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**Committee:** Policy, Finance and Strategy  
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## **Financial Report for the eleven months ended 31 May 2003**

### **1. Purpose**

To inform the committee of the financial performance for the eleven months ended 31 May 2003 and to provide an explanation of major changes in variances since the last quarterly report.

### **2. Comment**

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 ahead of budget by \$2.5 million and net capital expenditure below budget by \$1.4 million.

The changes in the variances from the March 2003 figures reflect an unfavourable movement in operating surplus, as previously reported timing differences have partially reversed, and a favourable result in net capital expenditure.

The forecast position to 30 June 2003 is as approved at the Policy, Finance and Strategy Committee meeting on 13 May 2003.

### **3. Financial Performance for the eleven months to 31 May 2003**

#### **3.1 Operating Surplus**

The year-to-date operating result after eleven months reflects an operating surplus ahead of budget of \$2.5 million, which represents an unfavourable variance compared to the March 2003 quarter of \$0.6 million. As noted above, this movement is to be expected at this stage of the financial year as previously reported timing differences reverse.

Detailed variances from budget are shown in the following table:

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from March \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	1,871	593	1,278 F	460 F	1,818	565	1,253
Plantation Forestry	(239)	(205)	34 U	12 F	(118)	(225)	107
<b>Utility Services</b>	<b>1,632</b>	<b>388</b>	<b>1,244 F</b>	<b>472 F</b>	<b>1,700</b>	<b>340</b>	<b>1,360</b>
Transport	216	(40)	256 F	895 U	183	(106)	289
Landcare	2,218	1,542	676 F	43 U	1,819	1,558	261
Environment	335	(114)	449 F	23 U	43	(134)	177
Wairarapa	3	(99)	102 F	29 F	(62)	(108)	46
Corporate Advisory Services	(273)	(27)	246 U	101 U	(198)	(15)	183
Finance & Admin	254	(11)	265 F	83 F	(182)	(170)	12
General Manager	(101)	7	108 U	50 U	(120)	(54)	66
Investment in Democracy	108	(3)	111 F	6 F	51	(3)	54
Rates Collection	19	0	19 F	15 F	(86)	0	86
<b>Net Divisional Surplus (Deficit)</b>	<b>4,411</b>	<b>1,643</b>	<b>2,768 F</b>	<b>507 U</b>	<b>3,148</b>	<b>1,308</b>	<b>1,840</b>
Investment Management	6,429	6,736	307 U	66 U	7,945	8,163	218
Business Unit Rates Contribution	(5,341)	(5,341)	-	-	(5,827)	(5,827)	
<b>Total Operating Surplus (Deficit)</b>	<b>5,499</b>	<b>3,038</b>	<b>2,461 F</b>	<b>573 U</b>	<b>5,266</b>	<b>3,644</b>	<b>1,622</b>

Significant elements of the \$0.6 million unfavourable operating variance since March 2003 are outlined below:

- (1) Water Group \$0.46 million favourable variance, due to:
- Capitalisation of a total to date, \$245,000 of previously expensed YTD operational project costs, primarily related to contractors and materials, as a consequence of the ongoing annual operational project review process.
  - A combination of \$100,000 in favourable variances generated by all other departments within the division, as a result of lower than budgeted direct operating expenditure.
  - Further incremental financial cost savings of \$120,000 arising from ongoing lower than planned debt levels.
- (2) Transport \$0.90 million unfavourable variance, due to:
- A \$196,000 unfavourable variance with the introduction of interim Gross Contracts prior to the implementation of the Hutt Valley service review.
  - A \$65,000 unfavourable variance due to the increase in contract prices following the re-negotiation of the Paraparaumu/Waikanae/Raumati services with Mana Coach Company.
  - A \$140,000 unfavourable variance due to the re-imburement of a portion of patronage funding which had previously been withheld.
  - A \$249,000 unfavourable variance as a result of inflationary payments on bus contracts.

### **3.2 Net Capital Expenditure**

Year-to-date net capital expenditure for the eleven months is \$1.4 million below budget which represents a favourable variance compared to the March 2003 quarter of \$0.8 million.

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from March \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>							
Utility Services	2,588	2,778	190 F	54 U	3,088	3,093	5 F
Landcare	1,069	2,289	1,220 F	862 F	1,397	3,282	1,885 F
Environment	255	249	6 U	22 U	264	299	35 F
Transport	64	27	37 U	24 U	105	27	78 U
Wairarapa	230	270	40 F	8 F	231	290	59 F
Finance & Admin	150	219	69 F	23 F	191	484	293 F
Investment in Democracy	58	30	28 U	-	62	30	32 U
<b>Total Net Capital Expenditure</b>	<b>4,414</b>	<b>5,862</b>	<b>1,448 F</b>	<b>793 F</b>	<b>5,338</b>	<b>7,505</b>	<b>2,167 F</b>

Significant elements of the \$0.8 million favourable variance since March 2003 are outlined below:

- (1) Landcare \$0.86 million favourable variance, due to:
- Strand Park channel realignment - this job has now been deferred for a year. Savings in the capital programme since March 2003 are \$536,000.
  - Otaihanga road raising - this job will not now proceed this financial year and has been rebudgeted into 2003/04. Savings since March 2003 are \$98,000.
  - River works mouth to SH1 - this project is behind target year to date, but is expected to be completed within budget for the full year. Savings since March 2003 are \$60,000 (timing only).
  - Kaitoke top terrace toilets - this project is behind target year to date, but is expected to be completed within budget for the full year. Savings since March 2003 are \$37,000 (timing only).

#### 4. Communications

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

## 5. Recommendations

*That the report be received and the contents noted.*

Report prepared by:

Report approved by:

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Financial Accountant

**Greg Schollum**  
Chief Financial Officer