



Report 07.679
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Committee Policy, Finance and Strategy
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Financial Report for the two months ending 31 August 2007

1. Purpose

To review the financial performance of the Council for the two months ending 31 August 2007.

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

Financial Statements are prepared and presented to management for review each month. A detailed report is given to Council each quarter. In the intervening months, reports to Council are done by exception.

4. Financial Performance

4.1 Year to date Operating Result

The Council is operating surplus for the two months ending 31 August 2007 is \$1.591 million compared with budget surplus of \$0.094 million. This excludes grants to fund public transport capital expenditure and forestry cost of goods sold. Including these amounts the year to date surplus is \$0.387 million, compared to the budget deficit of \$0.129 million.

Operating revenue, excluding grants for capital expenditure is \$27.725 million compared with the budget of \$28.108 million.

Year to date operating expenditure is \$26.134 million, \$1.880 million below budget. The majority of this favourable variance is due to timing issues which are expected to reverse by year end.

This lower expenditure has resulted in the actual operating surplus being \$1.497 million ahead of budget.

4.2 Income Statement

The Council's Income Statement is included as **Attachment 1**

4.3 Funding Statement

The Funding Statement is included as **Attachment 2**.

4.4 Balance Sheet

The Council's Balance Sheet is included as **Attachment 3**.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	132	227	(427)	654
Forestry	(272)	(166)	(174)	8
Regional Parks	216	198	(146)	344
Water Supply, Parks & Forests	76	259	(747)	1,006
Transport Policy and Strategy	34	80	(35)	115
Public Transport	146	635	67	568
Total Transport	180	715	32	683
Environment	106	10	77	(67)
Catchment Management	567	664	468	196
Corporate	95	185	(9)	194
WRS	22	69	-	69
Finance, IT & Support Services	264	(295)	51	(346)
Investment in Democracy	17	(35)	(28)	(7)
Divisional Operating Surplus / (Deficit)	1,327	1,572	(156)	1,728
Investment Management	1,248	19	250	(231)
Business Unit Rates Contribution	(1,283)	-	-	-
Council Operating Surplus / (Deficit)	1,292	1,591	94	1,497
Revaluation of Debt and Stadium Advance	-	-	-	-
Revaluation Forestry - Revaluation	-	-	-	-
Forestry Cost of Goods Sold	(343)	(232)	(203)	(29)
Public Transport - Capex / Investment	204	(972)	(20)	(952)
Total Council Surplus / (Deficit)	1,153	387	(129)	516
Flood Protection				
Eastern	97	123	138	(15)
Western	498	508	392	116
Total Flood Protection	595	631	530	101

5. Forecast to 30 June 2008

The forecast to 30 June 2008 remains unchanged from the budget result. The Council is forecasting an operating surplus of \$1.556 million (excluding unrealised gains, forestry cost of goods sold and grants for capital expenditure. Including these amounts, the Council deficit is \$14.869 million. The deficit arises from the accounting treatment for the purchase of the rail rolling stock in Greater Wellington Rail Ltd.

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	(363)	(1,933)	(1,933)	-
Forestry	21	(1,037)	(1,037)	-
Regional Parks	187	(321)	(321)	-
Water Supply, Parks & Forests	(155)	(3,291)	(3,291)	-
Transport Policy and Strategy	282	(133)	(133)	-
Public Transport	2,687	(112)	(112)	-
Total Transport	2,969	(245)	(245)	-
Environment	(512)	(111)	(111)	-
Catchment Management	1,585	3,011	3,011	-
Corporate	95	(51)	(51)	-
WRS	(221)	-	-	-
Finance, IT & Support Services	1,568	226	226	-
Investment in Democracy	84	(172)	(172)	-
Divisional Operating Surplus / (Deficit)	5,413	(633)	(633)	-
Investment Management	6,200	2,189	2,189	-
Business Unit Rates Contribution	(9,768)	-	-	-
Council Operating Surplus / (Deficit)	1,845	1,556	1,556	-
Revaluation Forestry - Revaluation	529	3,029	3,029	-
Forestry Cost of Goods Sold	(1,745)	(1,215)	(1,215)	-
Public Transport - Capex / Investment	(9,466)	(18,239)	(18,239)	-
Total Council Surplus / (Deficit)	(8,837)	(14,869)	(14,869)	-
Flood Protection				
Eastern	(220)	519	519	-
Western	2,637	2,444	2,444	-
Total Flood Protection	2,417	2,963	2,963	-

6. Capital Expenditure

Year to date capital expenditure of \$2.008 million is below the budget by \$0.798 million. At this stage this favourable variance is due to timing of expenditure and is expected to reverse by year end. The forecast remains unchanged from the budget at \$25.150 million.

Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	311	246	190	56
Forestry	21	53	51	2
Regional Parks	70	2	27	(25)
Water Supply, Parks & Forests	402	301	268	33
Transport Policy and Strategy	-	-	-	-
Public Transport	96	762	1,549	(787)
Public Transport Investment Additions	-	-	10	(10)
Total Transport	96	762	1,559	(797)
Environment	4	-	60	(60)
Catchment Management	425	941	686	255
Corporate	6	-	-	-
WRS	-	-	-	-
Finance, IT & Support Services	2	-	200	(200)
Investment in Democracy	-	-	-	-
Divisional Capital and Investment expenditure	935	2,004	2,773	(769)
Investment Management	1	4	33	(29)
Business Unit Rates Contribution	-	-	-	-
Council Capital and Investment expenditure	936	2,008	2,806	(798)
Flood Protection				
Eastern	-	-	145	(145)
Western	351	941	541	400
Total Flood Protection	351	941	686	255

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)	6,401	6,401	-
Public Transport Investment Additions	-	979	979	-
Total Transport	(31)	7,397	7,397	-
Environment	443	1,359	1,359	-
Catchment Management	4,226	7,689	7,689	-
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	23,745	23,745	-
Investment Management	38	1,405	1,405	-
Business Unit Rates Contribution	-	-	-	-
Council Capital and Investment expenditure	10,425	25,150	25,150	-
Flood Protection				
Eastern	713	895	895	-
Western	3,257	6,545	6,545	-
Total Flood Protection	3,970	7,440	7,440	-

7. Finance Costs

Year to date finance costs are \$836,000 compared with the budget of \$669,000. This unfavourable variance is due to increased borrowings to fund working capital. At this stage it is expected that this variance will reverse by year end. The forecast and budget finance costs remain unchanged at \$4.975 million.

8. Debt

External debt at 31 August was \$72.584 million compared with \$66.269 million at 30 June 2007. Debt decreased in July as funds were received from Land Transport New Zealand. However, this reversed in August due to additional amounts required by Public Transport.

9. Communication

No communications are necessary.

10. Recommendations

That the Committee recommend to Council that it:

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

Report prepared by:

Report approved by:

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Barry Turfrey
Chief Financial Officer

Attachment 1: Council Income Statement

Attachment 2: Council Funding Statement

Attachment 3: Council Balance Sheet