

Mark Waddington, Divisional Accountant

Financial Position: June 1999

Operating Results

The operating results for the twelve months to the end of June 1999 are summarised below:

<u>Environment Division</u>			
<u>Summary Income Statement</u>			
<u>For the Period Ended 30 June 1999</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>\$000s</u>	<u>\$000s</u>	<u>\$000s</u>
Rates	5,513	5,513	-
Other Revenue	2,087	1,819	268 F
Total Revenue	7,600	7,332	268 F
<u>Less:-</u>			
Direct Expenditure	6,495	6,445	50 U
Indirect Expenditure	1,130	1,070	60 U
Total Operating Expenditure	7,625	7,515	110 U
Operating Surplus (Deficit)	(25)	(183)	158 F

Deficit

At the end of the financial year the Environment Division's Operating Result emulates the Division's Budget, an actual deficit of \$25,000 being not far away from the budgeted deficit of \$183,000.

The \$158,000 favourable variance consists of a favourable revenue variance of \$268,000 and an unfavourable expenditure variance of \$110,000.

Revenue

Total Revenue at \$7,600,000 is \$268,000 (3.5%) above budget. The favourable variance relates to the Consents Management Department where unbudgeted revenue has come from sewage treatment and gravel extraction consents.

Expenditure

Total Expenditure at \$7,625,000 is \$110,000 (1.5%) over budget. Further analysis of this variance is as follows:

- (1) Personnel costs are under budget by \$21,000 due to unpaid staff absences in the Resource Policy Department (scholarship and parental leave) and time lags in replacing staff in the Division.
- (2) Material Costs are \$101,000 below budget.
 - \$30,000 of this represents budgeted printing and advertising costs for the Regional Coastal Plan and the Discharge to Land Plan. These plans will now be completed in 99/00.
 - \$50,000 of this represents budgeted repairs on navigational aids. However the costs in this area have primarily been of a capital nature and hence they have been charged to the Capital Budget.
 - \$31,000 represents budgeted advertising for notified consents. The number of notified consents in 98/99 was well below comparable 97/98 levels and 98/99 budgeted levels.
- (3) External Contractors and Consultants are \$205,000 over budget. \$130,000 of this represents legal costs incurred by the Resource Policy Department relating to the Regional Coastal Plan. Due to the savings made in other expenditure categories the Department's legal reserves have not been drawn upon to cover for these costs. The remainder of the variance results from contractors covering for the staff vacancies referred to above and also from additional costs incurred in generating the Division's favourable revenue variance.
- (4) Internal Charges are \$36,000 below budget. This is mainly due to the Resource Investigations Department's demand for laboratory services being 10% below budget, as a result of a change in the methodology for closed landfill investigations.
- (5) Indirect expenditure is \$60,000 over budget. \$43,000 of the variance is for the write off of assets with an original cost price of less than \$2,000. (With the new SAP financial system the minimum value for capital items is \$2,000.) \$17,000 of the variance relates to some additional charges in depreciation following a Fixed Asset Audit earlier in the year.

Capital Expenditure

Total Capital Expenditure at \$168,000 compares to a year to date budget of \$110,000.

- Vehicle expenditure of \$102,000 is \$31,000 over budget. This variance relates to the unbudgeted replacement of a light van with a four-wheel drive utility vehicle in Emergency Management.
- Other capital expenditure is \$27,000 over budget as a result of repairs on Navigational Aids being of a capital nature rather than of an operational one, as budgeted for.