



Report: 03.2
Date: 13 January 2003
File: G/4/1/5
CFO/13/2/1
Committee: Policy, Finance and Strategy
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Financial Report for the five months ended 30 November 2002

1. Purpose

To receive the November 2002 Financial Statements (forwarded under separate cover).

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 capital expenditure, with the operating surplus ahead of budget by \$0.7 million and capital expenditure below budget by \$0.6 million.

The change in the variances from the September 2002 figures reflect a favourable result in operating surplus and an unfavourable result in capital expenditure.

At this time the "Forecast" still 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. 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 five months to 30 November 2002

3.1 Operating Surplus

The year-to-date operating result after five months reflects an operating surplus ahead of budget of \$0.7 million, which represents a favourable variance compared to the September 2002 quarter of \$0.1 million.

Detailed variances from budget are shown in the following table:

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sept \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
OPERATING SURPLUS (DEFICIT)							
Water Group	769	271	498 F	94 F	565	565	-
Plantation Forestry	(267)	(91)	176 U	150 F	(225)	(225)	-
Utility Services	502	180	322 F	244 F	340	340	-
Transport	459	162	297 F	122 F	(106)	(106)	-
Landcare	1,109	1,040	69 F	7 U	1,557	1,557	-
Environment	162	(62)	224 F	30 F	(134)	(134)	-
Wairarapa	125	171	46 U	57 U	(108)	(108)	-
Corporate Advisory Services	(114)	(19)	95 U	88 U	(15)	(15)	-
Finance & Admin	58	27	31 F	53 U	(170)	(170)	-
General Manager	(1)	21	22 U	26 U	(55)	(55)	-
Investment in Democracy	(21)	(1)	20 U	24 U	(3)	(3)	-
Rates Collection	29	0	29 F	7 F	0	0	-
Net Divisional Surplus (Deficit)	2,308	1,519	789 F	148 F	1,306	1,306	-
Investment Management	2,948	3,017	69 U	38 U	8,163	8,163	-
Business Unit Rates Contribution	(2,948)	(2,948)	-	-	(5,827)	(5,827)	-
Total Operating Surplus (Deficit)	2,308	1,588	720 F	110 F	3,642	3,642	-

Significant elements of the \$0.1 million favourable operating variance since September 2002 are outlined below:

(1) Plantation Forestry favourable variance of \$0.15 million, due to:

- A combination of an improvement in operating conditions with the late arrival of spring and also, the reclassification of some of the YTD harvest block costs which were previously expensed, (\$93,000).

(2) Transport favourable variance of \$0.12 million, due to:

- A \$60,000 favourable variance with English Electric refurbishments deferred until agreement can be reached with the Passenger Rail Operator over capital funding.
- A \$51,000 favourable variance with new kickstart services to commence following the completion of the Hutt Valley Services Review.

3.2 Net Capital Expenditure

Year-to-date net capital expenditure for the five months is \$0.6 million below budget which represents an unfavourable variance compared to the September 2002 quarter of \$0.1 million.

	2002/03 YTD Actual \$000s	2002/03 YTD Budget \$000s	Actual vs Budget Variance \$000s	Change in Variance from Sept \$000s	2002/03 Year Forecast \$000s	2002/03 Year Budget \$000s	Forecast vs Budget Variance \$000s
NET CAPITAL EXPENDITURE							
Utility Services	799	967	168 F	214 U	3,093	3,093	-
Landcare	433	628	195 F	38 F	3,282	3,282	-
Environment	124	203	79 F	41 F	299	299	-
Transport	0	27	27 F	27 F	27	27	-
Wairarapa	28	190	162 F	5 F	290	290	-
Finance & Admin	87	105	18 F	48 U	484	484	-
Investment in Democracy	32	25	7 U	25 F	30	30	-
Total Net Capital Expenditure	1,503	2,145	642 F	126 U	7,505	7,505	-

The significant element of the \$0.1 million unfavourable capital expenditure variance since September 2002 is outlined below:

(1) Utility Services unfavourable variance of \$0.21 million, due to:

- The reclassification of some of the YTD Plantation Forestry harvest block roading costs which were previously expensed, (\$93,000) and the later than budgeted initiation of a variety of Water Group capital work projects.

4. Communications

Emphasis should rightly be placed on the results after six months (i.e. the half-year review).

5. Recommendations

That the Committee recommend that the Council:

- (1) receive the report and note its contents.*

Report prepared by:

Report approved by:

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