



Report            06.568  
Date             9 October 2006  
File              CFO/13/02/01

Committee       Policy, Finance and Strategy  
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## Financial Report for the two months ending 31 August 2006

### 1. Purpose

To review the financial performance of the Council for the two months ending 31 August 2006.

### 2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

### 3. Background

Accounts are prepared and presented to management for review each month. A detailed report is given to Council each quarter. In the intervening months, reports to Council are done monthly by exception. A summation of these is now provided to Council for review.

### 4. Financial Performance

#### 4.1 Year to date Operating Performance

On a consolidated Council basis, the year to date operating surplus is \$0.975 million compared with budget deficit of \$0.490 million. This excludes grants and rates to fund public transport capital expenditure. The grants are received from Land Transport and are not repayable. Including these amounts the actual surplus is \$1.153 million, compared to the budget surplus of \$0.156 million

The Council Statement of Financial Performance is included as **Attachment 1**.

Further details of the variances are explained below.

## 4.2 Funding Statement

The Funding Statement is included as **Attachment 2**.

## 4.3 Statement of Financial Position

The Statement of Financial position is included as **Attachment 3**.

## 5. Year to Date Financial Summary

The following table shows the year to date variance by division.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	211	132	(387)	519
Forestry	(14)	(615)	(496)	(119)
Regional Parks	157	216	(54)	270
<b>Water Supply, Parks &amp; Forests</b>	<b>354</b>	<b>(267)</b>	<b>(937)</b>	<b>670</b>
Transport Policy and Strategy	126	34	(35)	69
Public Transport	85	172	(132)	304
<b>Total Transport</b>	<b>211</b>	<b>206</b>	<b>(167)</b>	<b>373</b>
Environment	199	106	(6)	112
Catchment Management	220	567	508	59
Corporate	66	117	(5)	122
Finance, IT & Support Services	152	264	77	187
Investment in Democracy	21	17	19	(2)
<b>Divisional Operating Surplus</b>	<b>1,223</b>	<b>1,010</b>	<b>(511)</b>	<b>1,521</b>
Investment Management	1,265	1,248	1,304	(56)
Business Unit Rates Contribution	(1,292)	(1,283)	(1,283)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>1,196</b>	<b>975</b>	<b>(490)</b>	<b>1,465</b>
Revaluation RCC	-	-	-	-
Revaluation Forestry	-	-	-	-
Parks - Grant for Waitangirua Purchase	-	-	-	-
Public Transport - Capex / Investment	10	178	646	(468)
<b>Total Council Surplus / (Deficit)</b>	<b>1,206</b>	<b>1,153</b>	<b>156</b>	<b>997</b>

### 5.1 Water – favourable variance of \$519,000 primarily due to:

- Savings in personnel costs, \$60,000 this is expected to reverse by year end.
- Timing delay in contractor costs, in respect of the new water source, \$260,000.
- Savings of \$90,000 in depreciation.

### 5.2 Forestry – unfavourable variance of \$119,000 primarily due to:

- Reduced winter log harvest, \$90,000
- Higher road maintenance costs, \$40,000

**5.3 Regional Parks – unfavourable variance of \$270,000 primarily due to:**

- Savings in the timing of expenditure, this is expected to reverse by 30 June.

**5.4 Public Transport – favourable variance of \$304,000 primarily due to:**

- Increased expenditure on bus contracts, \$482,000 due to higher diesel costs.
- Reduced expenditure in rail \$473,000 due to the timing of expenditure.
- Lower expenditure on total mobility, \$66,000.
- Lower overhead costs \$85,000.
- Decrease in trolley bus costs, \$136,000, due to delay in signing the new contract.

**5.5 Transport Policy – favourable variance of \$69,000**

- No major variances to report.

**5.6 Environment – favourable variance of \$112,000 primarily due to:**

- Personnel costs, \$62,000 below budget, this is expected to reverse by year end.
- Materials, supplies underspent by \$58,000 due to timing.

**5.7 Catchment Management – favourable variance of \$59,000:**

- No major variances to report

**5.8 Corporate – favourable variance of \$122,000 primarily due to:**

- Lower contractors and consultants costs. This is expected to reverse by year end.

**5.9 Finance, IT and Support – favourable variance of \$187,000 primarily due to:**

- Personnel costs below budget by \$50,000 and materials by \$105,000 mainly due to the phasing of expenditure.

## 6. Forecast to 30 June 2007

### 6.1 Changes to the forecast to 30 June 2007

With the exception of Public Transport, the forecast to 30 June remains unchanged from the budget position.

The Public Transport budget deficit has increased by \$2.6 million to a forecast deficit of \$4.3 million. This is due to continued rises in the diesel price which increases the Land Transport index. This index is used in all bus contracts to pay for the implied costs of inflation.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Budget	Forecast	Variance
Water Group	(125)	(2,019)	(2,019)	-
Forestry	(2,299)	707	707	-
Regional Parks	138	(283)	(283)	-
<b>Water Supply, Parks &amp; Forests</b>	<b>(2,286)</b>	<b>(1,595)</b>	<b>(1,595)</b>	-
Transport Policy and Strategy	61	(228)	(226)	(2)
Public Transport	(1,942)	(1,736)	(4,344)	2,608
<b>Total Transport</b>	<b>(1,881)</b>	<b>(1,964)</b>	<b>(4,570)</b>	<b>2,606</b>
Environment	297	(272)	(272)	-
Catchment Management	2,127	3,149	3,149	-
Corporate	167	13	13	-
Finance, IT & Support Services	784	178	178	-
Investment in Democracy	71	117	117	-
<b>Divisional Operating Surplus</b>	<b>(721)</b>	<b>(374)</b>	<b>(2,980)</b>	<b>2,606</b>
Investment Management	9,952	9,530	9,530	-
Business Unit Rates Contribution	(7,111)	(7,698)	(7,698)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>2,120</b>	<b>1,458</b>	<b>(1,148)</b>	<b>2,606</b>
Revaluation RCC	2,276	-	-	-
Revaluation Forestry	(1,745)	-	-	-
Parks - Grant for Waitangirua Purchase	2,800	-	-	-
Public Transport - Capex / Investment	316	60,819	60,819	0
<b>Total Council Surplus / (Deficit)</b>	<b>5,767</b>	<b>62,277</b>	<b>59,671</b>	<b>2,606</b>

## 7. Capital Expenditure

### 7.1 Year to date

Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	371	311	555	(244)
Forestry	28	21	41	(20)
Regional Parks	2	70	109	(39)
<b>Water Supply, Parks &amp; Forests</b>	<b>401</b>	<b>402</b>	<b>705</b>	<b>(303)</b>
Transport Policy and Strategy	-	-	-	-
Public Transport	(6)	96	204	(108)
Public Transport Investment Additions	-	-	583	(583)
<b>Total Transport</b>	<b>(6)</b>	<b>96</b>	<b>787</b>	<b>(691)</b>
Environment	39	4	53	(49)
Catchment Management	172	425	205	220
Corporate	(25)	6	-	6
Finance, IT & Support Services	33	2	-	2
Investment in Democracy	(14)	-	-	-
<b>Divisional Capital and Investment expenditure</b>	<b>600</b>	<b>935</b>	<b>1,750</b>	<b>(815)</b>
Parks - Waitangirua Purchase	-	-	-	-
Investment Management	-	1	-	1
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital and Investment expenditure</b>	<b>600</b>	<b>936</b>	<b>1,750</b>	<b>(814)</b>

### 7.2 Full year forecast

Capital Expenditure and Investments \$(000)'s	Full Year			
	Last Year	Actual	Budget	Variance
Water Group	5,936	6,624	6,624	-
Forestry	159	286	286	-
Regional Parks	5,921	720	720	-
<b>Water Supply, Parks &amp; Forests</b>	<b>12,016</b>	<b>7,630</b>	<b>7,630</b>	<b>-</b>
Transport Policy and Strategy	37	-	-	-
Public Transport	505	2,603	2,603	-
Public Transport Investment Additions	-	80,292	80,292	-
<b>Total Transport</b>	<b>542</b>	<b>82,895</b>	<b>82,895</b>	<b>-</b>
Environment	330	891	891	-
Catchment Management	6,252	6,555	6,555	-
Corporate	62	49	49	-
Finance, IT & Support Services	444	975	975	-
Investment in Democracy	12	45	45	-
<b>Divisional Capital and Investment expenditure</b>	<b>19,658</b>	<b>99,040</b>	<b>99,040</b>	<b>0</b>
Parks - Waitangirua Purchase	5,600	-	-	-
Investment Management	6	1,100	1,100	-
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital and Investment expenditure</b>	<b>25,264</b>	<b>100,140</b>	<b>100,140</b>	<b>-</b>

The year to date variances are due to phasing of the capital expenditure. These timing delays are expected to reverse by year end. The forecast position remains unchanged at this stage from budget.

## **8. Communication**

No communications are necessary.

## **9. Recommendations**

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Report approved by:

**Chris Gray**  
Finance Manager

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** Statement of Financial Performance

**Attachment 2:** Funding Statement

**Attachment 3:** Statement of Financial Position