

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Accounting Manager
FILE: C753
DATE: 18 February 2010
SUBJECT: **Finance Department Report – RFN10-02-07**

31 December 2009 Six Monthly Finance Report

The full reports for December 2009, and Closed Accounts, are attached for your information. These documents contain not only the financial summary of each significant activity, but also details of each major activity within the sections.

In summary, income of \$41.1 million and expenditure of \$39.36 million are both slightly behind budget resulting in a net position slightly ahead of budget predictions. There are some processes which are only completed at the annual report stage, and are therefore not included here. This would include such items as joint venture transactions, adjustments for fair value in forestry and interest rate derivatives, and the revaluation of key assets.

The utilisation of interest rate swaps has enabled Council to borrow ahead of time at very favourable rates. Until these funds are spent on the capital works intended, they are giving the impression of an overly high working capital position. If these funds had not been drawn down early, Council would be reporting a deficit working capital position of \$6.41 million, and be paying a higher charge for the funds.

The seemingly large increase in the revaluation reserves compared to budget is the result of the 2009/2010 budget being completed prior to the utilities revaluation as at 30 June 2009 being finalised. That revaluation was higher than budgeted.

Whilst many of the accounts are on line or better than budget, the following items are highlighted for your information:

- Within E&P activities additional monitoring costs at the former Fruitgrowers Chemical Company site has pushed the associated budget well ahead of the annual budget. It is expected that the majority of these costs will be reimbursed by the Ministry for the Environment.
- Capital expenditure in Regulatory Services includes carry forward amounts for the Harbourmaster vessel, and the completion of the dog pound.
- A decrease in the amount spent against the Subsidised Land Transport capital budget has had a similar effect on the subsidy received from New Zealand Land Transport.

- Revenue streams within the solid waste activity are only 39% of budget. Planned expenditure has been cut back to ensure the activity stays within net budget.
- Wastewater development contributions are also down on budget.
- The positive result of the rivers activity is primarily a result of timing of expenditure rather than cost savings, at this point.
- Water sales are down on budget due to seasonal variability in consumption. This has also been flagged with Engineering to monitor with the possibility of having to adjust discretionary expenditure if required.
- Funds received for sport and recreation, within the Cultural Services and Community Grants section are not linear and fall across financial years. To provide a consistency in approach we have matched expenditure with income, holding the balance in the balance sheet.
- Camping ground recoveries are behind budget, but these are also likely to be the result of timing and seasonality.
- The Forestry account is well behind budget expectations. Primarily this is the result of high logging costs at Rabbit Island combined with harvesting being behind schedule. The expectation is harvesting will increase over the remainder of the year but is unlikely to reach tonnage budget. However as log prices have firmed through the year the financial impact will be lessened.

Recommendation

That the Finance Department Report – RFN10-02-07 dated 18 February 2010 be received.

Russell Holden
Accounting Manager