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

Financial Report for the seven months ended 31 January 2002

1. Purpose

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

2. Comment

Consistent with the 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 capital expenditure, with the operating surplus ahead of budget by \$3.6 million and capital expenditure below budget by \$1.6 million.

The changes in the variance from December 2001 figures reflect further favourable results in operating expenditure but an unfavourable result in capital expenditure.

The forecast position to 30 June 2002 is as approved at the Policy and Finance Committee on 14 February 2002.

As requested this report includes details of the external costs incurred to date on the Tranz Metro issue. This will continue to be updated in future reports.

3. Financial Performance for the seven months ended 31 January 2002

3.1 Operating Surplus

The year-to-date operating result after four months reflects an operating surplus ahead of budget of \$3.6 million, which represents an additional favourable variance compared to December 2001 of \$0.6 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
OPERATING SURPLUS (DEFICIT)						
Water Group	1,766	932	834 F	121 F	2,578	1,537
Plantation Forestry	(544)	(305)	239 U	44 U	(897)	(546)
Utility Services	1,222	627	595 F	77 F	1,681	991
Transport	845	(195)	1,040 F	1 F	(46)	(270)
Landcare	1,269	884	385 F	112 F	1,336	1,343
Environment	444	26	418 F	121 F	(272)	(282)
Wairarapa	518	32	486 F	261 F	69	484
Corporate Advisory Services	97	(4)	101 F	16 U	18	(6)
Finance & Admin	107	(159)	266 F	55 F	(528)	(518)
General Manager	81	15	66 F	10 F	26	26
Investment in Democracy	(41)	(171)	130 F	40 F	(173)	(136)
Rates Collection	73	0	73 F	11 F	40	0
Net Divisional Surplus (Deficit)	4,615	1,055	3,560 F	672 F	2,151	1,632
Investment Management	4,014	3,995	19 F	52 U	8,051	7,979
Business Unit Rates Contribution	(3,394)	(3,373)	21 U	21 U	(5,782)	(5,782)
Total Operating Surplus (Deficit)	5,235	1,677	3,558 F	599 F	4,420	3,829

Significant elements of the \$0.6 million favourable operating variance since December 2001 are outlined below:

(1) Water Supply favourable variance of \$0.12 million, due to:

- Primarily driven by ongoing financial cost savings, which were significantly ahead of budget for the month of January.

(2) Landcare favourable variance of \$0.11 million, due to:

- An unseasonably wet summer which has meant that fine weather-dependent works have had to be deferred until weather conditions improve.

(3) Environment favourable variance of \$0.12 million, due to:

- Increased revenue from some large notified resource consent applications that were completed during the month. These were the upgrade of SH58 and SH2/58 projects - \$63,000, and work on the Western Wastewater Treatment Plant outfall - \$14,000.

- Staff movements in the period which amounted to a reduced spend of \$36,000 in the month.
- External Contractors and Consultants were \$38,000 under budget. The letting of some contracts was slightly delayed and the spend on iwi projects is less than expected.

(4) Wairarapa favourable variance of \$0.26 million, due to:

- Additional Bovine Tb savings due to the timing of control contracts, particularly in South East Wairarapa. A number of contractors have not completed Bovine Tb control work within planned timeframes.

Net Capital Expenditure

Year-to-date capital expenditure for the seven months is \$1.6 million below budget which represents a turnaround in the variance compared to December 2001 of \$0.2 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
NET CAPITAL EXPENDITURE						
Utility Services	703	2166	1,463 F	9 F	3,136	4,644
Landcare	685	1,004	319 F	16 F	1,835	1,695
Environment	68	149	81 F	14 U	304	323
Transport	0	35	35 F	-	10	35
Wairarapa	195	225	30 F	-	225	225
Corporate Advisory Services	0	0	-	-	0	0
General Manager	0	34	34 F	-	34	34
Finance and Admin	699	280	419 U	180 U	1,046	1,046
Investment in Democracy	0	67	67 F	10 F	117	117
Total Net Capital Expenditure	2,350	3,960	1,610 F	159 U	6,707	8,119

The significant elements of the \$0.2 million unfavourable capital expenditure variance since December 2001 are outlined below:

(1) Finance & Administration unfavourable variance of \$0.18 million, due to:

- The unfavourable variance since December 2001 is primarily due to the timing of Information Technology capital expenditure compared with the budget. The timing difference is expected to reverse by 30 June 2002.

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:

Approved for submission:

PAUL LAPLANCHE
Finance Manager

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Tranz Metro Costs to 31 January 2002