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Committee      Policy, Finance and Strategy  
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## Financial Report for the ten months ending 30 April 2006

### 1. Purpose

To review the financial performance of the Council for the ten months ending April 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 \$2,686,000 compared with budget of \$5,824,000, a variance of \$3,138,000. The continued delays in Transport spending dominate the variance with timing of expenditure within the Water, Parks and Forest Division also contributing.

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-end's 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	For the Period Ending - 30 April 2006			
	Last Year	Actual	Budget	Variance
Water Group	710	612	(750)	1,362
Forestry	(798)	(470)	(735)	265
Regional Parks	227	550	(91)	641
<b>Water Supply, Parks &amp; Forests</b>	<b>139</b>	<b>692</b>	<b>(1,576)</b>	<b>2,268</b>
Transport Policy and Strategy	15	55	(235)	290
Transport Infrastructure & Procurement	2,605	(1,342)	(2,948)	1,606
<b>Total Transport</b>	<b>2,620</b>	<b>(1,287)</b>	<b>(3,183)</b>	<b>1,896</b>
Environment	677	488	(35)	523
Catchment Management	2,100	1,481	771	710
Corporate	45	(8)	(15)	7
Finance, IT & Support Services	802	929	344	585
Investment in Democracy	(140)	70	62	8
<b>Divisional Operating Surplus</b>	<b>6,243</b>	<b>2,365</b>	<b>(3,632)</b>	<b>5,997</b>
Investment Management	8,005	6,461	6,467	(6)
Business Unit Rates Contribution	(6,353)	(6,465)	(6,466)	1
<b>Net Council Operating Surplus / (Deficit)</b>	<b>7,895</b>	<b>2,361</b>	<b>(3,631)</b>	<b>5,992</b>
Landcare: Sale of Mabey Road	3,155	-	-	-
Transport - Procurement Capex	27	325	9,455	(9,130)
<b>Total Council Operating Surplus</b>	<b>11,077</b>	<b>2,686</b>	<b>5,824</b>	<b>(3,138)</b>

\* Statement excludes Regional Strategy

### 4.4.1 Water - favourable variance of \$1,362,000

Savings have continued across a number of operational areas, specifically:

- External consultants, \$410,000, mainly due to timing delays and reduced maintenance.
- Materials and suppliers, \$276,000, primarily in power and chemicals.
- Personnel costs, \$169,000 below budget.
- Depreciation, \$285,000 below budget.

#### 4.4.2 Forestry - favourable variance of \$265,000

Log volumes were up on budget, with a small increase in log prices. Revenue overall is ahead of budget by \$108,000.

Operating expenses overall are \$92,000 less than budget, with financial costs \$65,000 less than budget.

#### 4.4.3 Regional Parks– favourable variance of \$555,000

Net savings in personnel, contractor and internally charged expenditure \$496,000.

#### 4.4.4 Transport Infrastructure - favourable variance of \$1,606,000

The change in the accounting for heavy maintenance and revenue for funding capital expenditure have been separated out to allow better comparison between actual and budget.

The Rail Contract remains unsigned and this has caused delays in a number of rail projects, especially heavy maintenance and capital expenditure. These delays have resulted in a favourable variance as the rates component of these projects is still received. The reasons for the favourable variance remain unchanged from the quarterly review, namely higher inflation, delays in contracts and rail projects.

#### 4.4.5 Transport Policy – favourable variance of \$290,000

Operating expenditure is below budget by \$1,621,000, which in turn has reduced revenue by \$1,331,000 as delays in Wairarapa log freight, travel co ordination and the Regional Land Transport Strategy.

#### 4.4.6 Environment - favourable variance \$523,000

Total revenue is \$170,000 ahead of budget primarily due to the increased consents fees from the Meridian wind farm consent application.

The Division's expenditure is some \$355,000 less than budget.

The main contributors to this variance are:

- Personnel costs were under budget by \$188,000.
- Consultant costs and internal charges were less than budget by \$150,000 due to less activity than expected.

#### 4.4.7 Catchment Management - favourable variance of \$710,000

External revenue is down due to cut backs in the Bovine Tb programme requested by the Animal Health Board, which has also reduced the associated expenditure.

#### 4.4.8 Finance, IT and Support – favourable variance of \$585,000

Net rates revenue and collection expenditure is running \$205,000 ahead of budget.

Revenue for IT and Support services is running \$98,000 ahead of budget.

Operating expenditure is \$282,000 below budget in the areas of personnel costs, materials and supplies and contractors and consultants. These are expected to reverse by year end.

#### 4.5 Forecast to 30 June 2006

The forecast deficit is now \$891,000 compared with the previous forecast deficit of \$906,000 reported in March. This is due mainly to a small forecast reduction in expenditure in Transport Procurement. Apart from this, the forecast variances from budget remain as reported to Council in April. As we move towards the end of the year, pressure remains on the divisions to complete the budgeted work programmes.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year ending 30 June 2006			
	Last Year	Budget	Forecast	Variance
Water Group	873	(817)	(335)	482
Forestry	(637)	(888)	(883)	5
Regional Parks	(311)	(397)	261	658
<b>Water Supply, Parks &amp; Forests</b>	<b>(75)</b>	<b>(2,102)</b>	<b>(957)</b>	<b>1,145</b>
Transport Policy and Strategy	(145)	(174)	104	278
Transport Infrastructure & Procurement	1,172	(1,377)	(2,369)	(992)
<b>Total Transport</b>	<b>1,027</b>	<b>(1,551)</b>	<b>(2,265)</b>	<b>(714)</b>
Environment	338	(242)	88	330
Catchment Management	2,179	1,142	1,443	301
Corporate	(96)	31	(318)	(349)
Finance, IT & Support Services	949	342	413	71
Investment in Democracy	(78)	74	74	-
<b>Divisional Operating Surplus</b>	<b>4,244</b>	<b>(2,306)</b>	<b>(1,522)</b>	<b>784</b>
Investment Management	10,942	8,675	8,390	(285)
Business Unit Rates Contribution	(7,624)	(7,759)	(7,759)	-
<b>Net Council Operating Surplus / (Deficit)</b>	<b>7,562</b>	<b>(1,390)</b>	<b>(891)</b>	<b>499</b>
Landcare: Sale of Mabey Road	3,155	-	-	-
Transport - Procurement Capex	77	9,585	145	(9,440)
<b>Total Council Operating Surplus</b>	<b>10,794</b>	<b>8,195</b>	<b>(746)</b>	<b>(8,941)</b>

\* Statement excludes Regional Strategy

## 5. Capital Expenditure

The major variances from budgeted capital expenditure remain with Transport. The transfer of heavy maintenance expenditure from capital to operating expenditure has been separated out for clarity. Other Transport capital expenditure also continues to be delayed. Apart from this other capital expenditure is in line with budget.

### 5.1.1 Year to date variances

Net Capital Expenditure \$(000)'s	For the Period Ending - 30 April 2006			
	Last Year	Actual	Budget	Variance
Water Group	2,466	5,339	5,201	(138)
Forestry	179	89	202	113
Regional Parks	274	216	449	233
<b>Water Supply, Parks &amp; Forests</b>	<b>2,919</b>	<b>5,644</b>	<b>5,852</b>	<b>208</b>
Transport Policy and Strategy	-	-	-	-
Transport Infrastructure & Procurement	42	(6)	1	7
Transport - heavy maintenance	27	325	9,455	9,130
<b>Total Transport</b>	<b>69</b>	<b>319</b>	<b>9,456</b>	<b>9,137</b>
Environment	567	246	370	124
Catchment Management	3,516	3,688	3,665	(23)
Corporate	66	52	99	47
Finance, IT & Support Services	712	297	725	428
Investment in Democracy	24	13	0	(13)
<b>Divisional Capital expenditure</b>	<b>7,873</b>	<b>10,259</b>	<b>20,167</b>	<b>9,908</b>
Landcare: Sale of Mabey Road	(3,385)	-	-	-
Investment Management	336	4	380	376
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital expenditure</b>	<b>4,824</b>	<b>10,263</b>	<b>20,547</b>	<b>10,284</b>

### 5.1.2 Full year forecast

Forecast capital expenditure conference to be well behind budget due to delays in the Transport capital expenditure programme. The reasons for this were reported to Council in April. The other areas of Council are expected to spend their capital expenditure programmes in line with budget

Net Capital Expenditure \$(000)'s	Year ending 30 June 2006			Variance
	Last Year	Budget	Forecast	
Water Group	4,226	6,349	6,696	(347)
Forestry	333	238	119	119
Regional Parks	288	519	294	225
<b>Water Supply, Parks &amp; Forests</b>	<b>4,847</b>	<b>7,106</b>	<b>7,109</b>	<b>(3)</b>
Transport Policy and Strategy	-	-	-	-
Transport Infrastructure & Procurement	127	-	-	-
Transport - heavy maintenance	77	11,995	1,420	10,575
<b>Total Transport</b>	<b>204</b>	<b>11,995</b>	<b>1,420</b>	<b>10,575</b>
Environment	582	470	238	232
Catchment Management	5,465	5,365	5,822	(457)
Corporate	99	219	247	(28)
Finance, IT & Support Services	716	1,282	442	840
Investment in Democracy	49	5	5	-
<b>Divisional Capital expenditure</b>	<b>11,962</b>	<b>26,442</b>	<b>15,283</b>	<b>11,159</b>
Landcare: Sale of Mabey Road	(3,385)	-	-	-
Investment Management	336	620	10	610
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital expenditure</b>	<b>8,913</b>	<b>27,062</b>	<b>15,293</b>	<b>11,769</b>

\* Statement excludes Regional Strategy

## **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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