(246)	275	521 U
	<b>2,873</b>	<b>1,896</b>	<b>977 F</b>	<b>196 F</b>	<b>2,860</b>	<b>2,026</b>	<b>834 F</b>
Transport	(1,942)	(982)	960 U	1,324 U	(2,534)	(1,029)	1,505 U
Landcare	1,382	1,056	326 F	12 U	1,081	1,010	71 F
Environment	555	69	486 F	104 U	249	100	149 F
Wairarapa	338	38	300 F	140 F	(219)	73	292 U
Corporate Advisory Services	170	(14)	184 F	19 F	152	(13)	165 F
Finance & Admin	142	(170)	312 F	58 F	(101)	(326)	225 F
General Manager	10	(8)	18 F	30 U	(9)	(9)	-
Cost of Democracy	209	104	105 F	46 F	147	114	33 F
Rates Collection	336	0	336 F	55 F	350	0	350 F
<b>Net Divisional Surplus (Deficit)</b>	<b>4,073</b>	<b>1,989</b>	<b>2,084 F</b>	<b>956 U</b>	<b>1,976</b>	<b>1,946</b>	<b>30 F</b>
Investment Management	7,082	6,934	148 F	28 F	7,667	7,579	88 F
Business Unit Rates Contribution	(5,119)	(5,119)	-	-	(5,584)	(5,584)	-
<b>Total Operating Surplus (Deficit)</b>	<b>6,036</b>	<b>3,804</b>	<b>2,232 F</b>	<b>928 U</b>	<b>4,059</b>	<b>3,941</b>	<b>118 F</b>

Significant elements of the \$0.9 million unfavourable operating variance since March 2001 are outlined below:

- (1) ***Water Group \$0.32 million favourable variance since March 2001, due to:***
  - Higher than budgeted revenue due to the ongoing recovery of Hutt City Council's contribution towards the full cost of the Petone De-fluoridation capital works project.
  - Lower than budgeted expenditure, primarily due to external contractor savings, reduced financial costs and lower than budgeted depreciation charges.
- (2) ***Plantation Forestry \$0.12 million unfavourable variance since March 2001, due to:***
  - The ongoing 'soft' market conditions and increased use of external contractors on roading maintenance programmes.
- (3) ***Transport \$1.32 million unfavourable variance since March 2001, due to:***
  - Wellington interchange development costs of \$880,000. These costs had been budgeted for earlier in the year.
  - Unfavourable variance of \$410,000 on bus contracts, following the price rises of diesel in the first half of the year.
- (4) ***Environment \$0.10 million unfavourable variance since March 2001, due to:***
  - The level of expenditure has increased because a number of projects have been

completed or near completed - such as, the Contaminated sites (\$36,000), Stormwater (\$30,000) and the Porirua Stream (\$12,000) studies.

- Additionally, a number of projects were planned to start in the last quarter. These are now well advanced – examples include the environmental survey (\$25,000), website development (\$33,000), the Ecobus design (\$25,000) and the development of the “take charge” database (\$25,000).
- Although the variance is shown as unfavourable, in fact the expenditure line is trending towards budget. Apart from underspend on iwi and personnel costs, it is expected that the budget will be fully utilised

(5) *Wairarapa \$0.14 million favourable variance since March 2001, due to:*

- Additional personnel savings of \$100,000 for the Bovine Tb activity, partly offset by additional contractors of \$30,000.
- Additional net revenue of \$40,000 for the Soil Conservation activity due to further Consultations and completion of the regional grant assisted planting programmes prior to April.
- Reduced expenditure of \$30,000 for the Planning & Resources and Support Services Departments. (Mainly in materials and supplies.)

### Capital Expenditure

Year-to-date capital expenditure for the eleven months is \$1.7 million below budget and a unfavourable variance compared to March 2001 of \$0.07 million.

CAPITAL EXPENDITURE	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Mar \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
Utility Services	3,716	4,864	1,148 F	225 U	4,274	5,036	762 F
Landcare	2,132	2,314	182 F	84F	2,958	2,504	454 U
Environment	350	375	25 F	31 U	386	375	11 U
Transport	44	17	27 U	20U	59	49	10 U
Wairarapa	149	228	79 F	12F	206	228	22 F
Corporate Advisory Services	36	0	36 U	-	36	0	36 U
Finance & Admin	262	302	40 F	39 U	245	336	91 F
Cost of Democracy	22	98	76 F	-	31	98	67 F
Investment Management	(214)	0	214 F	151 F	(63)	0	63 F
<b>Total Capital Expenditure</b>	<b>6,497</b>	<b>8,198</b>	<b>1,701 F</b>	<b>68 U</b>	<b>8,132</b>	<b>8,626</b>	<b>494 F</b>

The significant elements of the \$0.07 million unfavourable capital expenditure variance since March 2001 are outlined below:

(1) *Utility Services \$0.23 million unfavourable variance since March 2001, due to:*

- Timing difference savings due to project completion delays are now being eliminated as the financial year-end is approached.

(2) ***Investment Management \$0.15 million favourable variance since March 2001, due to:***

- Unbudgeted proceeds from the sale of one of the Council's last remaining investment properties.

## 5. **Communications**

Council's eleven months results again reflect solid operational and financial performance which should be reported to the community.

## 6. **Recommendations**

*That the report be received and the contents noted.*

Report prepared by:

Approved for submission:

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Financial Accountant

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