greater WELLINGTON
THE REGIONAL COUNCIL

Report:	**03.607**
Date:	13 October 2003
File:	G/4/1/5
	CFO/13/2/1
Committee	**Policy, Finance and Strategy**
Author	**Fiona Hatzilamprou Financial Accountant**

Financial Report for the two months ended 31 August 2003

1. Purpose

To inform the committee of the financial performance for the two months ended 31 August 2003.

2. Comment

Consistent with 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 favourable financial results in both operating and net capital expenditure, with the operating surplus ahead of budget by $0.9 million and net capital expenditure below budget by $0.6 million, largely due to the fact that many projects are still in start up phases.

At this time the "Forecast" figures assume no variance from the original budget. It is our normal practice for the year end forecast figures to be prepared as part of the half year review in February. This enables the Council to consider any unforeseen changes in expenditure priorities at the half year within the context of the likely year end financial result.

3. Financial Performance for the two months to 31 August 2003

3.1 Operating Surplus

The year-to-date operating result after two months reflects an operating surplus ahead of budget of $0.9 million.

Detailed variances from budget are shown in the following table:

OPERATING SURPLUS (DEFICIT)	2003/04 YTD Actual $000s	2003/04 YTD Budget $000s	Actual vs Budget Variance $000s	2003/04 Year Forecast $000s	2003/04 Year Budget $000s	Forecast vs Budget Variance $000s
Water Group	178	(36)	214 F	335	335	-
Plantation Forestry	(91)	37	128 U	229	229	-
Utility Services	**87**	**1**	**86 F**	**564**	**564**	**-**
Transport	437	(94)	531 F	(510)	(510)	-
Landcare	659	530	129 F	1,973	1,973	-
Environment	41	30	11 F	(284)	(284)	-
Wairarapa	(53)	(46)	7 U	36	36	-
Corporate Advisory Services	146	113	33 F	(15)	(15)	-
Finance & Admin	(9)	(40)	31 F	(270)	(270)	-
General Manager	0	5	5 U	29	29	-
Investment in Democracy	39	14	25 F	85	85	-
Rates Collection	(16)	0	16 U	0	0	-
Net Divisional Surplus (Deficit)	**1,331**	**513**	**818 F**	**1,608**	**1,608**	**-**
Investment Management	1,176	1,142	34 F	8,086	8,086	-
Business Unit Rates Contribution	(1,147)	(1,147)	-	(6,884)	(6,884)	-
Total Operating Surplus (Deficit)	**1,360**	**508**	**852 F**	**2,810**	**2,810**	**-**

Significant elements of the $0.9 million favourable year to date operating variance are outlined below:

(1) Water Group $0.21 million unfavourable variance, due to:

- The aggregation of many minor direct and indirect expenditure savings across all cost category types.

(2) Plantation Forestry $0.13 million unfavourable variance, due to:

- The combined impact of a sustained 0.60 NZ / US dollar exchange rate and weak local demand for wood generating difficult operating conditions and depressing current returns from harvesting.

(3) Transport $0.53 million favourable variance, due to:

- A combination of the non-implementation of new kick-start services & the cost of kick-start projects coming in below budget - $187,000 favourable variance.

- The delay of the English Electric refurbishment programme- $47,000 favourable variance.

- Delays in planned car-park developments until the full cost of the new infrastructure required for the Hutt Valley services are known - $58,000 favourable variance.

- The delay in the Porirua Interchange investigation until the 2rd half of the financial year - $33,000 favourable variance.

- Phasing of the Total Mobility budget not being in line with the actual hoist maintenance & replacement programme - $96,000 favourable variance.

- Over estimation of inflation payments on bus & trolley contract payments - $85,000 favourable variance.

(4) Landcare $0.13 million favourable variance, due to:

- Savings in personnel costs ($27,000) as a result of running between 5 and 6 staff under budget for the first 2 months of the year.

- $45,000 savings in indirect expenditure (depreciation, gain on sale and financial costs) relating to the early disposal of vehicles (timing related only) and the lower than planned capital expenditure in Flood Protection in 2002/03.

- Minor delays in some work programmes as a result of wet weather. These are expected to be timing variances only.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the two months is $0.6 million below budget.

NET CAPITAL EXPENDITURE	2003/04 YTD Actual $000s	2003/04 YTD Budget $000s	Actual vs Budget Variance $000s	2003/04 Year Forecast $000s	2003/04 Year Budget $000s	Forecast vs Budget Variance $000s
Utility Services	231	701	470 F	5,852	5,852	-
Landcare	43	111	68 F	2,947	2,947	-
Environment	21	0	21 U	267	267	-
Transport	100	187	87 F	238	238	-
Wairarapa	73	65	8 U	349	349	-
Finance & Admin	0	0	-	513	513	-
General Manager	30	34	4 F	34	34	-
Rates Collection	10	0	10 U	0	0	-
Investment in Democracy	0	0	-	5	5	-
Total Net Capital Expenditure	**508**	**1,098**	**590 F**	**10,205**	**10,205**	**-**

Significant elements of the $0.6 million year to date favourable variance are outlined below:

(1) Utility Services $0.47 million favourable variance, due to:

- Delays in starting and / or progressing various capital work projects, which have generated a favourable timing difference of $391,000. In addition, fewer than budgeted minor asset acquisitions have occurred to date, producing a further favourable variance of $79,000.

4. Communications

Emphasis should be placed on the results after each quarter end.

5. Recommendations

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

Report prepared by:

Fiona Hatzilamprou
Financial Accountant

Report approved by:

Greg Schollum
Chief Financial Officer