



**Report**                    **06.61**  
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**Committee**            **Policy, Finance and Strategy**  
**Author**                **Chris Gray, Finance Manager**

## **Financial Report for the seven months ending 31 January 2006**

### **1. Purpose**

To review the financial performance of the Council for the seven months ended 31 January 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 monthly reports to Council are done 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 actual surplus is \$2,980,000 compared with budget of \$3,954,000, a decrease of \$974,000. The continued delays in transport spending are the main reasons for these variances through these accounts. Also with January traditionally being a short working month, the timing differences are more pronounced across all divisions.

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

Further details of the variances are explained below.

## 4.2 Funding Statement

This report continues to highlight the lower capital spending driving a lower external funding requirement at the stage. Interest expense savings from the lower debt is being offset by the higher than budgeted interest rates and is reflected in the full year forecast.

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

## 4.3 Statement of Financial Position

The Council Statement of Financial Position shows the current, budget and last year-ends financial position.

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

## 4.4 Financial Summary

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

OPERATING SURPLUS (DEFICIT) \$(000)'s	Year to Date 31 January 2006			
	Last Year	Actual	Budget	Variance
Water Group	273	494	(571)	1,065
Plantation Forestry	(248)	(127)	(210)	83
<b>Utility Services</b>	<b>25</b>	<b>367</b>	<b>(781)</b>	<b>1,148</b>
Transport	(152)	257	1,810	(1,553)
Landcare	1,939	1,639	803	836
Environment	337	307	89	218
Wairarapa	204	(166)	(687)	521
Corporate	23	(196)	(54)	(142)
Finance & Admin	534	709	273	436
Investment in Democracy	(144)	81	34	47
<b>Divisional Surplus (Deficit)</b>	<b>2,766</b>	<b>2,998</b>	<b>1,487</b>	<b>1,511</b>
Transport - heavy maintenance	-	-	2,473	(2,473)
Landcare: Sale of Mabey Road	3,155	-	-	-
Investment Management	4,560	4,505	4,520	(15)
Business Unit Rates Contribution	(4,447)	(4,523)	(4,526)	3
<b>Council Operating Surplus (Deficit)</b>	<b>6,034</b>	<b>2,980</b>	<b>3,954</b>	<b>(974)</b>
* Regional Strategy Actuals removed				

### 4.4.1 Utility Services, Favourable variance of \$1,148 ,000

Water - favourable variance of \$1,065,000

Savings have continued across the division as outlined in the December half year report.

Plantation Forestry - favourable variance of \$83,000

**4.4.2 Transport, Unfavourable variance of \$4,026,000 comprising heavy maintenance \$2,473,000 and other \$1,553,000.**

The Rail Contract remains unsigned and this has caused continuing delays in a number of projects.

As approximately \$2.5 million of heavy maintenance was budgeted to be spent in the first half, this has reduced the surplus by the same amount when compared with budget.

Delays in other transport capital expenditure continued in January.

Inflation factors of diesel and wages continue to impact the payments to operators.

Overall the Transport variance is now \$4.0 million behind budget and in line with the reforecast position outlined in the half year report.

**4.4.3 Landcare, Favourable variance of \$836,000**

Savings in personnel costs of \$112,000 due to the resignation of the Divisional Manager and Divisional Accountant who have not been replaced. This has been partly offset by internal changes.

Flood protection – Favourable variance \$525,000

Additional revenue from gravel and other sales continue well ahead of budget by approximately \$265,000.

Direct expenditure is \$141,000 under budget due to delays in a variety of projects.

Parks– Favourable variance \$214,000

The variance is primarily timing of projects especially the removal of trees in Belmont Park.

**4.4.4 Environment - Favourable variance of \$218,000**

The timing of budgeted expenditure has impacted the January year to date variance.

**4.4.5 Wairarapa – Favourable variance of \$521,000**

The favourable variance of \$521,000 is primarily timing differences and expected to be back in line with budget by year end.

**4.4.6 Corporate – Unfavourable variance of \$142,000**

This is in line with the half year position.

**4.4.7 Finance and Admin – favourable variance of \$436,000**

Additional revenue from rates, coupled with lower operating costs, have contributed to the favourable variance.

## 4.5 Forecast to 30 June 2006

The forecast remains consistent with the half year review.

## 5. Capital Expenditure

The major variances are within Transport. The transfer of heavy maintenance expenditure from capital to operating expenditure as noted at the December quarter has been separated for clarity. Other Transport capital improvements also continue to be delayed.

### 5.1.1 Year to date variances

Net Capital Expenditure \$(000)'s	Year to Date 31 January 2006			
	Last Year	Actual	Budget	Variance
Water Group	1,035	3,647	3,806	(159)
Plantation Forestry	120	80	147	(67)
<b>Utility Services</b>	<b>1,155</b>	<b>3,727</b>	<b>3,953</b>	<b>(226)</b>
Transport	44	110	3,897	(3,787)
Landcare	1,835	2,119	2,117	2
Environment	315	187	94	93
Wairarapa	585	177	319	(142)
Corporate	66	52	24	28
Finance & Admin	587	310	273	37
Investment in Democracy	24	13	-	13
<b>Net Divisional Capital Expenditure</b>	<b>4,611</b>	<b>6,695</b>	<b>10,677</b>	<b>(3,982)</b>
Transport - heavy maintenance	-	-	2,491	-
Landcare: Sale of Mabey Road	(3,385)	-	-	-
Investment Management	326	3	20	(17)
Business Unit Rates Contribution	-	-	-	-
<b>Net Divisional Capital Expenditure</b>	<b>1,552</b>	<b>6,698</b>	<b>13,188</b>	<b>(3,999)</b>

### 5.1.2 Full year forecast

There has been no change in the Divisional forecasts since the half year review.

## 6. Communication

No communications are necessary.

## **7. Recommendations**

*That the Committee:*

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

Report prepared by:

Report approved by:

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Finance Manager

**Barry Turfrey**  
Chief Financial Officer