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Report to the Policy and Finance Committee
from Paul Laplanche, Finance Manager

Financial Report for the eight months ended 28 February 2002

1. Purpose

To receive the February 2002 Financial Statements (forwarded under separate cover).

2. Comment

Consistent with our practice of providing detailed financial reports each quarter, this report provides a high level update, with explanations by exception.

The year-to-date figures reflect favourable results in both operating and capital expenditure with the operating surplus ahead of budget by \$3.5 million and capital expenditure below budget by \$2.1 million.

The changes in the variance from December 2001 figures reflect a favourable result in both operating expenditure and capital expenditure.

3. Financial Performance for the eight months to 28 February 2002

3.1 Operating Surplus

The year-to-date operating result after eight months reflects an operating surplus ahead of budget of \$3.5 million, which represents an additional favourable variance compared to December 2001 of \$0.5 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	Change in Variance from Dec \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s	Forecast vs Budget Variance \$000s
OPERATING SURPLUS (DEFICIT)							
Water Group	1,906	1,061	845 F	132 F	2,578	1,537	1,041 F
Plantation Forestry	(583)	(365)	218 U	21 U	(897)	(546)	351 U
Utility Services	1,323	696	627 F	111 F	1,681	991	690 F
Transport	616	(269)	885 F	154 U	(46)	(270)	224 F
Landcare	1,330	984	346 F	73 F	1,336	1,343	7 U
Environment	512	(45)	557 F	260 F	(272)	(282)	10 F
Wairarapa	453	88	365 F	140 F	69	485	416 U
Corporate Advisory Services	94	(4)	98 F	19 U	18	(7)	25 F
Finance and Admin	134	(193)	327 F	116 F	(528)	(518)	10 U
General Manager	72	17	55 F	1 U	26	26	-
Cost of Democracy	(16)	(164)	148 F	58 F	(173)	(136)	37 U
Rates Collection	82	0	82 F	20 F	40	0	40 F
Net Divisional Surplus (Deficit)	4,600	1,110	3,490 F	604 F	2,151	1,632	519 F
Investment Management	4,606	4,570	36 F	35 U	8,051	7,979	72 F
Business Unit Rates Contribution	(3,876)	(3,855)	21 U	21 U	(5,782)	(5,782)	-
Total Operating Surplus (Deficit)	5,330	1,825	3,505 F	548 F	4,420	3,829	591 F

Significant components of the \$0.5 million favourable operating variance since December 2001 are outlined below:

(1) Water Supply \$0.13 million favourable variance, due to:

- Primarily driven by ongoing financial cost savings.

(2) Transport \$0.15 million unfavourable variance, due to:

- Increases in year to date inflation costs on bus contracts with the correction by Transfund of the September 2001 Public Passenger Transport Index.

(3) Environment \$0.26 million favourable variance, due to:

- Increased revenue from some large notified resource consent applications that were completed during the period. These were the upgrade of SH58 and SH2/58 projects - \$63,000 and work on the Western Wastewater Treatment Plant (Karori) overflows - \$14,000.
- Staff movements in the period amounted to a reduced spend of \$42,000 for the period.
- External Contractors and Consultants were \$147,000 under budget for the period. While expenditure has been committed the letting of some contracts was slightly delayed. The spending gap is expected to approach budget levels by the end of the financial year. Also, the spend on iwi projects is less than expected.

(4) Wairarapa \$0.14 million favourable variance, due to:

- Additional Bovine Tb savings because of a combination of reduced fixed term employee costs, staff resignations and the timing of external control work.
- KNE operations for Pest Animals (particularly East Harbour) were completed ahead of schedule. As a result, monthly expenditure for January and February was \$55,000 below budget.

(5) Finance & Administration \$0.12 million favourable variance, due to:

- Lower depreciation on the new records management system as a result of budget phasing and reduced personnel costs. In addition, the division has generated increased internal revenue as a result of increased service requests from operational areas of the Council.

Net Capital Expenditure

Year-to-date capital expenditure for the eight months is \$2.1 million below budget which represents an additional favourable variance compared to December 2001 of \$0.3 million.

	2001/02 YTD Actual \$000s	2001/02 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Dec \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s	Forecast vs Budget Variance \$000s
CAPITAL EXPENDITURE							
Utility Services	868	2,388	1,520 F	66 F	3,136	4,644	1,508 F
Landcare	879	1,178	299 F	4 U	1,835	1,695	140 U
Environment	125	149	24 F	71 U	304	323	19 F
Transport	0	35	35 F	-	10	35	25 F
Wairarapa	195	225	30 F	-	225	225	-
Corporate Advisory Services	0	0	-	-	0	0	-
Finance and Admin	721	780	59 F	298 F	1,046	1,046	-
General Manager	(9)	34	43 F	9 F	34	34	-
Investment of Democracy	0	77	77 F	20 F	117	117	-
Total Capital Expenditure	2,779	4,866	2,087 F	318 F	6,707	8,119	1,412 F

Significant components of the \$0.3 million favourable capital expenditure variance since December 2001 are outlined below:

(1) Finance & Administration \$0.3 million favourable variance, due to:

- The favourable variance since December 2001 is primarily due to the timing of the Records Management System and Information Technology capital expenditure compared with the budget. The timing difference during January and February means that the project is now largely back in line with year to date budget.

5. Communications

Emphasis should be placed on the results after each quarter.

6. Recommendation

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

Report prepared by:

Approved for submission:

PAUL LAPLANCHE
Finance Manager

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Tranz Metro Costs to 28 February 2002