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## **Report 01.859**

5 December 2001

File: G/4/1/5

CFO/13/2/1

Report to the Policy and Finance Committee  
from Fiona Pantelis, Financial Accountant

### **Financial Report for the Quarter Ended 30 September 2001**

#### **1. Purpose**

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

#### **2. Comment**

Consistent with the wishes of the Council, financial results are reported each quarter, with updates by exception in the intervening months.

The year to date figures reflect favourable financial results, with the operating surplus ahead of budget (\$2.2 million favourable variance) and capital expenditure below budget (\$0.6 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" figures assume 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 at the half year within the context of the likely year end financial result.

#### **3. Financial Performance for the Three Months to 30 September 2001**

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

As noted above, the year to date operating result after three months reflects an operating

surplus ahead of budget of \$2.2 million. Detailed variances from budget are shown in the following table:

	2001/02 YTD Actual \$000s	2001/02 YTD Budget \$000s	Actual vs Budget Variance \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>						
Water Group	900	371	529 F	1,537	1,537	-
Plantation Forestry	(105)	(133)	28 F	(546)	(546)	-
<b>Utility Services</b>	<b>795</b>	<b>238</b>	<b>557 F</b>	<b>991</b>	<b>991</b>	<b>-</b>
Transport	501	(34)	535 F	(270)	(270)	-
Landcare	661	508	153 F	1,343	1,343	-
Environment	214	20	194 F	(282)	(282)	-
Wairarapa	323	(61)	384 F	484	484	-
Corporate Advisory Services	113	(1)	114 F	(6)	(6)	-
Finance & Admin	149	(27)	176 F	(518)	(518)	-
General Manager	28	7	21 F	26	26	-
Investment in Democracy	(46)	21	67 U	(136)	(136)	-
Rates Collection	33	0	33 F	0	0	-
<b>Net Divisional Surplus (Deficit)</b>	<b>2,771</b>	<b>671</b>	<b>2,100 F</b>	<b>1,632</b>	<b>1,632</b>	<b>-</b>
Investment Management	1,790	1,707	83 F	7,979	7,979	-
Business Unit Rates Contribution	(1,445)	(1,445)	-	(5,782)	(5,782)	-
<b>Total Operating Surplus (Deficit)</b>	<b>3,116</b>	<b>933</b>	<b>2,183 F</b>	<b>3,829</b>	<b>3,829</b>	<b>-</b>

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

**(1) Water Supply favourable variance of \$0.53 million, due to:**

External revenue is \$150,000 greater than budget, split evenly between both Water Supply Operations Network and the Wholesale Water Group. The rest of the favourable variance is generated by a variety of cost savings, most prominently within the Materials & Services, Contractors & Consultants and Financial Costs categories.

**(2) Transport favourable variance of \$0.53 million, due to:**

A \$343,000 favourable variance due to an unbudgeted payment being received from Transfund (for expenditure on the 2000/01 Regional Programme). This claim was included as a contingent asset in the 2000/01 annual report.

A \$92,000 favourable variance as a result of delays in the planned commencement of kickstart services in the region, with some major projects still awaiting approval by Transfund.

A \$98,000 favourable variance as a result of inflation being below budgeted levels, due to decreases in diesel prices.

**(3) Landcare favourable variance of \$0.15 million, due to:**

Savings in personnel costs of \$58,000 as there are currently three staff vacancies.

A change in the strategy for developing both Parks and Forests Management Plans has meant a reshuffle in priorities and resources, resulting in an underspend to date of \$45,000.

Problems with getting a good rock supply at a reasonable price has meant the usual purchase of rock in September has been delayed. This has caused changes in the Flood protection Operations work program and an underspend to date of \$47,000.

**(4) Environment favourable variance of \$0.19 million, due to:**

Increased revenue from work in progress taken up on the notified consent, Otaki Pipeline Project (\$48,000).

Personnel costs are presently under budget by \$42,000. Staff movements in the period caused the under-spend.

Material costs are slightly over budget by \$30,000. Commissioners' costs from the Otaki Pipeline hearing makeup most of this variance. These costs are fully recoverable from the applicant.

External Contractors and Consultants were \$63,000 under budget. The level of expenditure on iwi projects has increased significantly with payment made for administrative assistance (total budget \$105,000) during the period. So far four of the seven iwi are participating in this project. However, in total, the iwi budget trails by some \$74,000 behind our expected expenditure level.

The Bad Debts and Provision for Bad Debts includes a favourable contribution of \$23,000. A slow payer, Telstra Saturn paid their outstanding bill (\$22,300) almost immediately after the close of the financial year resulting in a reversal of this portion of the bad debt provision.

**(5) Wairarapa favourable variance of \$0.38 million, due to:**

Operational savings for Bovine Tb and Pest Plants of \$169,000 and \$42,000 respectively, due to the timing of control contracts.

Temporary savings for river schemes of \$161,000 due to the timing of maintenance contracts. Reduced logging revenue from Reserve Forests due to lower volume and price.

**(6) Corporate Advisory Services favourable variance of \$0.11 million, due to:**

Reduced expenditure on strategic communications \$83,000 due to timing of projects.

**(7) Finance & Administration favourable variance of \$0.17 million, due to:**

A combination of reduced expenditure on depreciation of \$52,000 (Records Management System and IT Assets), reduced materials costs of \$64,000 for repairs and maintenance, software licences and maintenance agreements as well as additional internal revenue of \$42,000.

**(8) Investment in Democracy unfavourable variance of \$0.67 million, due to:**

Primarily relates to the incorrect timing of election expenditure within the budget. This variance is a timing variance only.

**(9) Investment Management favourable variance of \$0.83 million, due to:**

A \$49,000 favourable variance on the Council's liquid cash deposit due to higher interest rates than the budgeted interest rate of 5.85% (although current interest rates indicate that this is likely to turn into an unfavourable variance by year end).

A favourable variance of \$35,000 on the Council's Treasury management activities.

**3.2 Capital Expenditure**

Year-to-date capital expenditure for the three months to 30 September is \$0.6 million below budget.

	2001/02 YTD Actual \$000s	2001/02 YTD Budget \$000s	Actual vs Budget Variance \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>						
Utility Services	293	599	306 F	4,644	4,644	-
Landcare	277	289	12 F	1,695	1,695	-
Environment	18	64	46 F	322	322	-
Transport	0	35	35 F	35	35	-
Wairarapa	88	100	12 F	225	225	-
Corporate Advisory Services	0	34	34 F	34	34	-
Investments	0	0	-	0	0	-
Finance & Admin	17	197	180 F	1,046	1,046	-
Investment in Democracy	0	0	-	117	117	-
<b>Total Net Capital Expenditure</b>	<b>693</b>	<b>1,318</b>	<b>625 F</b>	<b>8,118</b>	<b>8,118</b>	<b>-</b>

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

**(1) Utility Services favourable variance of \$0.30 million, due to:**

Temporary delays in starting a number of Wholesale Water Group capital works

projects.

(2) *Finance & Administration favourable variance of \$0.18 million, due to:*

This favourable variance is due to the timing of IT capital expenditure and the timing of the implementation of the new Records Management System compared with plan.

**4. Compliance with Treasury Management Policy**

There were no instances of non-compliance with the Treasury Management Policy during the three months to September 2001.

**5 Communications**

It is too early in the year 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

GREG SCHOLLUM  
Chief Financial Officer

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