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## **Report 00.883**

30 November 2000

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

### **Financial Report for the Quarter Ended 30 September 2000**

#### **1. Purpose**

To receive the September 2000 Financial Statements (forwarded under separate cover).

#### **2. Comment**

The year to date figures reflect an overall favourable result, with the operating surplus ahead of budget (\$2.8 million favourable variance) and capital expenditure below budget (\$1.5 million favourable variance). At this time of year many projects are still in start up phases and the variances are therefore mainly due to timing differences rather than permanent savings.

At this time the "Forecast" 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 in February. 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 Three Months to 30 September 2000**

##### **3.1 Operating Surplus**

As noted above, the year to date operating result after three months reflects an operating surplus ahead of budget of \$2.8 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	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>						
Utility Services	614	540	74 F	2,026	2,026	-
Landcare	1,004	512	492 F	1,010	1,010	-
Environment	304	133	171 F	100	100	-
Transport	606	(629)	1,235 F	(1,029)	(1,029)	-
Wairarapa	554	(26)	580 F	73	73	-
Corporate Advisory Services	89	3	86 F	(13)	(13)	-
Finance & Admin	146	27	119 F	(326)	(326)	-
General Manager	(24)	(2)	22 U	(9)	(9)	-
Investment Mgmt	1,868	1,896	28 U	7,579	7,579	-
Cost of Democracy	14	30	16 U	114	114	-
Non Divisional	(1,295)	(1,396)	101 F	(5,584)	(5,584)	-
<b>Total Operating Surplus (Deficit)</b>	<b>3,880</b>	<b>1,088</b>	<b>2,792 F</b>	<b>3,941</b>	<b>3,941</b>	<b>-</b>

Significant components of this favourable year to date variance are as follows:

(1) ***Utility Services Favourable Variance of \$0.074 million***

(a) ***Water Group Favourable Variance of \$0.358 million***

- \$148,000 of this favourable variance relates to underspending on materials and supplies within the Operations area.
- Financial costs are also underspent by \$59,000. This is due to lower than anticipated interest costs primarily as a result of lower debt levels.
- There is a favourable variance within Networks (WCW) of \$116,000 relating to materials and supplies. This has primarily occurred due to the settlement of 1998-2000 FMC trenching costs dispute.

(b) ***Forestry Unfavourable Variance of \$0.285 million***

- The unfavourable revenue variance of \$830,000 in Plantation Forestry is due to only having one full-time harvest crew operating for this quarter. This has been offset to some extent by a favourable variance of \$545,000 in external contractors, due to the reduced harvest output.

(2) ***Landcare Favourable Variance of \$0.492 million***

- The start of the year has generally been slower than expected. Weather and supply issues contributed to some project delays.

*(a) Flood Protection – Favourable variance of \$254,000.*

- Underspending in personnel costs of \$21,000, due to staff vacancies in the department.
- Rock supply delays at Owen Street caused by the closure of the Wharfe Quarry resulted in a favourable difference of \$100,000.

*(b) Parks and Forests – Favourable variance of \$223,000.*

- A variation in internal revenue for water collection area services and unbudgeted revenue from Transit NZ resulted in a favourable revenue variance of \$30,000.
- \$61,000 favourable variance in personnel costs due to vacancies in the department.
- \$111,000 favourable variance as a result of delays in starting contracts. This was due to reviewing infrastructure renewal programmes, and the slow progression for various restoration projects caused by newly appointed staff acclimatising to their new positions.
- A favourable variance of \$20,000 due to less depreciation and financial costs.

**(3) *Environment Favourable Variance of \$0.171 million***

- Overall, revenue is under budget by \$89,000. While external revenue is ahead of budget by \$22,000, internal revenue is underbudget by \$111,000. This is largely due to a delay in internal charges not signed off by internal customers.
- This shortfall in revenue is offset by expenditure savings of \$260,000 as follows:
  - Underspending in personnel costs of \$43,000, due to staff movements during period. Some of this will be permanent savings.
  - Material Costs below budget by \$45,000. This is caused by slight delays in setting up the Incident Control Centre and relocating the Emergency Management department to level 8, which was completed during October.
  - External contractors and consultants \$149,000 under budget. Expenditure on iwi projects are currently at a low level, timing issues with iwi projects seems to be inevitable despite concerted efforts on our part to secure

contracts.

(4) ***Transport Favourable Variance of \$1.235 million***

- The primary reason for the favourable position of \$1,235,000, is the difficulties associated with setting up the financial arrangements relating to the Lambton Bus/Rail Interchange project. Other under-expenditure results from the ongoing negotiations over the purchase of land for the Raumati station carpark and slow progress on Wellington CBD bus priority measures:
  - Underspending in Grants & Subsidies expenditure caused by Wellington Interchange & Raumati Station projects being behind schedule, causing a \$1,069,000 favourable variance.
  - Additional Transfund NZ revenue – Received funding of \$202,000 from Ganz Mavag refurbishment which was not budgeted. This was more than off-set by the Wellington Interchange project being behind schedule resulting in revenue being down by \$269,000, hence the unfavourable variance of \$76,000.
  - A favourable variance of \$123,000 in contractors and consultants as a result of Transport model recalibration work budgeted to occur in first half of year. This will now occur in the second half of the year.

(5) ***Wairarapa Favourable Variance of \$0.580 million***

- The Operations department surplus of \$228,000 mostly relates to savings in external contractors of \$188,000 due mainly to the timing of river scheme maintenance. Additional external revenue of \$88,000 for the Soil Conservation activity and the Akura business unit was offset by a reduction in logging revenue.
- The Biosecurity favourable variance of \$267,000 related to Bovine Tb operational savings due to the timing of aerial and ground control contracts and permanent savings from the cancellation of expanded operations in Southeast Wairarapa.

(6) ***Corporate Advisory Services Favourable Variance of \$0.086 million***

- The favourable variance of \$86,000 is due to reduced expenditure on strategic communications of \$44,000 as well as reduced expenditure on Consultants of \$33,000 within Corporate Policy.

(7) *Finance & Administration Favourable Variance of \$0.119 million*

- The favourable variance of \$119,000 is made up of a number of items mainly within IT operations. Significant variances are:
  - A \$51,000 favourable variance on materials (software, repairs, and maintenance and leased equipment).
  - Increased internal revenue of \$40,000 as phone charges recoveries and income from personal computers was higher than budget.
  - A \$40,000 favourable variance as depreciation is currently lower than budget.

(8) *Non Divisional Favourable Variance of 0.101 million*

- Savings in Valuation fees and in materials relating to rates publicity has contributed to the year to date savings.

3.2 **Capital Expenditure**

Year-to-date capital expenditure for the three months to 30 September is \$1.5 million below budget.

	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>CAPITAL EXPENDITURE</b>						
Utility Services	666	1,275	609 F	5,036	5,036	-
Landcare	224	925	701 F	2,504	2,504	-
Environment	87	149	62 F	375	375	-
Transport	24	(8)	32 U	49	49	-
Wairarapa	103	103	-	228	228	-
Corporate Advisory Services	44	0	44 U	0	0	-
Finance & Admin	70	255	185 F	336	336	-
Cost of Democracy	0	23	23 F	98	98	-
<b>Total Capital Expenditure</b>	<b>1,218</b>	<b>2,722</b>	<b>1,504 F</b>	<b>8,626</b>	<b>8,626</b>	<b>-</b>

Significant components of this favourable year to date variance are as follows:

(1) *Utility Services Favourable Variance of \$0.609 million*

- Delays in starting projects has resulted in an under-spend of \$609,000, with the main projects contributing to the variance being:
  - \$420,000 refurbishment of Orongorongo/Karori main;
  - \$90,000 plateau reservoir main;
  - \$75,000 water meter replacement.

(2) ***Landcare Favourable Variance of \$0.701million***

- Overall favourable variance in Flood Protection Strategy and Assets is made up as follows:
  - \$600,000 – Land Purchase - Budget of \$600,000 for the Rentokil purchase, Boulcott. This property purchase has since been settled.
  - \$50,000 schedule of capital construction planned for the year, running a little behind schedule.

(3) ***Finance and Administration Favourable Variance of \$0.185million***

- A favourable variance of \$213,000 in Info Tech & Support area was due to the timing of capital expenditure within IT operations (RCC network upgrade which has occurred since the end of September).

#### 4. **Compliance with Treasury Management Policy**

There were no instances of non-compliance with the Treasury Management Policy during the three months to September 2000.

#### 5. **Communications**

It is too early to focus on the results in a meaningful way.

#### 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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Chief Financial Officer

**Attachment 1 : Treasury Management Policy Compliance Report**