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**Committee:** Policy, Finance and Strategy  
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## **Financial Report for the eight months ended 28 February 2003**

### **1. Purpose**

To inform the committee of the financial performance for the eight months ended 28 February 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 capital expenditure, with the operating surplus ahead of budget by \$1.8 million and capital expenditure below budget by \$0.6 million.

The changes in the variances from the December 2002 figures reflect a favourable result in the operating surplus and no material change in the capital expenditure position.

The forecast position to 30 June 2003 is as approved at the Policy, Finance and Strategy Committee on 20 February 2003.

### **3. Financial Performance for the eight months to 28 February 2003**

#### **3.1 Operating Surplus**

The year-to-date operating result after eight months reflects an operating surplus ahead of budget of \$1.8 million, which represents a favourable variance compared to the December 2002 quarter of \$0.8 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 Dec \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	1,220	425	795 F	236 F	1,513	565	948
Plantation Forestry	(278)	(148)	130 U	30 F	57	(225)	282
<b>Utility Services</b>	<b>942</b>	<b>277</b>	<b>665 F</b>	<b>266 F</b>	<b>1,570</b>	<b>340</b>	<b>1,230</b>
Transport	542	158	384 F	26 F	(57)	(106)	49
Landcare	1,846	1,183	663 F	391 F	1,632	1,557	75
Environment	359	(66)	425 F	123 F	(41)	(134)	93
Wairarapa	(75)	280	355 U	76 U	(148)	(108)	40
Corporate Advisory Services	(227)	(54)	173 U	3 F	(207)	(15)	192
Finance & Admin	185	37	148 F	14 F	(234)	(170)	64
General Manager	9	(6)	15 F	-	(54)	(55)	1
Investment in Democracy	92	(2)	94 F	89 F	(24)	(3)	21
Rates Collection	146	0	146 F	58 F	(91)	0	91
<b>Net Divisional Surplus (Deficit)</b>	<b>3,819</b>	<b>1,807</b>	<b>2,012 F</b>	<b>894 F</b>	<b>2,346</b>	<b>1,306</b>	<b>1,040</b>
Investment Management	4,640	4,870	230 U	81 U	8,149	8,163	14
Business Unit Rates Contribution	(3,885)	(3,885)	-	-	(5,827)	(5,827)	
<b>Total Operating Surplus (Deficit)</b>	<b>4,574</b>	<b>2,792</b>	<b>1,782 F</b>	<b>813 F</b>	<b>4,668</b>	<b>3,642</b>	<b>1,026</b>

Significant elements of the \$0.81 million favourable operating variance since December 2002 are outlined below:

- (1) Water Group \$0.24 million favourable variance, due to:
  - A combination of incremental financial cost savings of \$125,000 and further direct cost savings of \$100,000 on materials, supplies, services, contractors and consultants.
  
- (2) Landcare \$0.39 million favourable variance, due to:
  - Savings in personnel costs of \$83,000 as a result of annual leave taken over the Christmas break and ongoing vacancies in both departments.
  - Savings in materials and contractors/consultants of \$275,000 which is predominantly due to the usual slowing down of work programmes over the Christmas holiday period. These are timing variances only with the work programmes ramping up again and expected to finish on target.

(3) Environment \$0.12 million favourable variance, due to:

- Personnel costs are under budget by \$52,000 as a result of staff movements during the period.
- The timing of expenditure has resulted in a favourable variance on some projects, e.g. Care Groups, Contaminated Sites, Marine Protection, Urban Development (\$81,000). The division is anticipating that the situation will be redressed before year end.

### 3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the eight months is \$0.6 million below budget which is unchanged overall from the December 2002 position.

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Dec \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>							
Utility Services	1,370	1,640	270 F	155 F	3,052	3,093	41 F
Landcare	769	1,060	291 F	54 F	2,444	3,282	838 F
Environment	225	238	13 F	52 U	299	299	-
Transport	39	27	12 U	39 U	35	27	8 U
Wairarapa	204	190	14 U	37 U	290	290	-
Finance & Admin	150	165	15 F	64 U	470	484	14 F
Investment in Democracy	32	30	2 U	-	62	30	32 U
<b>Total Net Capital Expenditure</b>	<b>2,789</b>	<b>3,350</b>	<b>561 F</b>	<b>17 F</b>	<b>6,652</b>	<b>7,505</b>	<b>853 F</b>

Significant elements of the \$0.02 million favourable operating variance since December 2002 are outlined below:

(1) Utility Services \$0.15 million favourable variance, due to:

A seasonal reduction in ongoing activity across a variety of capital works projects.

## 4. Communications

Emphasis should continue to be placed on the results after each quarter end.

## 5. Recommendations

*That the committee recommend to Council that it receive the report and note its contents.*

Report prepared by:

Report approved by:

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**Greg Schollum**  
Chief Financial Officer