

Richard Waddy, Divisional Accountant

Financial Position: March 2000

1. Operating Results

We are pleased to report the operating results for the nine month period ended 31 March 2000.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>\$000s</u>	<u>\$000s</u>	<u>\$000s</u>
Rates	4,230.6	4,230.6	-
Other Revenue	1,424.2	1,487.0	63 U
Total Revenue	5,654.8	5,717.6	63 U
Less:			
Direct Expenditure	4,892.0	5,265.6	374 F
Indirect Expenditure	711.4	759.4	48 F
Total Operating Expenditure	5,603.4	6,025.0	422 F
Operating Surplus (Deficit)	51.4	(307.4)	359 F

2. Operating Surplus

The Division's finances continue to be satisfactory and for the nine month period an operating surplus of \$51,000 was struck. This compares favourably to our budget which provides for a deficit of \$307,000.

The result translates to a net favourable variance \$359,000 and comprises a revenue shortfall of \$63,000, offset by reduced expenditure \$422,000.

3. Revenue

Total Revenue at \$5,655,000 is now almost 99% of our budget target of \$5,718,000.

Some of the shortfall is with the Emergency Management Grant (a reimbursement of expenditure incurred for the 1998/99 financial year). The grant equates to approximately \$31,000 or 9% of our direct costs (\$344,000). Payment was received from the Ministry of Emergency Management in April.

The revenue attributable to the recovery of some of the Moera bore costs is a conundrum. The investigation bore has been drilled successfully. However, the accompanying pump tests have been deferred until May. Once these tests have been completed the driller will then be paid and, in turn, we will be able to pass some of the project's costs on to our customer.

4. Expenditure

Total Expenditure was \$5,603,000, that is \$422,000 (7%) below our budgets.

The main reasons for this variance are:

- Personnel costs are presently under budget by \$105,000 because the Hazard Analyst and Education Co-ordinator positions did not take up their positions until the end of November/beginning of December and we did not appoint any replacement for a staff member on unpaid leave.
- Material Costs are \$18,000 below budget because the remaining regional plans are yet to be printed. They have been delayed by the statutory process and litigation which is beyond our control. However, we are hopeful that any technical problems will be cleared before the close of the financial year.
- External Contractors and Consultants are \$165,000 under budget because:
 - At this stage Iwi projects are some \$92,000 short of budget. Several initiatives are in various stages of implementation, We expect this under-spend will be reduced considerably by year-end.
 - The Petroleum Storage Hazard Analysis study (\$40,000) was temporarily delayed because of information access problems. These have now been resolved.
 - The Emissions Inventory Study (\$25,000) is slightly behind schedule. The budget anticipated that by this time most of the work would have been completed.
 - All the Moera bore costs incurred to date (\$112,000) have been taken to account as accruals.
- Internal Charges are \$96,000 below budget because the Resource Investigations Department's demand for laboratory services currently running at a lower level than budgeted. This hardy annual has been dealt to in the current planning round with agreement reached on the extent of future work programmes.

5. Capital Expenditure

Currently our capital expenditure is \$63,000 under budget. The purchase of a replacement motor vehicle (4 wheel drive) was mistakenly included in the current year's budget. That vehicle is yet to complete four years of service and it will be replaced in the next vehicle buying round in September 2000.