



**Report:** 04.654  
**Date:** 19 November 2004  
**File:** G/4/1/5  
CFO/13/2/1  
**Committee** Policy, Finance and Strategy  
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## **Financial Report for the four months ended 31 October 2004**

### **1. Purpose**

To inform the Committee of the financial performance of the Council for the four months ended 31 October 2004 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 \$4.8 million and net capital expenditure below budget by \$4.9 million.

As noted in the financial report for the three months ended 30 September 2003, the "forecast" result still assume no variance from the original budget.

### **3. Financial Performance for the four months to 31 October 2004**

#### **3.1 Operating Surplus**

The year-to-date operating result after four months reflects an operating surplus ahead of budget of \$4.8 million, which represents a favourable variance compared to the September 2004 quarter of \$3.3 million. This movement is mainly due to the gain on sale of Mabey Rd land.

Detailed variances from budget are shown in the following table:

	2004/05 YTD Actual \$000s	20004/05 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from September \$000s	2004/05 Year Forecast \$000s	2004/05 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>							
Water Group	151	(165)	316 F	106 F	(392)	(392)	-
Plantation Forestry	(101)	(13)	88 U	21 U	(39)	(39)	-
<b>Utility Services</b>	<b>50</b>	<b>(178)</b>	<b>228 F</b>	<b>85 F</b>	<b>(431)</b>	<b>(431)</b>	-
Transport	127	(590)	717 F	244 U	(1,133)	(1,133)	-
Landcare	1,172	993	179 F	134 F	1,985	1,985	-
Environment	277	152	125 F	89 F	(59)	(59)	-
Wairarapa	249	108	141 F	52 F	(44)	(44)	-
Corporate Advisory Services	42	22	20 F	23 F	(6)	(6)	-
Finance & Admin	156	199	43 U	96 U	39	39	-
Chief Executive	(12)	(45)	33 F	10 F	(135)	(135)	-
Investment in Democracy	(159)	(223)	64 F	17 F	(148)	(148)	-
Rates Collection	(67)	(17)	50 U	29 U	0	0	-
<b>Net Divisional Surplus (Deficit)</b>	<b>1,835</b>	<b>421</b>	<b>1,414 F</b>	<b>41 F</b>	<b>68</b>	<b>68</b>	-
Investment Management	2,584	2,458	126 F	66 F	8,509	8,509	-
Business Unit Rates Contribution	(2,541)	(2,541)	-	8 F	(7,624)	(7,624)	-
Gain on Sale of Mabey Rd Land	3,155	0	3,155 F	3,155 F	0	0	-
Wellintgon Regional Strategy	101	0	101 F	19 U	0	0	-
<b>Total Operating Surplus (Deficit)</b>	<b>5,134</b>	<b>338</b>	<b>4,796 F</b>	<b>3,251 F</b>	<b>953</b>	<b>953</b>	-

Significant elements of the \$3.25 million favourable operating variance since September 2004 are outlined below:

- (1) Water Group \$0.11 million favourable variance, due to:
  - Primarily incremental water treatment chemical savings of \$65,000 whilst fulfilling seasonal water demand requirements and a one off rebate of \$60,000 from the Hutt Mana Energy Trust
- (2) Transport \$0.24 million unfavourable variance, due to:
  - Favourable expenditure variance of \$89,000 due to the following projects:

Progress on various Access Planning studies	80,000 F
Timing delays in the Integrated Ticketing project	50,000 F
Payment to contract operators under budget	41,000 F
Delay in the Waikanae Electrification project	54,000 F
Infrastructure signage spend under budget	30,000 F
Marketing and communications consultants spend under budget	31,000 F
Timing of the English Electric rail carriages refurbishment start up costs	109,000 U
Timing variance of expenditure on the Overhead Wire contract	43,000 U

Consultant costs relating to the LTCCP Rail consultation 71,000 U

- Due to the above variances revenue from Tranfund has a \$327,000 unfavourable variance.

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

- Timing variances in operational projects.

### 3.2 Capital Expenditure

Year-to-date net capital expenditure for the four months is \$4.9 million below budget which represents a favourable variance compared to the September 2004 quarter of \$4.1 million.

	2004/05 YTD Actual \$000s	2004/05 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from September 04 \$000s	2004/05 Year Forecast \$000s	2004/05 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>							
Utility Services	574	1,026	452 F	294 F	5,883	5,883	-
Landcare	695	1,281	586 F	322 F	4,897	4,897	-
Environment	132	129	3 U	1 U	554	554	-
Transport	5	26	21 F	1 F	306	306	-
Wairarapa	87	370	283 F	34 F	1,014	1,014	-
Finance & Admin	1	100	99 F	17 F	1,228	1,228	-
Corporate Avasory Services	0	55	55 F	35 F	88	88	-
Investment in Democracy	0	0	-	-	52	52	-
Investment Management	3	0	3 U	3 U	531	531	-
<b>Total Capital Expenditure</b>	<b>1,497</b>	<b>2,987</b>	<b>1,490 F</b>	<b>699 F</b>	<b>14,553</b>	<b>14,553</b>	
Proceeds from Sale of Mabey Rd land	(3,385)	0	3,385 F	3,385 F	0	0	-
<b>Total Net Capital Expenditure</b>	<b>(1,888)</b>	<b>2,987</b>	<b>4,875 F</b>	<b>4,084 F</b>	<b>14,553</b>	<b>14,553</b>	

Significant elements of the \$0.7 million favourable variance since September 2004 are outlined below:

(1) Utility Services \$0.29 million favourable variance, due to:

- Ongoing delays in starting and / or progressing various capital work projects have generated a favourable incremental timing difference of \$71,000, whilst the postponement from October to December of the replacement divisional vehicle acquisitions produced a further favourable variance of \$208,000.

(2) Landcare \$0.32 million favourable variance, due to:

- Vehicle replacements programmed for October that will not occur until December \$177,000.

- The capital works programme for Flood Protection is running behind budget by \$350,000. Of this, \$170,000 is timing related and the balance of \$180,000 relates to the Jim Cooke Park river realignment which is unlikely to progress to the planned extent this financial year.

#### **4. Communications**

No communications are necessary.

#### **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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**Barry Turfrey**  
Chief Financial Officer