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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	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	9,075	9,065	9,078	(13)
Forestry	2,103	2,118	2,127	(9)
Regional Parks	2,103	2,135	2,183	(48)
<b>Water Supply, Parks &amp; Forests</b>	<b>13,281</b>	<b>13,318</b>	<b>13,388</b>	<b>(70)</b>
Transport Policy and Strategy	891	936	1,128	(192)
Public Transport	21,220	23,793	24,107	(314)
<b>Total Transport</b>	<b>22,111</b>	<b>24,729</b>	<b>25,235</b>	<b>(506)</b>
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
<b>Divisional Operating Revenue</b>	<b>53,337</b>	<b>56,925</b>	<b>57,465</b>	<b>(540)</b>
Investment Management	1,881	1,741	1,992	(251)
Business Unit Rates Contribution	(2,566)	(2,914)	(2,914)	-
<b>Council Operating Revenue</b>	<b>52,652</b>	<b>55,752</b>	<b>56,543</b>	<b>(791)</b>
Public Transport - Capex / Investment	494	6,514	8,724	(2,210)
<b>Total Council Revenue</b>	<b>53,146</b>	<b>62,266</b>	<b>65,267</b>	<b>(3,001)</b>

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
<b>Water Supply, Parks &amp; Forests</b>	<b>13,113</b>	<b>13,052</b>	<b>14,583</b>	<b>1,531</b>
Transport Policy and Strategy	774	849	1,162	313
Public Transport	21,554	22,919	24,046	1,127
<b>Total Transport</b>	<b>22,328</b>	<b>23,768</b>	<b>25,208</b>	<b>1,440</b>
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
<b>Divisional Operating Expenditure</b>	<b>52,109</b>	<b>53,685</b>	<b>57,790</b>	<b>4,105</b>
Investment Management	(691)	(1,135)	(1,378)	(243)
Business Unit Rates Contribution	-	-	-	-
<b>Council Operating Expenditure</b>	<b>51,418</b>	<b>52,550</b>	<b>56,412</b>	<b>3,862</b>
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
<b>Total Council Expenditure</b>	<b>52,144</b>	<b>62,224</b>	<b>68,456</b>	<b>6,232</b>

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
<b>Water Supply, Parks &amp; Forests</b>	<b>168</b>	<b>266</b>	<b>(1,195)</b>	<b>1,461</b>
Transport Policy and Strategy	117	87	(34)	121
Public Transport	(334)	874	61	813
<b>Total Transport</b>	<b>(217)</b>	<b>961</b>	<b>27</b>	<b>934</b>
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
<b>Divisional Operating Surplus / (Deficit)</b>	<b>1,228</b>	<b>3,240</b>	<b>(325)</b>	<b>3,565</b>
Investment Management	2,572	2,876	3,370	(494)
Business Unit Rates Contribution	(2,566)	(2,914)	(2,914)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>1,234</b>	<b>3,202</b>	<b>131</b>	<b>3,071</b>
Forestry Cost of Goods Sold	(726)	(458)	(405)	(53)
Public Transport - Capex / Investment	494	(2,702)	(2,915)	213
<b>Total Council Surplus / (Deficit)</b>	<b>1,002</b>	<b>42</b>	<b>(3,189)</b>	<b>3,231</b>
<b>Flood Protection</b>				
Eastern	83	387	93	294
Western	1,055	1,001	788	213
<b>Total Flood Protection</b>	<b>1,138</b>	<b>1,388</b>	<b>881</b>	<b>507</b>

**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)	-
<b>Water Supply, Parks &amp; Forests</b>	<b>(155)</b>	<b>(2,060)</b>	<b>(3,163)</b>	<b>1,103</b>
Transport Policy and Strategy	282	(133)	(133)	-
Public Transport	2,687	(1,062)	(112)	(950)
<b>Total Transport</b>	<b>2,969</b>	<b>(1,195)</b>	<b>(245)</b>	<b>(950)</b>
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)	-
<b>Divisional Operating Surplus / (Deficit)</b>	<b>5,413</b>	<b>(720)</b>	<b>(455)</b>	<b>(265)</b>
Investment Management	6,200	10,415	10,656	(241)
Business Unit Rates Contribution	(9,768)	(8,742)	(8,742)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>1,845</b>	<b>953</b>	<b>1,459</b>	<b>(506)</b>
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
<b>Total Council Surplus / (Deficit)</b>	<b>(4,582)</b>	<b>(13,041)</b>	<b>(14,869)</b>	<b>1,828</b>
<b>Flood Protection</b>				
Eastern	(220)	519	519	-
Western	2,637	2,252	2,444	(192)
<b>Total Flood Protection</b>	<b>2,417</b>	<b>2,771</b>	<b>2,963</b>	<b>(192)</b>

## 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
<b>Water Supply, Parks &amp; Forests</b>	<b>873</b>	<b>753</b>	<b>1,000</b>	<b>247</b>
Transport Policy and Strategy	-	-	-	-
Public Transport	191	294	2,752	2,458
Public Transport Investment Additions	-	-	121	121
<b>Total Transport</b>	<b>191</b>	<b>294</b>	<b>2,873</b>	<b>2,579</b>
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	-	-	-	-
<b>Divisional Capital and Investment expenditure</b>	<b>2,029</b>	<b>2,870</b>	<b>6,507</b>	<b>3,637</b>
Investment Management	3	5	200	195
<b>Council Capital and Investment expenditure</b>	<b>2,032</b>	<b>2,875</b>	<b>6,707</b>	<b>3,832</b>
<b>Flood Protection</b>				
Eastern	-	75	290	215
Western	676	1,660	1,326	(334)
<b>Total Flood Protection</b>	<b>676</b>	<b>1,735</b>	<b>1,616</b>	<b>(119)</b>

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

Expenditure on stations, platforms and carpark 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	-
<b>Water Supply, Parks &amp; Forests</b>	<b>5,004</b>	<b>5,712</b>	<b>5,712</b>	-
Transport Policy and Strategy	-	17	17	-
Public Transport	(31)	5,201	6,401	1,200
Public Transport Investment Additions	-	979	979	-
<b>Total Transport</b>	<b>(31)</b>	<b>6,197</b>	<b>7,397</b>	<b>1,200</b>
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	-
<b>Divisional Capital and Investment expenditure</b>	<b>10,387</b>	<b>21,324</b>	<b>23,745</b>	<b>2,421</b>
Investment Management	38	1,405	1,405	-
<b>Council Capital and Investment expenditure</b>	<b>10,425</b>	<b>22,729</b>	<b>25,150</b>	<b>2,421</b>
<b>Flood Protection</b>				
Eastern	713	895	895	-
Western	3,257	5,354	6,545	1,191
<b>Total Flood Protection</b>	<b>3,970</b>	<b>6,249</b>	<b>7,440</b>	<b>1,191</b>

## 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