greater WELLINGTON
THE REGIONAL COUNCIL

Report:	**04.203**
Date:	7 April 2004
File:	G/4/1/5
	CFO/13/2/1
Committee	**Policy, Finance and Strategy**
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Financial Report for the eight months ended 29 February 2004

1. Purpose

To inform the Committee of the financial performance of the Council for the eight months ended 29 February 2004 and to provide an explanation of major changes in variances since the last quarterly report.

2. Comment

The half year review was considered by the Committee on 19 February 2004.

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 continued favourable financial results in both operating and net capital expenditure, with the operating surplus now ahead of budget by $2.9 million and net capital expenditure below budget by $1.6 million.

The change in the variances from the half year figures reflect a favourable movement in operating surplus and an unfavourable movement in capital expenditure.

3. Financial Performance for the eight months to 29 February 2004

3.1 Operating Surplus

The year-to-date operating result after eight months reflects an operating surplus ahead of budget of $2.9 million, which represents a favourable variance compared to the half year of $1.7 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	Change in Variance from December 03 $000s	2003/04 Year Forecast $000s	2003/04 Year Budget $000s	Forecast vs Budget Variance $000s
Water Group	1,150	322	828 F	348 F	979	334	645 F
Plantation Forestry	(169)	154	323 U	105 U	(457)	229	686 U
Utility Services	**981**	**476**	**505 F**	**243 F**	**522**	**563**	**41 U**
Transport	366	(449)	815 F	639 F	219	(510)	729 F
Landcare	2,080	1,472	608 F	270 F	2,025	1,973	52 F
Environment	327	105	222 F	158 F	(225)	(284)	59 F
Wairarapa	157	101	56 F	91 F	(500)	36	536 U
Corporate Advisory Services	369	182	187 F	63 F	(23)	(15)	8 U
Finance & Admin	155	(71)	226 F	139 F	(189)	(270)	81 F
Chief Executive	23	19	4 F	4 U	29	29	-
Investment in Democracy	151	57	94 F	75 F	148	85	63 F
Rates Collection	84	0	84 F	18 U	210	0	210 F
Net Divisional Surplus (Deficit)	**4,693**	**1,892**	**2,801 F**	**1,656 F**	**2,216**	**1,607**	**609 F**
Investment Management	4,620	4,547	73 F	8 F	7,717	8,086	369 U
Business Unit Rates Contribution	(4,589)	(4,589)	-	-	(6,884)	(6,884)	-
Total Operating Surplus (Deficit)	**4,724**	**1,850**	**2,874 F**	**1,664 F**	**3,049**	**2,809**	**240 F**

Significant elements of the $1.7 million favourable operating variance since December 2003, are outlined below:

(1) Water Group $0.35 million favourable variance, due to:

A variety of additional direct and indirect cost savings being primarily – Materials & Supplies ($132,000), Contractors & Consultants ($44,000), Financial Costs ($71,000) and Depreciation ($82,000). The reduced depreciation is due to a reduction in the number of ongoing depreciable assets for the second half of the financial year, following the 1 January default acquisition anniversary date for all water asset infrastructure records.

(2) Plantation Forestry $0.11 million unfavourable variance, due to:

The combined impact of the sustained >0.60 NZ / US dollar exchange rate and ongoing weak local demand which continue to generate difficult operating conditions and depressed harvesting returns, whereby incremental total expenditure savings of $115,900 are completely outweighed by the incremental external revenue deficit of $220,200.

(3) Transport $0.64 million favourable variance, due to:

- Rail contract inflation payments $88,000 favourable.
- Bus contract price increase, $62,000 unfavourable - impact of price increases in the recent tender round and additional costs arising from the new Hutt Valley services.

- Kick-start bus services, $165,000 favourable - non-implementation of new kick-start services & the cost of kick-start projects coming in below budget.

- English Electric Refurbishment, $47,000 favourable – delay in project.

- Integrated Ticketing, $56,000 favourable – delay in project.

- Investigation into the development of Porirua Interchange, $33,000 favourable – project delayed to 2004/05.

- Rail Station upgrades, $25,000 favourable– project delayed until rail decision has been finalised.

- Marketing & Communication projects, $62,000 favourable - funding has been provided in this area by Transfund, which was not anticipated in the budget.

- Personnel costs, $42,000 favourable – Access Planner vacancy and internal cover of maternity leave.

- Depreciation savings, $20,000 favourable.

- Car park developments, $36,000 favourable – savings from synergies with the Hutt Valley service review.

- Bus Priority measures, $24,000 favourable – timing difference between budget & cost of Dixon/Manners St bus lane.

(4) Landcare $0.27 million favourable variance, due to:

- The commencement dates of some major rock edge protection jobs have been pushed back due to earlier rock shortages and the February 2004 floods.

- A hold put on all but safety related maintenance in East Harbour Regional Park until the land swap with Hutt City Council is finalised.

- The unusual summer weather which is creating delays in some of the pest animal and plant control operations.

(5) Environment $0.16 million favourable variance, due to:

- Personnel costs being slightly under budget by $39,000. As expected, staff movements over the last few months have more than offset the shortfalls reported in prior months.

- Materials and Consultant costs being under budget by $118,000. The timing of expenditure has resulted in a favourable variance with some projects, e.g. Wetland, Private land protection, Take Action and Take Charge, Marine Protection and the Urban Development Strategy. Officers anticipate that the situation will be redressed by year end.

- Internal charges being under budget by $52,000.

  Most of the underspend arises because of changes in our contractors for laboratory services in connection with our freshwater programmes.

(6) Finance and Administration $0.14 million favourable variance, due to:

- Permanent savings in personnel costs of $50,000 due to delays in staff recruitment, savings in temporary staff and savings in materials and supplies of $54,000.

- Increased Internal Revenue of $10,000 due to an increase in the number of PC's required by divisions.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the eight months is $1.6 million below budget which represents an unfavourable variance compared to the half year of $0.29 million.

NET CAPITAL EXPENDITURE	2003/04 YTD Actual $000s	2003/04 YTD Budget $000s	Actual vs Budget Variance $000s	Change in Variance from December 03 $000s	2003/04 Year Forecast $000s	2003/04 Year Budget $000s	Forecast vs Budget Variance $000s
Utility Services	2,130	3,829	1,699 F	376 F	3,986	5,852	1,866 F
Landcare	1,282	1,301	19 F	383 U	2,904	2,947	43 F
Environment	186	202	16 F	59 U	267	267	-
Transport	203	218	15 F	3 U	384	238	146 U
Wairarapa	299	238	61 U	187 U	349	349	-
Finance & Admin	246	184	62 U	33 U	525	513	12 U
Corporate Advisory Services	5	0	5 U	-	60	0	60 U
Chief Executive	30	34	4 F	-	34	34	-
Rates Collection	21	0	21 U	-	0	0	-
Investment in Democracy	0	5	5 F	-	5	5	-
Total Net Capital Expenditure	**4,402**	**6,011**	**1,609 F**	**289 U**	**8,514**	**10,205**	**1,691 F**

Significant elements of the $0.29 million unfavourable variance since December 2003 are outlined below:

(1) Utility Services $0.38 million favourable variance, due to:

Deferral of, and delays in, various Water Group and Plantation Forestry capital projects which have generated a further combined incremental favourable difference against budget of $455,000. However, this has been partially offset by a $79,000 reduction in the ongoing favourable minor asset acquisition variance, due to the delayed acquisition of a number of vehicle replacements originally scheduled for October 2003.

(2) Landcare $0.38 million unfavourable variance, due to:

- Delays in the vehicle purchasing round budgeted for September 2003 which was completed in February .

- Belmont edge protection works that had been behind plan at the end of December are now progressing well.

(3) Wairarapa $0.19 million unfavourable variance, due to:

The purchase of several vehicles during January and February, that were budgeted for replacement prior to Christmas. Four of the old vehicles were unsold at February, but two vehicles were retained temporarily to assist Task Force Green workers with flood damage clean up.

4. Communications

Emphasis should continue to 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.

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