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**Committee** Policy, Finance and Strategy  
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## **Financial Report for the five months ended 30 November 2003**

### **1. Purpose**

To inform the Committee of the financial performance of the Council for the five months ended 30 November 2003 and to provide an explanation of major changes in variances since the last quarterly report.

### **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 continued favourable financial results in both operating and net capital expenditure, with the operating surplus ahead of budget by \$0.7 million and net capital expenditure below budget by \$1.7 million.

The change in the variances from the September 2003 figures reflect an unfavourable movement in operating surplus and a further favourable movement in capital expenditure.

As noted in the financial report for the four months ended 31 October 2003, the "forecast" figures still assume no variance from the original budget.

### **3. Financial Performance for the five months to 30 November 2003**

#### **3.1 Operating Surplus**

The year-to-date operating result after five months reflects an operating surplus ahead of budget of \$0.7 million, which represents an unfavourable variance compared to the September 2003 quarter of \$0.34 million.

Detailed variances from budget are shown in the following table:

	2003/04 YTD Actual \$000s	2003/04 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from September \$000s	2003/04 Year Forecast \$000s	2003/04 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	577	129	448 F	46 F	335	335	-
Plantation Forestry	(53)	98	151 U	6 U	229	229	-
<b>Utility Services</b>	<b>524</b>	<b>227</b>	<b>297 F</b>	<b>40 F</b>	<b>564</b>	<b>564</b>	-
Transport	(362)	(314)	48 U	356 U	(510)	(510)	-
Landcare	1,392	1,078	314 F	227 F	1,973	1,973	-
Environment	192	157	35 F	130 F	(284)	(284)	-
Wairarapa	225	171	54 F	173 U	36	36	-
Corporate Advisory Services	268	249	19 F	81 U	(15)	(15)	-
Finance & Admin	(130)	(106)	24 U	49 U	(270)	(270)	-
Chief Executive	26	12	14 F	1 U	29	29	-
Investment in Democracy	49	36	13 F	18 U	85	85	-
Rates Collection	3	0	3 F	41 U	0	0	-
<b>Net Divisional Surplus (Deficit)</b>	<b>2,187</b>	<b>1,510</b>	<b>677 F</b>	<b>322 U</b>	<b>1,608</b>	<b>1,608</b>	-
Investment Management	2,876	2,860	16 F	17 U	8,086	8,086	-
Business Unit Rates Contribution	(2,869)	(2,869)	-	-	(6,884)	(6,884)	-
<b>Total Operating Surplus (Deficit)</b>	<b>2,194</b>	<b>1,501</b>	<b>693 F</b>	<b>339 U</b>	<b>2,810</b>	<b>2,810</b>	-

Significant elements of the \$0.34 million unfavourable operating variance since September 2003, are outlined below:

1. Transport \$0.36 million unfavourable variance, due to:

- The launch of the new Hutt Valley services on 25<sup>th</sup> October 2003 where additional unbudgeted costs relating to infrastructure have been incurred for new service promotion, new timetable production, bus livery and new bus-stop signage.

2. Landcare \$0.23 million favourable variance, due to:

- Both Flood Protection and Parks and Forests operating surpluses being ahead of target at the end of November, but with the majority of movements since September being timing related, both departments are expecting to be very close to budget by the end of the year.
- The significant areas with timing related variances were East Harbour Regional Park (asset and environmental management) where delays in taking over management of the park are pushing the work programme back, the environmental education programme in Parks and Forests which will commence in January 2004 and the programmed maintenance for Flood Protection where the work programmes were set at the start of the financial year and have different timings to the budget.

3. Environment \$0.13 million favourable variance, due to:

- Increased external revenue raised during the period. The most significant of these were CentrePort's resource consent applications to dredge the harbour's entrance and near the vessel berths in the inner harbour and the Lyall Bay Reef Charitable Trust.
- In addition, the Department of Conservation contributed \$31,000 towards our biodiversity strategy during the period. This is the first instalment of such grants that are expected to amount to some \$79,000 in total. These funds were not specifically budgeted.

4. Wairarapa \$0.17 million unfavourable variance, due to:

- A \$70,000 unfavourable movement for the Biosecurity Department due to the timing of revenues and costs of the Upper Hutt Catchment Animal Pest Control Operation (revenue in the first quarter with the majority of costs in the second quarter).
- A \$100,000 unfavourable movement for the Planning & Resources Department due to the recognition in November of revenue in advance for the Coastal Strategy and the Waahi Tapu projects.

### 3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the five months is \$1.7 million below budget which represents a favourable variance compared to the September 2003 quarter of \$0.45 million.

	2003/04 YTD Actual \$000s	2003/04 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from September 03 \$000s	2003/04 Year Forecast \$000s	2003/04 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>							
Utility Services	1,168	2,280	1,112 F	511 F	5,852	5,852	-
Landcare	446	839	393 F	31 U	2,947	2,947	-
Environment	99	127	28 F	78 U	267	267	-
Transport	200	218	18 F	19 U	238	238	-
Wairarapa	112	232	105 F	99 F	349	349	-
Finance & Admin	49	134	85 F	31 U	513	513	-
Corporate Advisory Services	5	0	5 U	5 U	0	0	-
Chief Executive	29	34	5 F	1 F	34	34	-
Rates Collection	21	0	21 U	-	0	0	-
Investment in Democracy	0	0	-	-	5	5	-
<b>Total Net Capital Expenditure</b>	<b>2,129</b>	<b>3,864</b>	<b>1,735 F</b>	<b>447 F</b>	<b>10,205</b>	<b>10,205</b>	<b>-</b>

Significant elements of the \$0.45 million favourable variance since September 2003 are outlined below:

- (1) Utility Services \$0.51 million favourable variance, due to:
  - Ongoing delays in starting and / or progressing various capital works projects which have generated a further favourable timing difference of \$345,000. In addition, the delay in acquiring vehicle replacements budgeted for October and other minor acquisition deferrals has produced a further favourable timing difference variance of \$166,000.

- (2) Wairarapa \$0.10 million favourable variance, due to:
- The timing of vehicle replacements for the Biosecurity and Land & River Operations Department's.

#### **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:

Report approved by:

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Chief Financial Officer