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## **Report 01.244**

06 April 2001

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

## **Financial Report for the eight months ended 28 February 2001**

### **1. Purpose**

To receive the February 2001 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 \$3.8 million and capital expenditure below budget by \$2.3 million.

The changes in the variance from December 2000 figures reflect favourable results in operating expenditure but an unfavourable result in capital expenditure.

The forecast position to 30 June 2001 is as approved at the Policy and Finance Committee on 15 February 2001.

### **3. Financial Performance for the eight months to 28 February 2001**

#### **3.1 Operating Surplus**

The year-to-date operating result after eight months reflects an operating surplus ahead of budget of \$3.8 million, which represents an additional favourable variance compared to

December 2000 of \$0.85 million. Detailed variances from budget are shown in the following table:

	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Dec \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	2,114	1,169	945 F	370 F	2,685	1,751	934 F
Plantation Forestry	(130)	186	316 U	57 F	2	275	273 U
<b>Utility Services</b>	<b>1,984</b>	<b>1,355</b>	<b>629 F</b>	<b>427 F</b>	<b>2,687</b>	<b>2,026</b>	<b>661 F</b>
Transport	(42)	(862)	820 F	149 U	(1,807)	(1,029)	778 U
Landcare	1,295	736	559 F	157 F	927	1,010	83 U
Environment	564	77	487 F	108 F	598	101	497 F
Wairarapa	481	77	404 F	73 F	(411)	73	484 U
Corporate Advisory Services	144	(17)	161 F	4 F	41	(13)	54 F
Finance & Admin	179	(71)	250 F	52 F	(138)	(326)	188 F
General Manager	20	(6)	26 F	17 F	(9)	(9)	-
Cost of Democracy	213	77	137 F	83 F	157	114	43 F
Rates Collection	272	0	272 F	67 F	350	0	350 F
<b>Net Divisional Surplus (Deficit)</b>	<b>5,110</b>	<b>1,365</b>	<b>3,744 F</b>	<b>838 F</b>	<b>2,395</b>	<b>1,947</b>	<b>448 F</b>
Investment Management	5,123	5,027	96 F	20 F	7,687	7,579	108 F
Business Unit Rates Contribution	(3,723)	(3,723)	-	-	(5,584)	(5,584)	-
<b>Total Operating Surplus (Deficit)</b>	<b>6,510</b>	<b>2,669</b>	<b>3,840 F</b>	<b>858 F</b>	<b>4,498</b>	<b>3,942</b>	<b>556 F</b>

Significant components of the \$0.85 million favourable operating variance since December 2000 are outlined below:

**Water Group \$0.37**

***million favourable variance, due to:***

- Further savings in materials and supplies of \$88,000 within the Operations area.
- Lower than anticipated debt levels have resulted in additional financial cost savings of \$87,000.
- Continued savings of \$22,000 in materials and supplies within Operations Network.
- Further increases in unbudgeted external revenue of \$120,000 primarily driven by the recovery of 50% of the Waterloo/Gear Island fluoridation project costs from Hutt City Council.

***Transport \$0.15 million unfavourable variance, due to:***

- Rising diesel prices have increased inflation costs on contracts by approx \$800,000. This is partly offset by the recovery of \$320,000 of these costs from Transfund.
- Further unbudgeted revenue of \$202,000 received from Transfund NZ for Ganz Mavag refurbishments.

***Landcare \$0.16 million favourable variance, due to:***

- An underspend of \$30,000 in personnel costs, due to staff vacancies.
- An underspend of \$130,000, due to project delays causing works to be reprogrammed.

***Environment \$0.11 million favourable variance, due to:***

- Lower levels of expenditure for personnel costs (\$33,000) and for contractors and consultants (\$69,000) are the main components of the increase in the year-to-date favourable variance. This is primarily due to Iwi projects not being taken up and continued staff movements within the division.

### 3.2 Capital Expenditure

Year-to-date capital expenditure for the eight months is \$2.3 million below budget which is \$0.21 million lower than the capital expenditure favourable variance at 31 December 2000.

	2000/01 YTD Actual \$000s	2000/01 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sep \$000s	2000/01 Year Forecast \$000s	2000/01 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>CAPITAL EXPENDITURE</b>							
Utility Services	2,205	3,983	1,778 F	229 U	4,563	5,036	473 F
Landcare	1,084	1,496	412 F	281 F	3,355	2,504	851 U
Environment	295	334	39 F	106 U	373	375	2 F
Transport	24	17	7 U	10 F	94	49	45 U
Wairarapa	160	211	51 F	32 U	208	228	20 F
Corporate Advisory Services	36	0	36 U	-	36	0	36 U
Finance & Admin	188	289	101 F	137 U	261	336	75 F
Cost of Democracy	22	23	1 F	-	81	98	17 F
<b>Total Capital Expenditure</b>	<b>4,014</b>	<b>6,353</b>	<b>2,339 F</b>	<b>213 U</b>	<b>8,971</b>	<b>8,626</b>	<b>345 U</b>

Significant components of the \$0.21 million unfavourable capital expenditure variance since December 2000 relate to a partial catch up of the timing delays in the first six months of the financial year as follows:

***Utility Services \$0.23 million unfavourable variance, due to:***

- \$210,000 reduction in the actual vs budget favourable variance for the Orongorongo/Karori Main Refurbishment project.

***Landcare \$0.28 million favourable variance, due to:***

- Delays in capital works for Regional Parks \$133,000 and Flood Protection \$157,000. These delays are mainly a result of staff hand-over and design and consultation issues. The above underspends have been offset by a delay in planned asset sales of \$10,000.

***Environment \$0.11 million unfavourable variance, due to:***

- The purchase of the air monitoring station in January (which was budgeted in the first six

months) has resulted in the unfavourable variance of \$106,000.

***Finance & Administration \$0.14 million unfavourable variance, due to:***

- Regional Council Centre network upgrade in the first quarter of 2001, compared with the budgeted timing of the first half of the year.

**4. Compliance with Treasury Management Policy**

There were no instances of non-compliance with the Treasury Management Policy during the month of February 2001.

**5. Communications**

No significant communications opportunities at this time.

**6. Recommendation**

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

Report prepared by:

Approved for submission:

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Acting Financial Accountant

GREG SCHOLLUM  
Chief Financial Officer