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Report 00.490

28 June 2000

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

Financial Report for the eleven months ended 31 May 2000

1. Purpose

To receive the May 2000 Financial Statements (forwarded under separate cover).

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 results in both operating and capital expenditure with the operating surplus ahead of budget by \$7.8 million, and capital expenditure below budget by \$2.4 million.

The changes in the variance from March 2000 figures reflect favourable results in operating expenditure but a small unfavourable result in capital expenditure.

The forecast position to 30 June 2000 is as approved at the Policy and Finance Committee on 30 May 2000.

3. Financial Performance for the Eleven months to 31 May 2000

3.1 Operating Surplus

The year to date operating result after eleven months reflects an operating surplus ahead of budget of \$7.8 million and an additional favourable variance compared to March 2000 of \$0.6 million.

Councillors will recall that within the \$7.8million is a gain on sale of \$3.2 million associated with the adjustment clause (sale by Council to Port Investments Ltd of its interest in CentrePort).

Detailed variances from budget are shown in the following table:

| | 1999/00 YTD Actual \$000s | 1999/00 YTD Budget \$000s | Actual vs Budget Variance \$000s | Change in Variance from Mar \$000s | 1999/00 Year Forecast \$000s | 1999/00 Year Budget \$000s | Forecast vs Budget Variance \$000s |
|--|------------------------------------|------------------------------------|---|---|---------------------------------------|-------------------------------------|---|
| OPERATING SURPLUS (DEFICIT) | | | | | | | |
| Utility Services | 3,710 | 2,911 | 799 F | 454 F | 3,632 | 3,126 | 506 F |
| Landcare | 1,652 | 906 | 746 F | 198 U | 1,488 | 1,110 | 378 F |
| Environment | 44 | (323) | 367 F | 8 F | (26) | (273) | 247 F |
| Transport | 158 | (448) | 606 F | 14 U | (661) | (486) | 175 U |
| Wairarapa | 176 | (177) | 353 F | 157 U | 129 | (171) | 300 F |
| Corporate Advisory Services | 242 | 0 | 242 F | 117 F | 130 | 2 | 128 F |
| Finance & Admin | (134) | (285) | 151 F | 37 F | (296) | (462) | 166 F |
| General Manager | (27) | (8) | 19 U | 11 U | (9) | (9) | - |
| Cost of Democracy | 24 | 114 | 90 U | 9 U | 26 | 127 | 101 U |
| Investment Management | 10,027 | 5,553 | 4,474 F | 393 F | 10,255 | 6,057 | 4,198 F |
| Non Divisional | (3,946) | (4,117) | 171 F | 10 F | (4,401) | (4,491) | 90 F |
| Total Operating Surplus (Deficit) | 11,926 | 4,126 | 7,800 F | 630 F | 10,267 | 4,530 | 5,737 F |

The main components of the favourable variance since March 2000 are within the Utilities Services and Investment Management areas.

- *Utility Services*

The Water Supply surplus continues to grow, by \$339,000 since March 2000, mainly due to savings in direct costs (primarily contractors & consultants and personnel).

Plantation Forestry has achieved a reduction of their unfavourable variance, by \$115,000 since March 2000, due to better than anticipated winter harvesting.

- *Investment Management*

Additional savings in the Treasury area of \$247,000 since March 2000 resulting from a combination of debt levels being lower than expected, and lower than budgeted interest costs including the benefits of the debt buy back undertaken in June 1999. In addition,

interest revenue from the invested proceeds from the sale of CentrePort Ltd shares of \$44,000,000 was higher than budget, resulting in a \$146,000 favourable variance since March 2000.

3.2 Capital Expenditure

Year-to-date capital expenditure for the eleven months is \$2.4 million below budget and an unfavourable variance compared to March 2000 of \$0.2 million.

| | 1999/00 YTD Actual \$000s | 1999/00 YTD Budget \$000s | Actual vs Budget Variance \$000s | Change in Variance from Mar \$000s | 1999/00 Year Forecast \$000s | 1999/00 Year Budget \$000s | Forecast vs Budget Variance \$000s |
|----------------------------------|---------------------------------|------------------------------------|---|---|---------------------------------------|-------------------------------------|---|
| CAPITAL EXPENDITURE | | | | | | | |
| Utility Services | 3,782 | 4,608 | 826 F | 97 U | 4,317 | 4,930 | 613 F |
| Landcare | 2,421 | 3,656 | 1,235 F | 157 U | 4,019 | 3,716 | 303 U |
| Environment | 67 | 104 | 37 F | 26 U | 104 | 104 | - |
| Transport | 0 | 115 | 115 F | - | 4 | 169 | 165 F |
| Wairarapa | 321 | 319 | 2 U | 52 F | 425 | 330 | 95 U |
| Corporate Advisory Services | 0 | 14 | 14 F | - | 14 | 14 | - |
| Finance & Admin | 33 | 92 | 59 F | - | 33 | 92 | 59 F |
| Cost of Democracy | 0 | 88 | 88 F | - | 0 | 88 | 88 F |
| Total Capital Expenditure | 6,624 | 8,996 | 2,372 F | 228 U | 8,916 | 9,443 | 527 F |

The main components of the unfavourable variance since March 2000 relate to Utility Services and Landcare where some project delays have been able to be caught up. In both areas the YTD figures for the eleven months show a significant positive variance against budget as explained in the report on the March quarter (report 00.354).

4. Compliance with Treasury Management Policy

There were no instances of non-compliance with the Treasury Management Policy during the months of April and May 2000.

5. Communications

Council's eleven months results again reflect solid operational and financial performance which should be reported to the community.

6. Recommendations

That the report be received and the contents noted.

Report prepared by:

Approved for submission:

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