

## **Report 99.250**

8 June 1999

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

### **Financial Report for the Ten Months Ended 30 April 1999**

#### **1. Purpose**

To receive the April 1999 Financial Statements (forwarded under separate cover).

#### **2. Comment**

The year to date figures reflect favourable results in both operating and capital expenditure with the operating surplus (excluding the gain on sale of investments) ahead of budget by \$3.8 million, and capital expenditure below budget by \$1.6 million. The gain on sale of \$17.7 million was explained in report 99.1, which was considered by the Committee on 2 February 1999.

The forecast figures contained in this report are those which were approved by the Council when the Financial Report for the 9 months ended 31 March 1999 (Report 99.211) was received.

#### **3. Financial Performance for the Ten Months to 30 April 1999**

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

The year to date operating result after ten months reflects an operating surplus ahead of budget of \$3.8 million. Detailed variances from budget are shown in the following table:

	1998/99 YTD Actual \$000s	1998/99 YTD Budget \$000s	Actual vs Budget Variance \$000s	1998/99 Year Forecast \$000s	1998/99 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>						
Utility Services	3,282	1,702	1,580 F	3,502	2,064	1,438 F
Landcare	1,020	847	173 F	382	1,234	852 U
Environment	(30)	(183)	153 F	(181)	(183)	2 F
Transport	(545)	(790)	245 F	(888)	(902)	14 F
Wairarapa	(350)	(524)	174 F	(1,613)	(710)	903 U
Corporate Services	8	(30)	38 F	8	31	23 U
Finance & Admin	532	(249)	781 F	327	(279)	606 F
Investment Mgmt	3,558	2,645	913 F	4,572	3,822	750 F
Regional Stadium	594	390	204 F	669	478	191 F
Elected Members	(94)	(97)	3 F	(139)	(117)	22 U
Rates Collection	48	(1)	49 F	0	0	-
Business Units Rates Contribution	(3,024)	(3,024)	-	(3,629)	(3,629)	-
Management Savings Objective	0	518	518 U	0	621	621 U
<b>Total Operating Surplus (Deficit)</b>	<b>4,999</b>	<b>1,204</b>	<b>3,795 F</b>	<b>3,010</b>	<b>2,430</b>	<b>580 F</b>

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

(1) *Utility Services Favourable Variance of \$1.58 million*

(a) *Water Supply Favourable Variance of \$1.89 million*

- The overall operating surplus above budget of \$1,885,000 in Water Supply is partly due to savings in direct costs (largely materials and personnel). The materials variance of \$609,000 is primarily due to less power, chemicals and other materials being used. The \$488,000 variance in personnel is due to a combination of the timing of replacing staff and less overtime being worked than had been anticipated.
- The higher than expected external revenue of \$414,000 corresponds directly to greater Operations Network activity and settlement of the 1998 Grenada incident debt with WCC. Additional investment revenue of \$95,000 has also contributed to the overall surplus, which relates to higher than budgeted interest on reserves.
- Savings in financial costs of \$343,000, can be attributed to reduced debt servicing costs, mainly because the greater than expected 1997/1998 year end surplus was applied to debt reduction, in accordance with Council policy.

(b) *Forestry Unfavourable Variance of \$0.31 million*

- The operating deficit above budget of \$305,000 in Plantation Forestry is not inconsistent with management's expectations considering the current market conditions. However, it is anticipated that the final two months of this financial year will see a break-even situation over the period, due to an increase in logging volumes.

(2) ***Landcare Favourable Variance of \$0.17 million***

- Personnel costs show a favourable variance of \$115,000 which reflect permanent savings due to vacancies and late filling of budgeted positions across the Division.
- External revenue is below budget by \$43,000 primarily due to reduced gravel extraction for the Upper Rahui project, partially offset by greater gravel extraction at the Hutt Mouth. Internal revenue is below budget by \$142,000, as a result of the late start of rechargeable projects in Natural Forestry and Regional Parks; these projects are now underway and the variance is expected to be absorbed by year end.
- Flood protection operations show an unfavourable expenditure variance of \$174,000. The total costs of the October 1998 floods have reached \$612,000 but this has been offset by timing variances on normal maintenance works due to consent issues and diversion of resources to repair works. Significant levels of flood repair works will be completed in the fourth quarter, although some costs will be rebudgeted into 1999/00 financial year.
- Natural Forests and Regional Parks together have a favourable variance in operating expenditure of \$429,000. This is due to delays in pest control operations, roading projects and rural fire contingencies. A major pest control project is programmed to take place in May and this is expected to consume a portion of the variance.

(3) ***Environment Favourable Variance of \$0.15 million***

- Revenue is \$72,000 above budget as a result of unbudgeted revenue for three sewage treatment resource consent applications.
- Personnel costs are under budget by \$36,000 due to unpaid staff absences in the Resource Policy Department (scholarship and parental leave) and time lags in replacing staff in the Division.
- Material costs are \$97,000 below budget due primarily to \$30,000 in advertising costs on notified consents, and \$22,000 of repairs and maintenance costs in Harbours. Other expenditure savings of \$46,000 represent budgeted printing and advertising costs for the Regional Coastal Plan and the Discharge to Land Plan. These plans are now unlikely to be completed this year.

- External Contractors and Consultants are \$103,000 over budget mainly due to legal costs incurred in March relating to the Regional Coastal Plan and contractors covering for staff vacancies. Internal Contractors are \$91,000 below budget primarily due to decreased use of laboratory services and other timing variances. Indirect expenditure is \$35,000 over budget. The major items are unbudgeted depreciation of \$17,000 and the unpaid J Juno fine of \$18,000.

(4) ***Transport Favourable Variance of \$0.24 million***

- The \$647,000 favourable expenditure variance in the Public Transport Department is mainly due to the expenditure on contracted services being \$529,000 below budget.
- The Transport Policy Department unfavourable expenditure variance of \$513,000 is due to two factors. Expenditure over budget of \$224,000 on external contractors, mainly because of the additional research required to develop a revised Regional Land Transport Strategy, and an overspend of \$332,000 in infrastructure grants. This is largely due to the unbudgeted purchases of land for car parking purposes at Porirua \$180,000 and Paraparaumu \$315,000 railway stations, reduced somewhat by \$60,000 as the Waterloo security system has been managed by WRC rather than Tranz Rail.
- A favourable expenditure variance of \$158,000 in the Customer Service Department is mainly due to underspending on timetable displays, special events advertising and personnel costs which are below budget by \$57,000. (An inspector's position is vacant and use of Temporary staff at the Ridewell call centre has been less than expected.)

(5) ***Wairarapa Favourable Variance of \$0.17 million***

- There are offsetting variances within the Operations department; including an unfavourable variance of \$650,000 on river management expenditure due to the costs of flood damage repair; \$172,000 favourable variance due to the timing of the Reserve Forests Silviculture program and a \$60,000 favourable variance in soil conservation expenditure due to drought conditions.
- The Planning and Resources department has a favourable variance of \$133,000 largely due to the timing of contract expenditure for the consents activity and savings in personnel costs due to staff resignations.
- The Biosecurity department has a favourable variance of \$360,000 of which approximately half of this variance relates to permanent savings in

the Bovine Tb and Pest Animal activities. The remaining variance is due to the timing of expenditure of aerial and ground Bovine Tb operations.

- The \$67,000 favourable variance in the Support Services department is mainly due to timing savings for materials expenditure and special rates revenue.

(6) ***Finance & Administration Favourable Variance of \$0.78 million***

- The favourable operating surplus above budget of \$477,000 in IT and Support Services is primarily as a result of reduced expenditure on software licence fees, supplies, consultants, repairs & maintenance and personnel. Personnel cost savings of \$109,000 reflect vacancies in the department over the year to date.
- A \$216,000 favourable variance in Finance primarily relates to the FIS replacement costs budgeted as operating expenditure but now being capitalised as part of capital expenditure. This is therefore more to do with a change of accounting treatment than a real underspend.

(7) ***Investment Management Favourable Variance of \$0.91 million***

- Savings in net financial costs of \$904,000 resulting from a combination of less Council-wide expenditure (which consequently has led to debt levels being lower than expected), and lower than budgeted interest costs.
- Unbudgeted rental income of \$98,000 from Council's investment properties in Blair and Allen Streets.
- Interest revenue from the invested proceeds from the sale of Port Wellington Ltd shares of \$40,800,000 was lower than the combined interest and dividend revenue that was budgeted (on the assumption that Port Wellington Ltd investment was held directly by the Council). This has resulted in a \$77,000 unfavourable variance in the Council. The dividend revenue is now received directly by Port Investments Ltd.

(8) ***Regional Stadium Favourable Variance of \$0.20 million***

- Additional interest income of \$169,000 was earned on funds borrowed to advance to the Wellington Regional Stadium Trust as earlier reported. Council has previously decided that this should be used to reduce the 1999/2000 Stadium Purposes Rate.

(9) ***Management Savings Objective Unfavourable Variance of \$0.50 million***

- The 1998/99 Annual Plan incorporated a "savings yet to be found" figure

of \$622,000. This amount relates to the first ten months' share. Actual savings are reflected within the favourable variances of each division.

### 3.2 Capital Expenditure

Year-to-date capital expenditure for the ten months to 30 April 1999 is \$1.6 million below budget.

CAPITAL EXPENDITURE	1998/99 YTD Actual \$000s	1998/99 YTD Budget \$000s	Actual vs Budget Variance \$000s	1998/99 Year Forecast \$000s	1998/99 Year Budget \$000s	Forecast vs Budget Variance \$000s
Utility Services	4,152	5,769	1,617 F	6,023	6,362	339 F
Landcare	1,287	1,892	605 F	2,544	1,829	715 U
Environment	68	73	5 F	107	83	24 U
Transport	20	64	44 F	15	64	49 F
Wairarapa	465	553	88 F	495	570	75 F
Corporate Services	32	23	9 U	23	23	-
Finance & Admin	1,102	305	797 U	2,770	305	2,465 U
Investment Mgmt	0	25	25 F	0	25	25 F
Elected Members	(1)	42	43 F	24	42	18 F
<b>Total Capital Expenditure</b>	<b>7,125</b>	<b>8,746</b>	<b>1,621 F</b>	<b>12,001</b>	<b>9,303</b>	<b>2,698 U</b>

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

(1) *Utility Services Favourable Variance of \$1.62 million*

- Project work has fallen slightly behind schedule, but is expected to catch up during the final two months of the financial year, other than where permanent savings have already been identified. As a result, favourable variances have arisen, primarily due to the Wainuiomata Reaction Tank project, \$127,000; the Waterloo project to increase supply capacity, \$692,000; the Te Marua to Wellington pipeline value replacement project, \$134,000; Orongorongo intakes to tunnel pipeline project, 459,000; and a number of other miscellaneous minor capital improvement projects, \$196,000.

(2) *Landcare Favourable Variance of \$0.60 million*

- Favourable variances in project work are mainly due to project modifications and timing variances on the Pakuratahi Bridge Restoration project, \$56,000, Upper Rahu Construction project, \$104,000, Rimutaka Incline Roding project, \$34,000, QE Park water reticulation system \$55,000.
- Savings of \$30,000 have been made in the costs of publishing and public

consultation for the Otaki Floodplain Management Plan. Further costs are to be incurred for the launch of the plan and “Friends of the River” Programme.

- The Porirua Flood Management Plan is \$61,000 under budget as a result of the Findlay Street stream realignment being put aside by the flood repair priorities. This project will be rebudgeted to the 1999/00 financial year.
- The Wainuiomata Floodplain Management Plan (FMP) is \$82,000 behind schedule, due to staff vacancies and commitments the Hutt Floodplain Management Plan.
- The Hutt FMP is running under budget by \$152,000 due to a late start on the Nash St works (flood repair priorities).

(3) ***Regional Transport Favourable Variance of \$0.44 million***

- Primarily relates to the deferral of \$50,000 of expenditure on an Automatic Vehicle Identification System. The system is being tested by the Auckland Regional Council, and at this time is not of an acceptable standard to warrant this Council to incur expenditure.

(4) ***Wairarapa Favourable Variance of \$0.09million***

- This variance is a permanent saving as the purchase of a carrot cutter for Biosecurity has been cancelled.

(5) ***Finance and Administration Unfavourable Variance of \$0.80 million***

- An unfavourable variance of \$1,035,000 relating to the FIS project partly offsets the favourable operating surplus in Finance of \$220,000. Although Council has approved expenditure on the new financial system it was not budgeted in the 1998/99 financial year. Actual funding for the finance system will be from a combination of loans and reserves set aside for that purpose.
- A favourable variance of \$200,000 in IT and Support Services relates to the timing of expenditure on the new phone system for the Regional Council Centre.

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

There were no instances of non-compliance with the Treasury Management Policy

during the month of April 1999.

**5. Recommendations**

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

Report prepared by:

Approved for submission:

PAUL LAPLANCHE  
Finance Manager

GREG SCHOLLUM  
Chief Financial Officer

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