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Committee: Policy, Finance and Strategy
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Financial Report for the five months ended 30 November 2004

1. Purpose

To report on the financial performance of the Council for the five months ended 30 November 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 \$4.3 million.

As noted in the financial report for the four months ended 31 October 2004, the "forecast" figures still assume no variance from the original budget. The forecast is currently being reviewed.

3. Financial Performance for the five months to 30 November 2004

3.1 Operating Surplus

The year-to-date operating result after five months reflects an operating surplus ahead of budget of \$4.8 million, which represents a favourable variance compared to the September 2004 quarter of \$3.2 million. This movement is mainly due to the gain on sale of the Mabey Road land.

Detailed variances from budget are shown in the following table:

	2004/05 YTD Actual \$000s	2004/05 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
OPERATING SURPLUS (DEFICIT)							
Water Group	185	(199)	384 F	174 F	(392)	(392)	-
Plantation Forestry	(150)	(16)	134 U	67 U	(39)	(39)	-
Utility Services	35	(215)	250 F	107 F	(431)	(431)	-
Transport	(1)	(460)	459 F	339 U	(1,133)	(1,133)	-
Landcare	1,382	1,225	157 F	112 F	1,985	1,985	-
Environment	172	151	21 F	15 U	(59)	(59)	-
Wairarapa	181	41	140 F	51 F	(44)	(44)	-
Corporate Advisory Services	19	7	12 F	15 F	(6)	(6)	-
Finance & Admin	217	241	24 U	77 U	39	39	-
Chief Executive	(23)	(56)	33 F	10 F	(135)	(135)	-
Investment in Democracy	(156)	(214)	58 F	11 F	(148)	(148)	-
Rates Collection	53	(21)	74 F	95 F	0	0	-
Net Divisional Surplus (Deficit)	1,879	699	1,180 F	30 U	68	68	-
Investment Management	3,167	3,068	99 F	39 F	8,509	8,509	-
Business Unit Rates Contribution	(3,177)	(3,177)	-	8 F	(7,624)	(7,624)	-
Gain on Sale of Mabey Rd Land	3,155	0	3,155 F	3,155 F	0	0	-
Wellington Regional Strategy	68	0	68 F	52 U	0	0	-
Total Operating Surplus (Deficit)	5,092	590	4,502 F	3,120 F	953	953	-

Significant elements of the \$3.1 million unfavourable operating variance since September 2004, are outlined below:

- (1) Water Group \$0.17 million favourable variance, due to:
 - Primarily incremental water treatment chemical savings of \$115,000 whilst fulfilling seasonal water demand requirements and a one off rebate of \$60,000 from the Hutt Mana Energy Trust.
- (2) Transport \$0.34 million unfavourable variance, due to:
 - Favourable expenditure variance of \$201,000 due to the following projects:

Higher bus revenues, resulting in lower subsidies	83,000 F
Timing delay in the car park development, infrastructure signage spend and other infrastructure projects	79,000 F
Delays in the Integrated Ticketing project	67,000 F
Marketing and communications consultants spend under budget	66,000 F
Various Access Planning studies underspent	30,000 F
Increase in consultant costs relating to the LTCCP Rail Consultation	85,000 U

Overhead Wire (trolley buses) contract expenditure over budget 39,000 U

- Due to the above variances revenue from LTNZ has a \$540,000 unfavourable variance

(3) Landcare \$0.11 million favourable variance, due to:

- Financial savings due to early debt repayment following the Mabey Rd sale \$40,000.
- The balance of the favourable variance is predominantly due to timing variances in work programmes.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the five months is \$4.3 million below budget which represents a favourable variance compared to the September 2004 quarter of \$3.5 million.

	2004/05 YTD Actual \$000s	2004/05 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
NET CAPITAL EXPENDITURE							
Utility Services	782	1,230	448 F	290 F	5,883	5,883	-
Landcare	1,178	1,608	430 F	166 F	4,897	4,897	-
Environment	143	129	14 U	12 U	554	554	-
Transport	5	36	31 F	11 F	306	306	-
Wairarapa	317	420	105 F	145 U	1,014	1,014	-
Finance & Admin	239	100	139 U	221 U	1,228	1,228	-
Corporate Advisory Services	7	61	54 F	34 F	88	88	-
Investment in Democracy	0	0	-	-	52	52	-
Investment Management	5	0	5 U	5 U	531	531	-
Total Capital Expenditure	2,676	3,584	910 F	119 F	14,553	14,553	-
Proceeds from Sale of Mabey Rd land	(3,385)	0	3,385 F	3,385 F	0	0	-
Total Net Capital Expenditure	(709)	3,584	4,293 F	3,504 F	14,553	14,553	-

Significant elements of the \$3.5 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 \$52,000. In addition, the postponement from October to December of the annual divisional vehicle acquisition replacements and reduced ongoing minor plant & equipment expenditure have produced a further combined favourable variance of \$238,000.

- (2) Landcare \$0.17 million favourable variance, due to:
- Vehicle replacement programme planned to occur in October behind schedule \$178,000.
- (3) Wairarapa \$0.15 million unfavourable variance, due to:
- The near completion of the Scadden's stopbank emergency reconstruction works, four months ahead of budget.
- (4) Finance and Administration \$0.22 million unfavourable variance, due to:
- Unfavourable variance of 237,000 due to the change in policy to purchase replacement PCs which were previously leased.

4. Communications

Emphasis should be placed on the results after each quarter end.

5. Recommendations

That the Committee recommend that the Council receive the report and note its contents.

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Report approved by:

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