greater WELLINGTON
THE REGIONAL COUNCIL

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Committee **Policy, Finance and Strategy**
Author **Fiona Hatzilamprou, Financial Accountant**

Financial Report for the seven months ended 31 January 2004

1. Purpose

To inform the Committee of the financial performance of the Council for the seven months ended 31 January 2004 and to provide an explanation of major changes in variances since the last quarterly report.

2. Comment

The half year review was considered by the Committee on 19 February 2004.

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 net capital expenditure, with the operating surplus now ahead of budget by $2.0 million and net capital expenditure below budget by $1.6 million.

The change in the variances from the half year figures reflect a favourable movement in operating surplus and an unfavourable movement in capital expenditure.

3. Financial Performance for the seven months to 31 January 2004

3.1 Operating Surplus

The year-to-date operating result after seven months reflects an operating surplus ahead of budget of $2.0 million, which represents a favourable variance compared to the half year of $0.8 million.

Detailed variances from budget are shown in the following table:

OPERATING SURPLUS (DEFICIT)	2003/04 YTD Actual $000s	2003/04 YTD Budget $000s	Actual vs Budget Variance $000s	Change in Variance from December 03 $000s	2003/04 Year Forecast $000s	2003/04 Year Budget $000s	Forecast vs Budget Variance $000s
Water Group	895	247	648 F	168 F	979	334	645 F
Plantation Forestry	(148)	135	283 U	65 U	(457)	229	686 U
Utility Services	**747**	**382**	**365 F**	**103 F**	**522**	**563**	**41 U**
Transport	228	(363)	591 F	415 F	219	(510)	729 F
Landcare	1,854	1,403	450 F	112 F	2,025	1,973	52 F
Environment	324	154	170 F	106 F	(225)	(284)	59 F
Wairarapa	131	139	8 U	27 F	(500)	36	536 U
Corporate Advisory Services	398	238	160 F	36 F	(23)	(15)	8 U
Finance & Admin	(10)	(86)	76 F	11 U	(189)	(270)	81 F
Chief Executive	19	17	2 F	6 U	29	29	-
Investment in Democracy	106	50	56 F	37 F	148	85	63 F
Rates Collection	92	0	92 F	10 U	210	0	210 F
Net Divisional Surplus (Deficit)	**3,887**	**1,934**	**1,953 F**	**808 F**	**2,216**	**1,607**	**609 F**
Investment Management	4,052	3,971	81 F	16 F	7,717	8,086	369 U
Business Unit Rates Contribution	(4,016)	(4,016)	0 U	0 U	(6,884)	(6,884)	-
Total Operating Surplus (Deficit)	**3,923**	**1,889**	**2,034 F**	**824 F**	**3,049**	**2,809**	**240 F**

Significant elements of the $0.8 million favourable operating variance since December 2003, are outlined below:

(1) Water Group $0.17 million favourable variance, due to:

- A variety of additional direct and indirect cost savings being – materials & supplies ($64,000), contractors & consultants ($39,000), financial costs ($34,000) and depreciation ($28,000), the last item being due to a reduction in the number of ongoing depreciable assets following the 1 January acquisition anniversary date for water asset infrastructure records.

(2) Transport $0.42 million favourable variance, due to:

- Favourable variance due to the kick-start services, which were included in the budget but have not occurred, with others coming in below budget.
- Delay in the investigation for the Porirua interchange
- Deferral of the refurbishment of English Electric carriages.

(3) Landcare $0.11 million favourable variance, due to:

- The majority of the variance is due to timing variances in Flood Protection works in Otaki. Three rock edge protection jobs that were programmed to commence in January were pushed back as a result of rock supply delays.

(4) Environment $0.11 million favourable variance, due to:

- Personnel costs being slightly under budget by $35,000 primarily as a result of staff movements.
- The timing of expenditure has resulted in a favourable variance with some projects, e.g. Freshwater Ecosystem, Aquaculture (plan changes), Marine Protection and the Urban Development Strategy ($39,000). We anticipate that the situation will be redressed before year-end.
- Some of the underspend arises because of changes in our contractors for laboratory services in connection with our freshwater programmes.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the seven months is $1.6 million below budget which represents an unfavourable variance compared to the half year of $0.29 million.

NET CAPITAL EXPENDITURE	2003/04 YTD Actual $000s	2003/04 YTD Budget $000s	Actual vs Budget Variance $000s	Change in Variance from December 03 $000s	2003/04 Year Forecast $000s	2003/04 Year Budget $000s	Forecast vs Budget Variance $000s
Utility Services	1,894	3,236	1,342 F	19 F	3,986	5,852	1,866 F
Landcare	968	1,168	199 F	203 U	2,904	2,947	43 F
Environment	122	202	80 F	5 F	267	267	-
Transport	200	218	18 F	-	384	238	146 U
Wairarapa	197	238	41 F	85 U	349	349	-
Finance & Admin	236	184	52 U	23 U	525	513	12 U
Corporate Advisory Services	5	0	5 U	0 F	60	0	60 U
Chief Executive	30	34	4 F	0 U	34	34	-
Rates Collection	21	0	21 U	0 U	0	0	-
Investment in Democracy	0	5	5 F	-	5	5	-
Total Net Capital Expenditure	**3,673**	**5,285**	**1,612 F**	**287 U**	**8,514**	**10,205**	**1,691 F**

Significant elements of the $0.29 million unfavourable variance since December 2003 are outlined below:

(1) Landcare $0.20 million unfavourable variance, due to:

- The vehicle purchasing round was completed in January 2004 resulting in a catch up to budget of $165,000 (was budgeted to occur in the first six months).
- Belmont edge protection capital works surged ahead in January bringing the project back into line with the year to date budget.

4. Communications

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

5. Recommendations

That the Committee recommend that the Council receive the report and note its contents.

Report prepared by:	Report approved by:
Fiona Hatzilamprou Financial Accountant	**Greg Schollum** Chief Financial Officer