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**Report 02.370**

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

## **Financial Report for the eleven months ended 31 May 2002**

### **1. Purpose**

To receive the May 2002 Financial Statements (refer separate document attached).

### **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 forecast figures are those approved by the Committee on 14 May 2002.

The year-to-date figures reflect favourable results in both operating and capital expenditure with the operating surplus ahead of budget by \$3.0 million and capital expenditure below budget by \$2.5 million.

The major change in the variance from March 2002 figures reflects a partial reversal of the favourable operating surplus position previously reported.

### **3. Financial Performance for the eleven months to 31 May 2002**

#### **3.1 Operating Surplus**

The year-to-date operating result after eleven months reflects an operating surplus ahead of budget of \$3.0 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 Mar \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	2,565	1,448	1,117 F	141 F	2,736	1,537	1,199 F
Plantation Forestry	(648)	(498)	150 U	16 U	(673)	(546)	127 U
<b>Utility Services</b>	<b>1,917</b>	<b>950</b>	<b>967 F</b>	<b>125 F</b>	<b>2,063</b>	<b>991</b>	<b>1,072 F</b>
Transport	304	(272)	576 F	88 U	(23)	(270)	247 F
Landcare	1,586	1,237	349 F	60 U	1,375	1,343	32 F
Environment	482	(236)	718 F	111 F	(137)	(282)	145 F
Wairarapa	133	410	277 U	380 U	57	485	428 U
Corporate Advisory Services	34	(6)	40 F	26 U	(50)	(7)	43 U
Finance and Admin	39	(355)	394 F	8 F	(296)	(518)	222 F
General Manager	91	24	67 F	23 U	100	26	74 F
Investment in Democracy	(37)	(143)	106 F	11 U	(31)	(136)	105 F
Rates Collection	93	0	93 F	20 F	91	0	91 F
<b>Net Divisional Surplus (Deficit)</b>	<b>4,642</b>	<b>1,609</b>	<b>3,033 F</b>	<b>324 U</b>	<b>3,149</b>	<b>1,632</b>	<b>1,517 F</b>
Investment Management	6,392	6,296	96 F	63 F	8,050	7,979	71 F
Business Unit Rates Contribution	(5,408)	(5,300)	108 U	46 U	(5,907)	(5,782)	125 U
<b>Total Operating Surplus (Deficit)</b>	<b>5,626</b>	<b>2,605</b>	<b>3,021 F</b>	<b>307 U</b>	<b>5,292</b>	<b>3,829</b>	<b>1,463 F</b>

Significant components of the \$0.3 million unfavourable operating variance since March 2002 are outlined below:

**(1) Water Supply \$0.14 million favourable variance since March 2002, due to:**

- Various additional direct cost savings, primarily related to materials, supplies and services.

**(2) Environment \$0.11 million favourable variance since March 2002, due to:**

- External Contractors and Consultants were an additional \$88,000 under budget for the period reported (1 April to 31 May 2002).

The variance is mainly due to delays in the following projects:

- Remedial work at some of our contaminated sites. The largest, the Rimutaka Summit remediation project, was completed during June at a cost of \$51,000.
- The stormwater investigation work. Some of the stormwater investigation budget will be carried over into the new financial year because weather conditions prevented samples being collected.

**(3) Wairarapa \$0.38 million unfavourable variance since March 2002, due to:**

- The Wairarapa river scheme programmes are tracking closer to year to date budget following the catch up of maintenance work totalling \$344,000 during April and May.

- The Bovine Tb operating deficit increased by \$29,000 due to the timing of Animal Health Board revenue.

### Net Capital Expenditure

Year-to-date net capital expenditure for the eleven months is \$2.5 million below budget, which represents an additional favourable variance since March 2002 of \$0.5 million.

	2001/02 YTD Actual \$000s	2001/02 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Mar \$000s	2001/02 Year Forecast \$000s	2001/02 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>							
Utility Services	2,397	4,242	1,845 F	513 F	3,749	4,644	895 F
Landcare	1,302	1,627	325 F	90 F	1,903	1,695	208 U
Environment	220	216	4 U	89 U	256	323	67 F
Transport	0	35	35 F	-	10	35	25 F
Wairarapa	241	225	16 U	47 U	225	225	-
Finance and Admin	760	938	178 F	22 F	800	1,046	246 F
General Manager	19	34	15 F	-	19	34	15 F
Investment in Democracy	0	107	107 F	20 F	15	117	102 F
<b>Total Net Capital Expenditure</b>	<b>4,939</b>	<b>7,424</b>	<b>2,485 F</b>	<b>509 F</b>	<b>6,977</b>	<b>8,119</b>	<b>1,142 F</b>

Significant components of the \$0.5 million favourable net capital expenditure variance since March 2002 are outlined below:

**(1) Utility Services \$0.51 million favourable variance since March 2002, due to:**

- A combination of permanent project savings, supplementary approved project expenditure and actual versus budget project cost timing differences across the water supply capital expenditure programme.

## 5. Communications

Emphasis should be placed on the results after each quarter.

## 6. Recommendation

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

Report prepared by:

Approved for submission:

PAUL LAPLANCHE  
Finance Manager

GREG SCHOLLUM  
Chief Financial Officer

**Attachment 1: Tranz Metro Costs to 30 April 2002**