



Report 07.770
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Review for the four months ended 31 October 2007

1. Purpose

- To inform the Council of Greater Wellington's (GWRC) financial performance for the four months ended 31 October 2007 and to provide an explanation of major variances by division.
- To forecast the end of year position.

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

The Council prepares monthly financial statements for review. Each quarter a detailed report of Greater Wellington's financial results is presented to Council.

In the intervening months, 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

The Council achieved an operating surplus of \$3,202,000 (budget \$131,000). This result excludes expenditure incurred and grants received in respect of Public Transport capital expenditure. Including these amounts the surplus was \$42,000 compared with the budget deficit of \$3,189,000.

Further details on the year to date performance are discussed below.

5. Financial Summary

The following tables show the year to date results and variances by Division.

Wellington Regional Council Summary Income Statement - Revenue For the period ending 31 October 2007				
Total Operating Revenue \$(000)'s	Last Year	Actual	Budget	Variance
	Water Group	9,075	9,065	9,078
Forestry	2,103	2,118	2,127	(9)
Regional Parks	2,103	2,135	2,183	(48)
Water Supply, Parks & Forests	13,281	13,318	13,388	(70)
Transport Policy and Strategy	891	936	1,128	(192)
Public Transport	21,220	23,793	24,107	(314)
Total Transport	22,111	24,729	25,235	(506)
Environment	3,756	3,999	4,058	(59)
Catchment Management	9,632	8,829	8,855	(26)
Corporate	682	822	644	178
WRS	216	1,333	1,467	(134)
Finance, IT & Support Services	2,163	2,348	2,276	72
Investment in Democracy	1,496	1,547	1,542	5
Divisional Operating Revenue	53,337	56,925	57,465	(540)
Investment Management	1,881	1,741	1,992	(251)
Business Unit Rates Contribution	(2,566)	(2,914)	(2,914)	-
Council Operating Revenue	52,652	55,752	56,543	(791)
Public Transport - Capex / Investment	494	6,514	8,724	(2,210)
Total Council Revenue	53,146	62,266	65,267	(3,001)

Wellington Regional Council Summary Income Statement - Expenditure For the period ending 31 October 2007				
Total Operating Expenditure \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	8,944	8,603	9,872	1,269
Forestry	2,448	2,516	2,402	(114)
Regional Parks	1,721	1,933	2,309	376
Water Supply, Parks & Forests	13,113	13,052	14,583	1,531
Transport Policy and Strategy	774	849	1,162	313
Public Transport	21,554	22,919	24,046	1,127
Total Transport	22,328	23,768	25,208	1,440
Environment	3,707	3,927	3,905	(22)
Catchment Management	8,722	7,394	8,195	801
Corporate	613	664	661	(3)
WRS	386	1,407	1,467	60
Finance, IT & Support Services	1,735	1,960	2,173	213
Investment in Democracy	1,505	1,513	1,598	85
Divisional Operating Expenditure	52,109	53,685	57,790	4,105
Investment Management	(691)	(1,135)	(1,378)	(243)
Business Unit Rates Contribution	-	-	-	-
Council Operating Expenditure	51,418	52,550	56,412	3,862
Revaluation of Debt and Stadium Advance	-	-	-	-
Forestry Cost of Goods Sold	726	458	405	(53)
Public Transport - Capex / Investment	-	9,216	11,639	2,423
Total Council Expenditure	52,144	62,224	68,456	6,232

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the period ending 31 October 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	131	462	(794)	1,256
Forestry	(345)	(398)	(275)	(123)
Regional Parks	382	202	(126)	328
Water Supply, Parks & Forests	168	266	(1,195)	1,461
Transport Policy and Strategy	117	87	(34)	121
Public Transport	(334)	874	61	813
Total Transport	(217)	961	27	934
Environment	49	72	153	(81)
Catchment Management	910	1,435	660	775
Corporate	69	158	(17)	175
WRS	(170)	(74)	-	(74)
Finance, IT & Support Services	428	388	103	285
Investment in Democracy	(9)	34	(56)	90
Divisional Operating Surplus / (Deficit)	1,228	3,240	(325)	3,565
Investment Management	2,572	2,876	3,370	(494)
Business Unit Rates Contribution	(2,566)	(2,914)	(2,914)	-
Council Operating Surplus / (Deficit)	1,234	3,202	131	3,071
Forestry Cost of Goods Sold	(726)	(458)	(405)	(53)
Public Transport - Capex / Investment	494	(2,702)	(2,915)	213
Total Council Surplus / (Deficit)	1,002	42	(3,189)	3,231
Flood Protection				
Eastern	83	387	93	294
Western	1,055	1,001	788	213
Total Flood Protection	1,138	1,388	881	507

5.1 Water - favourable variance of \$1,256,000 due primarily to:

- Decreased depreciation due to the water supply assets not being revalued as at 30 June 2007 as budgeted. This has reduced the asset base and therefore depreciation.
- Savings in chemicals, power, finance and staff costs.

5.2 Forestry - unfavourable variance of \$123,000 due primarily to:

- Higher than budgeted harvest and replanting costs.

5.3 Regional Parks - favourable variance of \$328,000 due primarily to:

- Parks operational expenditure is currently below budget, due mainly to the timing of expenditure in respect of the Akatarawa and Hutt 1080 operations. This is expected to reverse by year end.

5.4 Public Transport - favourable variance of \$813,000 due primarily to:

- The June 2007 Land Transport New Zealand (LTNZ) inflation index was less than expected, resulting in less expenditure on the Council's bus contracts.
- Reduce maintenance requirements on the new Wairarapa carriages.

5.5 Transport Policy - favourable variance of \$121,000 due primarily to:

- Delays in completing the transport model.

5.6 Environment - unfavourable variance of \$81,000 due primarily to:

- Lower than anticipated notified consents resulted in a reduction in income.

5.7 Catchment Management - favourable variance of \$775,000 due primarily to:

- The down-sizing of the BioWorks unit has reduced both revenue and expenditure.
- The timing of expenditure on river maintenance across the region has resulted in savings that will reverse as the year progresses.

5.8 Corporate - favourable variance of \$175,000 due primarily to:

- Additional revenue for the Emergency Management conference and funds from the Honda Tree planting program.

5.9 Wellington Regional Strategy - unfavourable variance of \$74,000 due primarily to:

- The phasing of revenue and expenditure has resulted an unfavourable variance which is expected to reverse by year end.

5.10 Finance, IT and Support - favourable variance of \$285,000 due primarily to:

- Higher internal revenue, lower personnel costs and the phasing of expenditure on material and supplies.

5.11 Investment Management - unfavourable variance of \$494,000 due primarily to:

- Lower capital expenditure by the Divisions has reduced internal borrowings and interest income.
- External interest rates are higher than budget. Currently the 90 day bank bill rate is 8.7% compared to the budget of 8.25%.

- The sale of forward start interest rate swaps as signalled in the budget had not yet occurred, \$200,000 unfavourable variance.

6. Finance costs

Finance costs for the four months to 31 October are \$1,634,000 compared to the budget of \$1,537,000, an unfavourable variance of \$97,000. The unfavourable variance is due to higher interest rates than budgeted. In addition the sale of forward start interest rate swaps (a gain of \$200,000) has not yet occurred.

7. Forecast to 30 June 2008

The forecast to 30 June 2008 is an operating surplus of \$953,000, compared with the budget of \$1,459,000. The only changes from the September forecast is the Catchment Management Division's forecast surplus decreasing from \$2,854,000 to \$2,663,000.

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the Year Ending 30 June 2008				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	(363)	(927)	(1,933)	1,006
Forestry	21	(812)	(909)	97
Regional Parks	187	(321)	(321)	-
Water Supply, Parks & Forests	(155)	(2,060)	(3,163)	1,103
Transport Policy and Strategy	282	(133)	(133)	-
Public Transport	2,687	(1,062)	(112)	(950)
Total Transport	2,969	(1,195)	(245)	(950)
Environment	(513)	(111)	(111)	-
Catchment Management	1,585	2,663	3,061	(398)
Corporate	96	(71)	(51)	(20)
WRS	(221)	-	-	-
Finance, IT & Support Services	1,568	226	226	-
Investment in Democracy	84	(172)	(172)	-
Divisional Operating Surplus / (Deficit)	5,413	(720)	(455)	(265)
Investment Management	6,200	10,415	10,656	(241)
Business Unit Rates Contribution	(9,768)	(8,742)	(8,742)	-
Council Operating Surplus / (Deficit)	1,845	953	1,459	(506)
Revaluation of Debt and Stadium Advance	4,255	-	-	-
Revaluation Forestry - Revaluation	529	3,029	3,029	-
Forestry Cost of Goods Sold	(1,745)	(1,215)	(1,118)	(97)
Public Transport - Capex / Investment	(9,466)	(15,808)	(18,239)	2,431
Total Council Surplus / (Deficit)	(4,582)	(13,041)	(14,869)	1,828
Flood Protection				
Eastern	(220)	519	519	-
Western	2,637	2,252	2,444	(192)
Total Flood Protection	2,417	2,771	2,963	(192)

8. Capital Expenditure

8.1 Year to date

Actual capital expenditure is \$2,875,000 compared with the budget of \$6,707,000.

Apart from Public Transport and Catchment Management all of the other divisions are forecasting their capital expenditure to be in line with budget by year end.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the period ending 31 October 2007				
Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	694	647	845	198
Forestry	20	74	101	27
Regional Parks	159	32	54	22
Water Supply, Parks & Forests	873	753	1,000	247
Transport Policy and Strategy	-	-	-	-
Public Transport	191	294	2,752	2,458
Public Transport Investment Additions	-	-	121	121
Total Transport	191	294	2,873	2,579
Environment	97	-	320	320
Catchment Management	751	1,735	1,616	(119)
Corporate	51	21	-	(21)
WRS	-	-	-	-
Finance, IT & Support Services	66	67	698	631
Investment in Democracy	-	-	-	-
Divisional Capital and Investment expenditure	2,029	2,870	6,507	3,637
Investment Management	3	5	200	195
Council Capital and Investment expenditure	2,032	2,875	6,707	3,832
Flood Protection				
Eastern	-	75	290	215
Western	676	1,660	1,326	(334)
Total Flood Protection	676	1,735	1,616	(119)

8.2 Public Transport - favourable variance of \$2,458,000 due primarily to:

Expenditure on stations, platforms and carparks was budgeted as capital expenditure. However, as the Council will not own these assets they have been classified as operational expenditure. This has increased the year to date deficit for Public Transport as noted in the Income Statement.

9. Capital Expenditure - Full year forecast

Except for the reclassification of public transport expenditure, the forecast is unchanged from the budget.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the Year Ending 30 June 2008				
Capital Expenditure and Investments \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	4,162	4,996	4,996	-
Forestry	328	380	380	-
Regional Parks	514	336	336	-
Water Supply, Parks & Forests	5,004	5,712	5,712	-
Transport Policy and Strategy	-	17	17	-
Public Transport	(31)	5,201	6,401	1,200
Public Transport Investment Additions	-	979	979	-
Total Transport	(31)	6,197	7,397	1,200
Environment	443	1,359	1,359	-
Catchment Management	4,226	6,468	7,689	1,221
Corporate	209	-	-	-
WRS	-	-	-	-
Finance, IT & Support Services	531	1,539	1,539	-
Investment in Democracy	5	49	49	-
Divisional Capital and Investment expenditure	10,387	21,324	23,745	2,421
Investment Management	38	1,405	1,405	-
Council Capital and Investment expenditure	10,425	22,729	25,150	2,421
Flood Protection				
Eastern	713	895	895	-
Western	3,257	5,354	6,545	1,191
Total Flood Protection	3,970	6,249	7,440	1,191

10. Finance Costs

Finance costs for the Council are forecast at \$5,275,000 compared with the budget of \$4,975,000. The unfavourable variance is due to forecast interest rates being higher than budget by approximately 0.50%. In addition the Council's opening debt position was higher than budgeted.

11. Communications

No communications are necessary at this time.

12. Recommendations

That the Council:

1. ***Receives the report.***
2. ***Notes the content of the report.***

Report prepared by:

Report approved by:

Chris Gray
Finance Manager

Barry Turfrey
Chief Financial Officer

Attachment 1: Income Statement

Attachment 2: Funding Statement

Attachment 3: Balance Sheet

Attachment 1: Income Statement

Wellington Regional Council						
Income Statement						
For the period ending 31 October 2007						
Year to Date			Income Statement \$(000)'s	Full Year Forecast		
Last Year	Actual	Budget		Last Year	Forecast	Budget
13,353	16,062	16,062	Targeted Rates	40,060	48,186	48,186
7,297	7,268	7,268	General Rate	22,525	21,803	21,803
-	-	-	Remission of Regional Rates	-	-	-
113	109	-	Rates Penalties	460	-	-
(3)	(5)	-	Remission of Rates Penalties	(32)	-	-
20,760	23,434	23,330	Regional Rates	63,013	69,989	69,989
7,592	7,820	7,820	Regional Water Supply Levies	22,776	23,460	23,460
11,576	18,895	21,612	Grants and Subsidies Revenue	51,090	78,595	81,670
-	-	-	Reserve Investment Revenue	-	-	-
1,357	1,356	1,543	Other Investment Revenue	4,750	4,890	4,840
-	-	-	Unrealised Revaluation Gains	4,786	3,809	3,809
5,890	5,235	5,407	Other External Revenue	17,671	16,622	17,468
47,175	56,740	59,712	Total External Revenue	164,086	197,365	201,236
5,971	5,528	5,554	Internal Revenue	18,679	17,344	17,732
53,146	62,268	65,266	Total Operating Revenue	182,765	214,709	218,968
8,895	9,662	10,267	Personnel Costs	28,809	30,069	30,593
6,985	6,340	7,837	Materials,Supplies & Services	19,578	23,394	23,595
423	340	382	Travel & Transport Costs	1,359	1,129	1,149
6,808	8,189	6,992	Contractor & Consultants	25,451	22,141	22,711
18,435	27,380	32,403	Grants and Subsidies Expenditure	79,486	119,177	123,127
5,831	5,461	5,464	Internal Charges	18,240	17,158	17,220
47,377	57,372	63,345	Total Direct Expenditure	172,923	213,068	218,395
-	-	-	Internal Debt Financial Costs	-	(21)	-
1,559	1,634	1,537	Other Financial Costs	4,760	5,275	4,975
40	40	-	Bad Debts and Provision for Bad Debts	(40)	-	-
3,172	3,203	3,573	Depreciation	9,476	9,681	10,720
(4)	(23)	-	Loss(Gain) on Assets	228	(253)	(253)
-	-	-	Loss(Gain) Investments	-	-	-
4,767	4,854	5,110	Total Indirect Expenditure	14,424	14,682	15,442
52,144	62,226	68,455	Total Operating Expenditure	187,347	227,750	233,837
1,002	42	(3,189)	Operating Surplus(Deficit)	(4,582)	(13,041)	(14,869)

Attachment 2: Funding Statement

Wellington Regional Council

Funding Statement

For the period ending 31 October 2007

Year to Date			Funding Statement \$(000)'s	Full Year Forecast		
Last Year	Actual	Budget		Last Year	Forecast	Budget
1,002	42	(3,189)	Operating Surplus(Deficit)	(4,582)	(13,041)	(14,869)
(3,172)	(3,203)	(3,573)	Depreciation	(9,476)	(9,681)	(10,720)
4	23	-	Loss(Gain) on Assets	(228)	253	253
(726)	(458)	(405)	Revaluations	3,668	2,594	2,594
-	-	-	Loss(Gain) Investments	-	-	-
(3,894)	(3,638)	(3,978)	Add Back Non Cash Items	(6,036)	(6,834)	(7,873)
4,896	3,680	789	Cash Operating Surplus(Deficit)	1,454	(6,207)	(6,996)
-	-	-	Reserve Investments Movements	-	-	-
4,896	3,680	789	Funding Surplus (Deficit) from Operations	1,454	(6,207)	(6,996)
(369)	(558)	(76)	Total Asset Acquisitions	(1,828)	(1,418)	(1,448)
(1,684)	(2,342)	(6,509)	Capital Project Expenditure	(8,879)	(20,678)	(23,069)
21	25	-	Asset Disposal Cash Proceeds	282	346	346
(2,032)	(2,875)	(6,585)	Net Capital Expenditure	(10,425)	(21,750)	(24,171)
10,558	(518)	(638)	Other Investments Movements	9,152	(3,571)	(3,039)
(7,301)	4,489	6,434	External Debt Movements	(1,359)	31,426	34,206
-	-	-	Internal Debt Repayments	-	102	-
-	-	-	Other Debt Movements	-	-	-
(6,121)	(4,771)	-	Working Capital Movements	1,178	-	-
-	(5)	-	Reserve Movements	-	-	-
-	-	-	Net Funding Surplus(Deficit)	-	-	-

Attachment 3: Balance Sheet

Wellington Regional Council			
Balance Sheet			
For the period ending 31 October 2007			
Balance Sheet \$(000)'s	Current Actual YTD	2008 Budget	Last Year June Actual
Total Retained Earnings	365,949	345,854	367,547
Asset Revaluation Reserves	226,387	198,328	179,699
Departmental Reserves	8,984	7,417	8,093
Movement in Equity	-	-	-
Total Ratepayer Funds	601,320	551,599	555,339
Bank Accounts and Call Deposits	6	158	1,037
Receivables	19,615	8,101	11,338
Accrued Revenue and Prepayments	11,296	4,107	21,266
Stocks	2,128	1,945	2,143
Total Current Assets	33,045	14,311	35,784
Other Investments	50,049	48,066	49,531
Investment in Subsidiary	34,541	23,089	34,541
Derived Financial Instruments	1,908	-	1,908
Forestry Investments	13,956	18,194	14,303
Total Investments	100,454	89,349	100,283
Net Fixed Assets	556,944	558,709	502,936
Capital Works In Progress	6,939	2,500	14,693
Total Non Current Assets	664,337	650,558	617,912
Total Assets	697,382	664,869	653,696
Payables and Accrued Expenses	21,238	15,654	26,342
Employee Provisions and Accruals	3,320	3,000	4,302
Subsidiaries Current Accounts	337	500	1,443
Current Liabilities	24,895	19,154	32,087
External Debt	71,167	94,116	66,270
Non Current Liabilities	71,167	94,116	66,270
Total Liabilities	96,062	113,270	98,357
Net Assets	601,320	551,599	555,339

