



**Report** 05.698  
**Date** 6 December 2005  
**File** G/4/1/5  
CFO/13/2/1  
**Committee** Policy, Finance and Strategy  
**Author** Chris Gray, Finance Manager

## Financial Report for the four months ending 31 October 2005

### 1. Purpose

To review the financial performance of the Council for the four months ended 31 October 2005.

### 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 summation of these is provided to Council for review.

### 4. Financial Performance

#### 4.1 Year to date Operating Performance

Divisional performance against budget has varied, with the largest variance being caused by the continued delays in the heavy rail maintenance and reclassification of this work to operational expenditure from capital expenditure. The changes are detailed in the next table with variances explain later in the report

On a consolidated Council basis actual surplus is \$1,854,000 compared with budget of \$2,212,000, a decrease of \$357,000. The major change for this is the continuation in delays in the Transport capital expenditure projects.

A detailed Council Statement of Financial Performance is attached as **Attachment 1**.

#### 4.1.1 Funding Statement

This report highlights that at this stage we have a funding surplus relative to budget being driven by lower capital spending. However as discussed below we expect the programs to progress but they will be dependant on when the transport projects get underway.

The Council Funding Statement is attached as **Attachment 2**.

#### 4.1.2 Statement of Financial Position

Attachment 3 is The Council Statement of Financial Position shows the current position, the budget position and last year-ends financial position.

The Council Statement of Financial Position is attached as **Attachment 3**.

Wellington Regional Council  
 Summary Statement of Financial Performance - Year to Date  
 For the Period Ending - 31 October 2005

<b>Total Operating Revenue</b>		<b>Year to Date</b>		
\$(000)'s	Last Year	Actual	Budget	Variance
Water Group	8,810	9,036	8,914	122
Plantation Forestry	1,346	1,483	1,361	122
<b>Utility Services</b>	<b>10,156</b>	<b>10,519</b>	<b>10,275</b>	<b>244</b>
Transport	18,619	22,005	26,823	(4,818)
Landcare	4,966	5,091	4,983	108
Environment	3,327	3,343	3,393	(50)
Wairarapa	7,357	7,414	7,876	(462)
Corporate Advisory Services	41	21	225	(204)
Finance & Admin	1,972	2,173	2,138	35
Chief Executive	7	7	7	0
Investment in Democracy	1,481	1,799	1,799	0
<b>Net Divisional Revenue</b>	<b>47,926</b>	<b>52,372</b>	<b>57,519</b>	<b>(5,147)</b>
Landcare: Sale of Mabey Road	0	0	0	0
Investment Management	1,967	1,944	1,934	10
Business Unit Rates Contribution	(2,541)	(2,585)	(2,586)	1
<b>Council Operating Revenue</b>	<b>47,352</b>	<b>51,731</b>	<b>56,867</b>	<b>(5,136)</b>
<b>Total Operating Expenditure</b>		<b>Year to Date</b>		
\$(000)'s	Last Year	Actual	Budget	Variance
Water Group	8,659	8,613	9,286	(673)
Plantation Forestry	1,447	1,492	1,480	12
<b>Utility Services</b>	<b>10,106</b>	<b>10,105</b>	<b>10,766</b>	<b>(661)</b>
Transport	18,492	22,046	24,427	(2,381)
Landcare	3,794	4,085	4,490	(405)
Environment	3,050	3,136	3,300	(164)
Wairarapa	7,107	7,411	8,317	(906)
Corporate Advisory Services	(2)	12	237	(225)
Finance & Admin	1,882	1,929	1,968	(39)
Chief Executive	19	4	10	(6)
Investment in Democracy	1,641	1,750	1,782	(32)
<b>Net Divisional Expenditure</b>	<b>46,089</b>	<b>50,478</b>	<b>55,297</b>	<b>(4,819)</b>
Landcare: Sale of Mabey Road	(3,155)	0	0	0
Investment Management	(616)	(606)	(642)	36
Business Unit Rates Contribution	0	0	0	0
<b>Council Operating Expenditure</b>	<b>42,318</b>	<b>49,872</b>	<b>54,655</b>	<b>(4,783)</b>
<b>OPERATING SURPLUS (DEFICIT)</b>		<b>Year to Date</b>		
\$(000)'s	Last Year	Actual	Budget	Variance
Water Group	151	423	(372)	795
Plantation Forestry	(101)	(9)	(120)	111
<b>Utility Services</b>	<b>50</b>	<b>414</b>	<b>(492)</b>	<b>906</b>
Transport	127	(41)	2,396	(2,437)
Landcare	1,172	1,007	492	515
Environment	277	208	93	115
Wairarapa	249	2	(441)	443
Corporate Advisory Services	42	9	(12)	21
Finance & Admin	89	244	170	74
Chief Executive	(12)	3	(3)	6
Investment in Democracy	(159)	49	17	32
<b>Net Divisional Surplus (Deficit)</b>	<b>1,835</b>	<b>1,895</b>	<b>2,220</b>	<b>(325)</b>
Landcare: Sale of Mabey Road	3,155	0	0	0
Investment Management	2,583	2,550	2,577	(27)
Business Unit Rates Contribution	(2,541)	(2,585)	(2,586)	1
<b>Council Operating Surplus (Deficit)</b>	<b>5,032</b>	<b>1,860</b>	<b>2,211</b>	<b>(351)</b>

\* Regional Strategy Actuals removed

#### 4.1.3 Utility Services, Favourable variance of \$795,000

Water cost savings of \$795,000 have arisen across all category types, but primarily external consultants and contractors (\$265,000), personnel (\$75,000), power (\$61,000) and chemicals (\$106,000). The majority of these year to date savings are likely to be temporary timing differences.

Plantation forestry has a favourable variance \$111,000 due to higher production and slightly lower operating costs.

#### 4.1.4 Transport, Unfavourable variance of \$2,437,000

The rail contract remains unsigned and thus delays in heavy rail maintenance, station maintenance and improvements continue. The effect on the year to date numbers is reduced revenue of \$4.8 million as expenditure has not been incurred.

Operating Expenditure is also down by \$2.4 million, primarily due to the delays noted above.

In particular:

- The reclassification of heavy rail maintenance from capital to operating expenditure (\$1.7 million).
- Bus, Rail & Trolley Contract - \$470,000 favourable variance reflects the delay in signing the Trolley and overhead wire contracts
- Inflation and Concessionary Fare Reimbursement costs relating to bus and trolley service contracts are higher than budget, resulting in \$460,000 unfavourable variance
- Marketing & Communication has a \$410,000 unfavourable variance between actual expenditure and budgets due to the rollout of Metlink. This will reverse over the remainder of the financial year.

#### 4.1.5 Landcare, Favourable variance of \$515,000

##### **Flood Protection**

External revenue is \$70,000 ahead of budget due to combination of one off sales (concrete blocks, work for Hutt City, insurance proceeds) and increased gravel extraction.

External contractor expenditure is \$305,000 less than budget, primarily arising from a temporary under spend of \$240,000, due to delays in getting rock for flood damage repair work. This favourable variance is a timing difference only, with significant catch up expenditure having been incurred in November.

Financial cost savings of \$45,000, associated with the temporary funding surplus.

## **Parks**

The favourable variance of \$80,000 is a result of lower contractor costs caused by delays in removing storm damaged trees (\$220,000). This is partly offset by higher personnel costs and bringing forward a 1080 operation (together \$110,000).

### **4.1.6 Environment**

Revenue is tracking close to budget.

The Division's expenditure at \$3,136,000 is some \$164,000 less than budget.

The main reasons for this variance are:

- Personnel costs were slightly under budget by \$70,000.
- Consultant costs were less than budget by \$50,000. Some of the specialist external costs are at a lower level from those that we anticipated in our budgets.
- In addition, QE11 National Trust work is behind \$35,000.

### **4.1.7 Wairarapa**

The favourable variance of \$443,000 is due mainly to timing of Bovine Tb (\$532,000) offset by BioWorks \$246,000 unfavourable (timing of control contracts). It is anticipated that some of these savings will flow through to the year end forecast position.

In addition Reserve Forests have a favourable variance of \$192,000 due to the timing of logging revenue.

### **4.1.8 Corporate**

Corporate areas achieved a favourable variance of \$101,000 due to delays in contractors/consultants costs which are forecast to reverse by year end.

## **4.2 Forecast to 30 June 2006**

The forecast surplus is \$4.6 million compared with the budget surplus of \$8.1 million. The main change as noted previously is the reclassification of transport heavy maintenance from capital expenditure in the budget to operating expenditure in the forecast. This remains the only significant change to forecast at this stage.

There have been no significant changes to the forecast since the September quarter.

Wellington Regional Council  
 Summary Statement of Financial Performance - Full Year Forecasts  
 For the Period Ending - 30 June 2006

<b>Total Operating Revenue</b>				
\$(000)'s	Last Year	Full Year Forecast		Variance
		Budget	Forecast	
Water Group	26,969	26,827	26,827	0
Plantation Forestry	3,893	4,082	4,082	0
<b>Utility Services</b>	<b>30,862</b>	<b>30,909</b>	<b>30,909</b>	<b>0</b>
Transport	58,248	81,842	81,494	(348)
Landcare	15,592	15,272	15,324	52
Environment	10,305	10,244	10,244	0
Wairarapa	22,550	25,066	24,697	(369)
Corporate Advisory Services	202	673	50	(623)
Finance & Admin	6,473	6,414	6,414	0
Chief Executive	37	20	20	0
Investment in Democracy	4,444	5,396	5,396	0
<b>Net Divisional Revenue</b>	<b>148,713</b>	<b>175,836</b>	<b>174,548</b>	<b>(1,288)</b>
Landcare: Sale of Mabey Road	0	0	0	0
Investment Management	8,544	6,736	6,736	0
Business Unit Rates Contribution	(7,624)	(7,759)	(7,759)	0
<b>Council Operating Revenue</b>	<b>149,633</b>	<b>174,813</b>	<b>173,525</b>	<b>(1,288)</b>
<b>Total Operating Expenditure</b>				
\$(000)'s	Last Year	Full Year Forecast		Variance
		Budget	Forecast	
Water Group	26,096	27,644	27,644	0
Plantation Forestry	4,195	4,448	4,448	0
<b>Utility Services</b>	<b>30,291</b>	<b>32,092</b>	<b>32,092</b>	<b>0</b>
Transport	57,143	73,807	77,230	3,423
Landcare	13,894	14,624	14,567	(57)
Environment	10,025	10,430	10,430	0
Wairarapa	22,574	25,473	25,044	(429)
Corporate Advisory Services	259	788	78	(710)
Finance & Admin	5,523	6,072	6,072	0
Chief Executive	107	29	29	0
Investment in Democracy	4,573	5,329	5,329	0
<b>Net Divisional Expenditure</b>	<b>144,389</b>	<b>168,644</b>	<b>170,871</b>	<b>2,227</b>
Landcare: Sale of Mabey Road	(3,155)	0	0	0
Investment Management	(2,397)	(1,939)	(1,939)	0
Business Unit Rates Contribution	0	0	0	0
<b>Council Operating Expenditure</b>	<b>138,837</b>	<b>166,705</b>	<b>168,932</b>	<b>2,227</b>
<b>OPERATING SURPLUS (DEFICIT)</b>				
\$(000)'s	Last Year	Full Year Forecast		Variance
		Budget	Forecast	
Water Group	873	(817)	(817)	0
Plantation Forestry	(302)	(365)	(365)	0
<b>Utility Services</b>	<b>571</b>	<b>(1,182)</b>	<b>(1,182)</b>	<b>0</b>
Transport	1,104	8,035	4,263	(3,772)
Landcare	1,697	648	757	109
Environment	280	(186)	(186)	0
Wairarapa	(24)	(406)	(347)	59
Corporate Advisory Services	(57)	(115)	(28)	87
Finance & Admin	950	342	342	0
Chief Executive	(70)	(9)	(9)	0
Investment in Democracy	(129)	68	68	0
<b>Net Divisional Surplus (Deficit)</b>	<b>4,322</b>	<b>7,195</b>	<b>3,678</b>	<b>(3,517)</b>
Landcare: Sale of Mabey Road	3,155	0	0	0
Investment Management	10,940	8,674	8,674	0
Business Unit Rates Contribution	(7,624)	(7,759)	(7,759)	0
<b>Council Operating Surplus (Deficit)</b>	<b>10,793</b>	<b>8,110</b>	<b>4,593</b>	<b>(3,517)</b>

\* Regional Strategy Actuals removed

## 5. Capital Expenditure

The major variance is the transfer of heavy rail maintenance from capital to operating expenditure as noted at the September quarter. There have been no changes to the forecast since then.

Net Capital Expenditure \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	471	1,920	2,056	(136)
Plantation Forestry	103	48	73	(25)
<b>Utility Services</b>	<b>574</b>	<b>1,968</b>	<b>2,129</b>	<b>(161)</b>
Transport	5	(6)	3,654	(3,660)
Landcare	695	658	866	(208)
Environment	132	98	94	4
Wairarapa	87	48	15	33
Corporate Advisory Services	0	0	0	0
Finance & Admin	1	110	159	(49)
Chief Executive	0	(25)	0	(25)
Investment in Democracy	0	(12)	0	(12)
<b>Net Capital Expenditure</b>	<b>1,494</b>	<b>2,839</b>	<b>6,917</b>	<b>(4,078)</b>
Landcare: Sale of Mabey Road				
Investment Management	3	1	0	1
Business Unit Rates Contribution	0	0	0	0
<b>Net Capital Expenditure</b>	<b>1,497</b>	<b>2,840</b>	<b>6,917</b>	<b>(4,077)</b>

Net Capital Expenditure \$(000)'s	Full Year Forecast			Variance
	Last Year	Budget	Forecast	
Water Group	4,226	6,349	6,349	0
Plantation Forestry	277	238	238	0
<b>Utility Services</b>	<b>4,503</b>	<b>6,587</b>	<b>6,587</b>	<b>0</b>
Transport	204	11,995	7,725	(4,270)
Landcare	4,591	5,325	5,860	535
Environment	430	589	589	0
Wairarapa	1,370	634	592	(42)
Corporate Advisory Services	99	24	24	0
Finance & Admin	716	1,283	1,283	0
Chief Executive	0	0	0	0
Investment in Democracy	49	5	5	0
<b>Net Capital Expenditure</b>	<b>11,962</b>	<b>26,442</b>	<b>22,665</b>	<b>(3,777)</b>
Landcare: Sale of Mabey Road	(3,385)	0	0	0
Investment Management	336	620	620	0
Business Unit Rates Contribution	0	0	0	0
<b>Net Capital Expenditure</b>	<b>8,913</b>	<b>27,062</b>	<b>23,285</b>	<b>(3,777)</b>

## 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:

**Chris Gray**  
Finance Manager

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** Council Statement of Financial Performance

**Attachment 2:** The Council Funding Statement

**Attachment 3:** The Council Statement of Financial Position