

Report 99.735

2 December 1999

File: G/4/1/5

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

Financial Report for the Quarter Ended 30 September 1999

1. Purpose

To receive the September 1999 Financial Statements (forwarded under separate cover).

2. Comment

The year to date figures reflect an overall favourable result, with the operating surplus being ahead of budget (\$1.3 million favourable variance) and capital expenditure below budget (\$0.8 million favourable variance). At this time of year many projects are still in start up phases and the variances are therefore mainly due to timing differences rather than permanent savings.

At this time the "Forecast" assumes no variance from the original budget. It is our normal practice for the year end forecast figures, to be prepared as part of the half year review in February. This enables the Council to consider any unforeseen changes in expenditure priorities within the context of the likely year end financial result.

3. Financial Performance for the Three Months to 30 September 1999

3.1 Operating Surplus

The year to date operating result after three months reflects an operating surplus ahead of budget of \$1.3 million. 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	1999/00 Year Forecast \$000s	1999/00 Year Budget \$000s	Forecast vs Budget Variance \$000s
OPERATING SURPLUS (DEFICIT)						
Utility Services	1,257	691	566 F	3,126	3,126	-
Landcare	524	377	147 F	1,110	1,110	-
Environment	(32)	(211)	179 F	(273)	(273)	-
Transport	35	(113)	148 F	(486)	(486)	-
Wairarapa	(148)	(41)	107 U	(171)	(171)	-
Corporate Advisory Services	116	4	112 F	2	2	-
Finance & Admin	(47)	(26)	21 U	(462)	(462)	-
General Manager	(32)	(2)	30 U	(9)	(9)	-
Cost of Democracy	(20)	38	58 U	127	127	-
Investment Mgmt	1,791	1,514	277 F	6,057	6,057	-
Non Divisional	(1,023)	(1,123)	100 F	(4,491)	(4,491)	-
Total Operating Surplus (Deficit)	2,421	1,108	1,313 F	4,530	4,530	-

Significant components of this favourable year to date variance are as follows:

(1) *Utility Services Favourable Variance of \$0.566 million*

(a) *Water Group Favourable Variance of \$0.442 million*

- \$234,000 of this favourable variance primarily relates to underspending on external contractors and consultants.
- A \$40,000 underspend in personnel costs.
- Fewer materials have been used in jobs resulting in an underspend of \$45,000.

(b) *Forestry Favourable Variance of \$0.124 million*

- The variance of \$124,000 in Plantation Forestry is due to higher than expected revenue received. Budget phasing anticipated lower production levels during the winter than those which actually occurred.

(2) ***Landcare Favourable Variance of \$0.147 million***

- A significant portion of this variance relates to Flood Protection (Operations). This includes a \$56,000 variance in Hutt river works and \$40,000 for Watercourses, where the normal maintenance programme has either not commenced or not progressed as quickly as expected due to staff concentrating on outstanding flood damage work. In addition, demolition costs of the Firth building are \$33,000 lower than expected. There were also gains on Consent costs.

Forest Operations show a surplus of \$40,000 due to seasonal work programmes not yet commenced. Regional Parks (Operations) show a similar trend, \$58,000, with slow programme start-ups.

(3) ***Environment Favourable Variance of \$0.179 million***

- The revenue shortfall of \$112,000 is largely due to a delay in raising annual monitoring charges to our Resource Consent customers because of the new financial system. This shortfall in revenue is offset by expenditure savings of \$292,000 as follows:
 - ⇒ Underspending on external contractors and consultants of \$122,000. This relates to the Moera gravel aquifer investigation bore that was due to start early in the quarter, but did not commence until recently because of difficulties in negotiating a suitable site and availability of a suitable contractor.
 - ⇒ Internal Charges are underspent by \$78,000. This is due to Resource Investigation demand for laboratory services currently running at a lower level than budgeted.
 - ⇒ Personnel cost are below budget by \$32,000 which is the result of new staff taking up their appointments later than planned.

(4) ***Transport Favourable Variance of \$0.148 million***

- Income from Transfund NZ has been lower than anticipated resulting in a deficit of \$220,000. This has been offset by lower expenditure in two areas:
 - ⇒ Materials and Supplies timetable display and production costs were under budget by \$104,000.
 - ⇒ Grants and Subsidies also show a favourable variance of \$161,000 due to expenditure on contracted services, Total Mobility, infrastructure and Northern Gateway being lower than expected.

(5) ***Wairarapa Unfavourable Variance of \$0.106 million***

- The Planning and Resources department unfavourable variance of \$134,000 was largely due to the timing of annual consent fees. However, this was partially offset by savings in contractors and internal charges for the consents activity.
- The Operations department deficit of \$92,000 relates to the timing of Reserve Forest harvest revenue and Silviculture expenditure yet to be capitalised.
- The Biosecurity favourable variance of \$60,000 relates to timing of expenditure in the Bovine Tb activity.
- A favourable variance of \$92,000 in the Support Services area was mainly due to a reversing accrual for the PABX replacement, provided for at 30 June 1999 as operating expenditure. A corresponding unfavourable variance is shown in the capital expenditure year to date figures.

(6) ***Corporate Advisory Services Favourable Variance of \$0.112 million***

- The favourable variance primarily relates to the year to date budget of \$100,000 for Strategic Communications not being committed until the second quarter.

(7) ***Finance & Administration Unfavourable Variance of \$0.021 million***

- An unfavourable variance of \$47,000 occurred in the Finance department caused by additional expenditure on temporary staff and an unresolved ACC experience rating refund due (not adjusted until period 4). Higher than expected depreciation expense has also contributed to this variance.
- This deficit has been partially offset by reduced expenditure on materials and supplies (notably within WRC occupancy and IT operations).

(8) ***Investment Management Favourable Variance of \$0.277 million***

- This favourable variance is primarily due to lower than expected borrowing levels by Council's treasury.

(9) *Cost of Democracy Unfavourable Variance of 0.058 million*

- Councillors' fees \$33,000 higher than budgeted. This is due to attendance at more meetings held this year because of the LTFS process.
- Advertising is \$15,000 higher than budgeted. This relates to advertising of Council meetings and rating notices.

(10) *Non Divisional Favourable Variance of 0.100 million*

- \$99,000 relates to valuation fees not fully accrued due to uncertainty over amounts. Some minor savings are expected once we have received advice of all valuation charges.

3.2 **Capital Expenditure**

Year-to-date capital expenditure for the three months to 30 September is \$0.8 million below budget.

	1999/00 YTD Actual \$000s	1999/00 YTD Budget \$000s	Actual vs Budget Variance \$000s	1999/00 Year Forecast \$000s	1999/00 Year Budget \$000s	Forecast vs Budget Variance \$000s
CAPITAL EXPENDITURE						
Utility Services	656	1,173	517 F	4,930	4,930	-
Landcare	218	359	141 F	3,716	3,716	-
Environment	14	59	45 F	104	104	-
Transport	0	25	25 F	169	169	-
Wairarapa	141	195	54 F	330	330	-
Corporate Advisory Services	0	0	-	14	14	-
Finance & Admin	18	0	18 U	92	92	-
Cost of Democracy	0	0	-	88	88	-
Total Capital Expenditure	1,047	1,811	764 F	9,443	9,443	-

Significant components of this favourable year to date variance are as follows:

(1) *Utility Services Favourable Variance of \$0.517 million*

- The Te Marua Lakes Pipeline refurbishment has a \$175,000 favourable variance. This is a timing variance as work has been reprogrammed to April 2000 to suit operational requirements.
- The Te Marua Power Station Standby power project is under budget by \$290,000 also due to timing differences.
- OK Main Refurbishment work (Glenmore St) has been deferred until

January to better suit traffic requirements. This has resulted in an underspend of \$64,000 to 30 September 1999.

(2) ***Landcare Favourable Variance of \$0.141 million***

- Construction start up of Waikanae SH 1 to Maple lane flood protection works was slightly behind schedule resulting in a favourable year to date variance of \$112,000. This delay was primarily due to time required to finalise the appointment of contractors. Work has now commenced and is expected to be within budget.
- A \$29,000 permanent favourable variance occurred in the Waikanae flood protection area because of a decision not to go ahead with one of the Otaihanga house raising projects.
- A delay in the start of flood protection work on the Otaki has resulted in a \$37,000 favourable variance. This work has now either commenced and will be within budget, or had had to wait for the Trout spawning season.

(3) ***Wairarapa Favourable Variance of \$0.054 million***

- This favourable variance relates primarily to the timing of vehicle replacements in the Biosecurity and Operations area.
- This favourable variance has been partially offset by an unfavourable variance of \$50,000 in the Support Services area which was due to the replacement of the PABX budgeted as operating expenditure. A corresponding favourable variance is shown in the operating expenditure year to date figures.

4. Compliance with Treasury Management Policy

There were no instances of non-compliance with the Treasury Management Policy during the three months to September 1999. (N.B. Full reporting against internal debt limits will recommence for the month of October 1999.)

5 Communications

As it is only the first quarter financial report, it is too early to predict Council's likely financial result.

6. Recommendations

That the report be received and the contents noted.

Report prepared by:

Approved for submission:

PAUL LAPLANCHE
Finance Manager

GREG SCHOLLUM
Chief Financial Officer

Attachment 1 : Treasury Management Policy Compliance Report