



Report 08.17
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Committee Finance, Evaluation and Risk
Author Barry Turfrey, Chief Financial Officer

Financial review for the six months ended 31 December 2007

1. Purpose

- To inform the Committee of Greater Wellington's (GWRC) financial performance for the six months ended 31 December 2007 and to provide an explanation of major variances by Division.
- To forecast the end of year position based on the management reviews completed with each Division.
- To inform the Committee of the WRC Holdings Group's financial performance for the six months ended 31 December 2007 and to provide explanations of variances to budget.
- To provide an interim position in terms of achievement against the published performance targets in the Council's 2007/08 Annual Plan.

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 more detailed review of the Council's financial results is undertaken by the Chief Executive / Chief Financial Officer with each of the Divisions.

It is timely, as a result of those reviews, to present a summary of the Council's performance for the six months ended 31 December 2007.

In respect of the WRC Holdings Group, monthly financial statements are prepared and reviewed by management and the Boards of Directors of the individual companies within the Group. As such, only summary financial statements are presented for consideration by the Committee.

4. Financial Performance

4.1 Year to date Operating Performance

The Council achieved an operating surplus of \$3,323,000 (budget \$131,000). This result excludes grants and expenditure in respect of Public Transport capital expenditure. Including these amounts the Council achieved a deficit of \$1,949,000 (budget \$8,343,000).

The WRC Holdings Group achieved a net surplus before tax of \$4,558,000 (budget \$2,463,000).

5. Financial Summary - Council

Wellington Regional Council Summary Income Statement - Revenue For the six months ending 31 December 2007				
Total Operating Revenue \$(000)'s	Last Year	Actual	Budget	Variance
	Water Group	13,728	13,598	13,617
Forestry	3,168	2,939	3,190	(251)
Regional Parks	3,244	3,225	3,274	(49)
Water Supply, Parks & Forests	20,140	19,762	20,081	(319)
Transport Policy and Strategy	1,442	1,397	1,792	(395)
Public Transport	32,070	35,576	36,209	(633)
Total Transport	33,512	36,973	38,001	(1,028)
Environment	5,867	5,967	6,087	(120)
Catchment Management	13,917	12,864	13,433	(569)
Corporate	1,033	1,161	966	195
WRS	216	2,000	2,200	(200)
Finance, IT & Support Services	3,255	3,508	3,414	94
Investment in Democracy	2,244	2,320	2,313	7
Divisional Operating Revenue	80,184	84,555	86,495	(1,940)
Investment Management	2,730	2,622	2,864	(242)
Business Unit Rates Contribution	(3,849)	(4,371)	(4,371)	-
Council Operating Revenue	79,065	82,806	84,988	(2,182)
Public Transport - Capex / Investment	3,885	8,017	16,505	(8,488)
Total Council Revenue	82,950	90,823	101,493	(10,670)

Wellington Regional Council				
Summary Income Statement - Expenditure				
For the six months ending 31 December 2007				
Total Operating Expenditure \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	13,829	12,945	14,758	1,813
Forestry	3,600	3,582	3,590	8
Regional Parks	2,814	2,891	3,292	401
Water Supply, Parks & Forests	20,243	19,418	21,640	2,222
Transport Policy and Strategy	1,338	1,204	1,821	617
Public Transport	33,269	35,199	36,168	969
Total Transport	34,607	36,403	37,989	1,586
Environment	5,701	5,981	5,831	(150)
Catchment Management	12,937	11,215	12,464	1,249
Corporate	1,023	1,063	991	(72)
WRS	555	1,800	2,200	400
Finance, IT & Support Services	2,781	2,960	3,259	299
Investment in Democracy	2,239	2,249	2,401	152
Divisional Operating Expenditure	80,086	81,089	86,775	5,686
Investment Management	(1,048)	(1,606)	(1,918)	(312)
Business Unit Rates Contribution	-	-	-	-
Council Operating Expenditure	79,038	79,483	84,857	5,374
Revaluation of Debt and Stadium Advance	-	-	-	-
Forestry Cost of Goods Sold	591	638	608	(30)
Public Transport - Capex / Investment	1	12,651	24,371	11,720
Total Council Expenditure	79,630	92,772	109,836	17,064

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the six months ending 31 December 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	(101)	653	(1,141)	1,794
Forestry	(432)	(643)	(400)	(243)
Regional Parks	430	334	(18)	352
Water Supply, Parks & Forests	(103)	344	(1,559)	1,903
Transport Policy and Strategy	104	193	(29)	222
Public Transport	(1,199)	377	41	336
Total Transport	(1,095)	570	12	558
Environment	166	(14)	256	(270)
Catchment Management	980	1,649	969	680
Corporate	10	98	(25)	123
WRS	(339)	200	-	200
Finance, IT & Support Services	474	548	155	393
Investment in Democracy	5	71	(88)	159
Divisional Operating Surplus / (Deficit)	98	3,466	(280)	3,746
Investment Management	3,778	4,228	4,782	(554)
Business Unit Rates Contribution	(3,849)	(4,371)	(4,371)	-
Council Operating Surplus / (Deficit)	27	3,323	131	3,192
Forestry Cost of Goods Sold	(591)	(638)	(608)	(30)
Public Transport - Capex / Investment	3,884	(4,634)	(7,866)	3,232
Total Council Surplus / (Deficit)	3,320	(1,949)	(8,343)	6,394
Flood Protection				
Eastern	(65)	343	64	279
Western	1,337	1,275	1,210	65
Total Flood Protection	1,272	1,618	1,274	344

5.1 Water - favourable variance of \$1,794,000 due primarily to:

- Decreased depreciation of \$510,000, due to the water supply assets not being revalued at 30 June 2007 as budgeted. This has reduced the asset base and therefore depreciation.
- Savings in materials and supplies \$585,000, due mainly to savings in chemicals \$283,000 and power costs \$233,000. Savings are expected to continue as the year progresses. These savings result from a 15% reduction in network charges and a lower take than budgeted from Te Marua lakes. This reduced both power and chemical use.
- Finance costs are \$307,000 below budget, due to the opening debt position being lower than budget.
- Personnel costs are \$203,000 below budget, due to staff vacancies.

5.2 Forestry - unfavourable variance of \$243,000 due primarily to:

- Lower income by \$222,000 is due to falling export prices. A slight decrease in timber harvested and higher than budgeted harvest costs also contributed to the unfavourable variance.

5.3 Regional Parks - favourable variance of \$352,000 due primarily to:

- Parks operational expenditure is currently \$455,000 below budget, due mainly to the timing of expenditure which is expected to reverse by year end.
- Savings of \$35,000 in respect of the Akatarawa and Hutt 1080 operations.

5.4 Public Transport - favourable variance of \$336,000 due primarily to:

- Both the June and September 2007 Land Transport New Zealand (LTNZ) inflation indexes were lower than expected, resulting in \$383,000 less expenditure on the Council's bus contracts. However, as the diesel price continues to fluctuate it is not expected that this saving will continue.
- Increased expenditure of \$206,000 due to lower rail patronage, this variance is expected to continue.
- The timing of expenditure on other projects is running slightly behind budget, these are expected to reverse by year end.

5.5 Transport Policy - favourable variance of \$222,000 due primarily to:

- The delay in completing the transport model is holding up expenditure on access studies.
- The Wairarapa log freight project is not likely to commence in 2008/09 resulting in lower income and expenditure.

- The Regional Land Transport Strategy is delayed until outcomes from the “Next Steps” process become known.
- School, Community and Workplace travel plans are also behind schedule due to the unpredictable timing of feedback and consultation with these groups.

5.6 Environment - unfavourable variance of \$270,000 due primarily to:

- Lower than anticipated notified consents in the first quarter resulted in a \$155,000 reduction in income, some of this is expected to reverse by year end.
- Contractors and consultants were ahead of budget by \$181,000 due to appeals on consents granted.

5.7 Catchment Management - favourable variance of \$680,000 due primarily to:

- The down-sizing of the BioWorks unit has reduced staff numbers and hence personnel costs by \$519,000.
- The timing of expenditure on river maintenance across the region has resulted in savings that are expected to reverse by year end, \$292,000.

5.8 Corporate - favourable variance of \$123,000 due primarily to:

- Additional revenue of \$182,000 including \$109,000 for the Emergency Management conference and \$61,000 from the Honda Tree planting program.

5.9 Wellington Regional Strategy - favourable variance of \$200,000 due primarily to:

- The phasing of revenue and expenditure has resulted in a favourable variance.

5.10 Finance, IT and Support - favourable variance of \$393,000 due primarily to:

- Lower personnel costs \$55,000 and the phasing of expenditure on material and supplies, \$176,000.

5.11 Investment Management - unfavourable variance of \$554,000 due primarily to:

- Lower capital expenditure by the Divisions has reduced borrowings and the margin earned by Investment Management.
- External interest rates are higher than budget. Currently, the 90 day bank bill rate is 8.75% compared to the budget of 8.25%.
- The sale of forward start interest rate swaps as signalled in the budget has not yet occurred, resulting in a \$165,000 unfavourable variance.

6. Finance costs

Finance costs for the six months to 31 December were \$2,451,000 compared to the budget of \$2,405,000, an unfavourable variance of \$46,000. The unfavourable variance is due to higher interest rates than budgeted, partly offset by the lower level of borrowing.

7. Forecast to 30 June 2008

Council's forecast to 30 June 2008 is an operating surplus of \$3,027,000 compared with the budget of \$1,459,000. These amounts exclude grants and expenditure in respect of Public Transport capital expenditure. Including these amounts the Council's forecast deficit is \$8,586,000 (budget deficit \$14,869,000). However, as noted previously these deficits are due to the accounting treatment of the funding for Greater Wellington Rail Ltd to purchase the rail rolling stock.

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)	945	(1,933)	2,878
Forestry	21	(1,027)	(909)	(118)
Regional Parks	187	(123)	(321)	198
Water Supply, Parks & Forests	(155)	(205)	(3,163)	2,958
Transport Policy and Strategy	282	66	(133)	199
Public Transport	2,687	(840)	(112)	(728)
Total Transport	2,969	(774)	(245)	(529)
Environment	(513)	(109)	(111)	2
Catchment Management	1,585	2,843	3,061	(218)
Corporate	96	(90)	(51)	(39)
WRS	(221)	400	-	400
Finance, IT & Support Services	1,568	440	226	214
Investment in Democracy	84	(172)	(172)	-
Divisional Operating Surplus / (Deficit)	5,413	2,333	(455)	2,788
Investment Management	6,200	9,436	10,656	(1,220)
Business Unit Rates Contribution	(9,768)	(8,742)	(8,742)	-
Council Operating Surplus / (Deficit)	1,845	3,027	1,459	1,568
Revaluation of Debt and Stadium Advance	4,255	-	-	-
Revaluation Forestry - Revaluation	529	3,029	3,029	-
Forestry Cost of Goods Sold	(1,745)	(1,285)	(1,118)	(167)
Public Transport - Capex / Investment	(9,466)	(13,357)	(18,239)	4,882
Total Council Surplus / (Deficit)	(4,582)	(8,586)	(14,869)	6,283
Flood Protection				
Eastern	(220)	584	519	65
Western	2,637	2,492	2,444	48
Total Flood Protection	2,417	3,076	2,963	113

The significant variances between forecast and budget are:

7.1 Water - favourable variance of \$2,878,000 due primarily to:

- Lower depreciation \$1,016,000 as the water supply assets were not revalued at 30 June 2007 as budgeted. This has reduced the asset base and therefore depreciation.
- The half year savings for chemicals and power are expected to continue, saving \$900,000.
- Lower finance costs, \$300,000, the result of lower debt levels.

7.2 Forestry - favourable variance of \$97,000 due primarily to:

- Overall there is no change to the forecast; \$97,000 has been reclassified as cost of goods sold.

7.3 Public Transport - unfavourable variance of \$728,000 due primarily to:

- Oil prices are currently US \$90/barrel, an additional \$550,000 (rates component) has been added to the forecast expenditure.
- Rail patronage is not expected to recover resulting in higher payments to the rail operator, \$600,000.

7.4 Public Transport – Improvement projects - favourable variance \$4,882,000 due primarily to:

- A number of upgrade projects such as platforms, signalling and power supply have been delayed as specifications are being completed by third parties.

7.5 Catchment Management - unfavourable variance of \$218,000 due primarily to:

- Under recovery of overheads from Bioworks.
- Downsizing of the BioWorks unit with the associated costs, which will be largely funded by existing reserves.

7.6 Investment Management - unfavourable variance \$1,220,000 due primarily to:

- Higher external interest rates than budgeted.
- Lower interest income from the Divisions due to lower debt than budgeted as a result of capital expenditure being below budget.
- Unrealised gains on our debt and swaps being lower than budgeted, \$600,000.

8. Capital Expenditure

8.1 Year to date

Actual capital expenditure is \$5,031,000 compared with the budget of \$11,247,000. The significant variances are noted below.

Wellington Regional Council				
Capital Expenditure and Transport Investment Additions				
For the six months ending 31 December 2007				
Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	1,467	1,024	1,659	635
Forestry	152	123	228	105
Regional Parks	239	69	256	187
Water Supply, Parks & Forests	1,858	1,216	2,143	927
Transport Policy and Strategy	-	-	17	17
Public Transport	55	9	323	314
Public Transport Investment Additions	5,211	62	3,558	3,496
Total Transport	5,266	71	3,898	3,827
Environment	178	1	428	427
Catchment Management	1,217	3,609	3,091	(518)
Corporate	139	21	-	(21)
WRS	-	-	-	-
Finance, IT & Support Services	155	82	1,138	1,056
Investment in Democracy	-	26	49	23
Divisional Capital and Investment expenditure	8,813	5,026	10,747	5,721
Investment Management	20	5	500	495
Council Capital and Investment expenditure	8,833	5,031	11,247	6,216
Flood Protection				
Eastern	150	114	460	346
Western	891	3,495	2,382	(1,113)
Total Flood Protection	1,041	3,609	2,842	(767)

8.2 Water - favourable variance of \$635,000 due primarily to:

A large number of capital projects are below budget or have a reduced scope. This trend is forecast to continue.

8.3 Public Transport – unfavourable variance \$3,810,000 due primarily to:

- A number of our upgrades such as stations and carparks are delayed awaiting completion of specification from third parties.
- Contractual payments for the EMUs are later than budgeted. The project remains on schedule.
- Redesign of CBD Metlink signage.

8.4 Environment - favourable variance of \$427,000 due primarily to:

- Delays in upgrading the Beacon Hill facility,
- Under-spend for the groundwater water model.

8.5 Catchment Management - unfavourable variance of \$518,000 due primarily to:

- Land purchase costs for Connolly St were higher than anticipated. The excess land will be sold once the project is completed.
- Some projects are ahead of budget in terms of their phasing.

8.6 Finance, IT and Support Services - favourable variance of \$1,056,000 due primarily to:

The selection and installation of the Asset Management System has been delayed.

9. Capital Expenditure - Full year forecast

Forecast capital expenditure is \$17,734,000 compared with the budget of \$25,150,000 as detailed below.

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	3,947	4,996	1,049
Forestry	328	359	380	21
Regional Parks	514	259	336	77
Water Supply, Parks & Forests	5,004	4,565	5,712	1,147
Transport Policy and Strategy	-	17	17	-
Public Transport	70	398	398	-
Public Transport Capital & Investment Additions	(101)	2,271	6,982	4,711
Total Transport	(31)	2,686	7,397	4,711
Environment	443	559	1,359	800
Catchment Management	4,226	6,836	7,689	853
Corporate	209	20	-	(20)
WRS	-	-	-	-
Finance, IT & Support Services	531	1,614	1,539	(75)
Investment in Democracy	5	49	49	-
Divisional Capital and Investment expenditure	10,387	16,329	23,745	7,416
Investment Management	38	1,405	1,405	-
Council Capital and Investment expenditure	10,425	17,734	25,150	7,416
Flood Protection				
Eastern	713	991	895	(96)
Western	3,257	5,594	6,545	951
Total Flood Protection	3,970	6,585	7,440	855

9.1 Water - favourable variance of \$1,049,000 due primarily to:

- A number of projects will be under budget through both savings and reduced scope.

9.2 Public Transport - favourable variance of \$4,711,000 due primarily to:

- A number of our upgrades such as stations and car parks are delayed awaiting completion of specification from third parties, \$3,282,000.
- Contractual payments for the EMUs are later than budgeted, \$957,000. The project remains on schedule.
- Redesign of CBD Metlink signage, \$450,000.

9.3 Catchment Management - favourable variance of \$853,000 due primarily to:

- Delays in the South Waitohu project and the extended Chrystalls stop bank have resulted in the capital under spend.

9.4 Environment – favourable variance of \$800,000 due primarily to:

- The Beacon Hill upgrade is behind schedule due to land ownership issues.

10. Finance Costs

Finance costs for the Council are forecast at \$5,025,000 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%, this has been partly offset by lower debt.

11. Debt

Council debt as at 31 December was \$68.0 million, an increase of \$1.7 million from 30 June 2007. The increase is due in the main to further draw downs on the Crown loans to fund the Wairarapa carriages, offset by a reduction in working capital and the Stadium and forestry loans.

The \$68.0 million includes the written down value of the Government loan, due to its interest free nature. If the write down is excluded, the Council's debt as at 31 December is \$70.0 million.

WRC Holdings Ltd debt as at 31 December was \$44.0 million, unchanged from 30 June 2007. This amount excludes debt borrowed by CentrePort Ltd.

It should be noted that the Council has a total of \$47.2 million on deposit. This comprises \$33.0 million in liquid financial deposits; the remainder consists of our self insurance funds for water supply and flood protection.

Debt as at 30 June 2008 is forecast at \$84.8 million in the Council and \$44.0 million in WRC Holdings Ltd, a total of \$128.8 million. This forecast excludes any write down of the Government loans.

This is lower than the budget due to reduced spending on capital items and lower levels of working capital than at 30 June 2007.

11.1 Stadium debt

In June of this year the Council approved the restructuring of the Stadium debt which now stands at \$18,201,000 compared to \$18,985,000 at 30 June 2007.

The debt was originally borrowed from the ANZ at a fixed interest rate of 8.55% until 2018. The Council requested regular updates on the cost of refinancing this debt.

The interest rate risk on this debt has been fixed to January 2009 at a cost of 8.33% compared with the previous interest rate of 8.55% and the 90 day bank bill rate of 8.79%.

12. Annual Plan Performance Targets

Divisional Managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2008.

13. WRC Holdings

The following table summarises WRC Holdings group of companies and CentrePort's (76.9% owned) operating results, before any unrealised increase in the value of investment properties, for the period ended 31 December 2007.

**WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2007**

	YTD Last Year \$000	YTD Actual \$000	YTD Budget \$000	Full Year Budget \$000	Full Year Forecast \$000	Last Year Actual \$000
TOTAL REVENUE	26,059	29,462	28,375	56,749	58,655	57,116
OPERATING EXPENSES	18,961	20,327	21,469	42,938	42,624	39,151
EARNINGS BEFORE INTEREST & TAX	7,098	9,135	6,906	13,811	16,031	17,965
INTEREST EXPENSE	4,148	4,577	4,443	8,886	8,910	8,449
REVALUATIONS						14,519
NET SURPLUS (DEFICIT) BEFORE TAX	<u>2,950</u>	<u>4,558</u>	<u>2,463</u>	<u>4,925</u>	<u>7,121</u>	<u>24,035</u>

The actual and forecast results have been impacted by the accounting treatment for the purchase of rail rolling stock. The budget assumed that Greater Wellington Rail Ltd would be funded by share capital. It is now funded by capital grants from Council. The effect of this is to increase the surplus for the year by \$1.4 million. The Council, as a result shows an increased deficit.

In addition, CentrePort's forecast result has increased by \$728,000 over the budget due to higher property and container revenues.

14. Compliance with Treasury Management Policy

As at 31 December 2007, all Treasury Management Policy limits have been complied with apart from internal borrowing limit for Forestry and Parks. Refer to **Attachment 4**.

15. Communications

No communications are necessary at this time.

16. Recommendations

That the Council:

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

Report prepared by:

Barry Turfrey
Chief Financial Officer

Report approved by:



David Benham
Chief Executive

Attachment 1: Income Statement

Attachment 2: Funding Statement

Attachment 3: Balance Sheet

Attachment 4: Compliance with Treasury Management Policy

Attachment 1: Council Income Statement

Wellington Regional Council						
Income Statement						
For the six months ending 31 December 2007						
Year to Date			Income Statement \$(000)'s	Full Year Forecast		
Last Year	Actual	Budget		Last Year	Forecast	Budget
20,030	24,093	24,093	Targeted Rates	40,060	48,186	48,186
10,945	10,902	10,902	General Rate	22,525	21,803	21,803
-	-	-	Remission of Regional Rates	-	-	-
180	163	-	Rates Penalties	460	-	-
(9)	(12)	-	Remission of Rates Penalties	(32)	-	-
31,146	35,146	34,995	Regional Rates	63,013	69,989	69,989
11,388	11,730	11,730	Regional Water Supply Levies	22,776	23,460	23,460
20,865	26,432	35,987	Grants and Subsidies Revenue	51,090	64,608	81,670
-	-	-	Reserve Investment Revenue	-	-	-
2,028	2,044	2,190	Other Investment Revenue	4,750	4,982	4,840
-	-	-	Unrealised Revaluation Gains	4,786	3,186	3,809
8,650	7,323	8,211	Other External Revenue	17,671	16,076	17,468
74,077	82,675	93,113	Total External Revenue	164,086	182,301	201,236
8,874	8,148	8,382	Internal Revenue	18,679	16,496	17,732
82,951	90,823	101,495	Total Operating Revenue	182,765	198,797	218,968
13,944	14,405	15,366	Personnel Costs	28,809	29,344	30,593
9,908	9,364	11,738	Materials,Supplies & Services	19,578	21,901	23,595
668	546	573	Travel & Transport Costs	1,359	1,132	1,149
10,952	11,601	10,879	Contractor & Consultants	25,451	21,388	22,711
28,422	41,606	55,528	Grants and Subsidies Expenditure	79,486	102,828	123,127
8,667	8,031	8,238	Internal Charges	18,240	16,333	17,220
72,561	85,553	102,322	Total Direct Expenditure	172,923	192,926	218,395
-	-	-	Internal Debt Financial Costs	-	-	-
2,326	2,451	2,405	Other Financial Costs	4,760	5,025	4,975
40	21	-	Bad Debts and Provision for Bad Debts	(40)	-	-
4,756	4,773	5,360	Depreciation	9,476	9,692	10,720
(52)	(26)	(249)	Loss(Gain) on Assets	228	(260)	(253)
-	-	-	Loss(Gain) Investments	-	-	-
7,070	7,219	7,516	Total Indirect Expenditure	14,424	14,457	15,442
79,631	92,772	109,838	Total Operating Expenditure	187,347	207,383	233,837
3,320	(1,949)	(8,343)	Operating Surplus(Deficit)	(4,582)	(8,586)	(14,869)

Attachment 2: Funding Statement

Wellington Regional Council

Funding Statement

For the six months ending 31 December 2007

Year to Date			Funding Statement \$(000)'s	Full Year Forecast		
Last Year	Actual	Budget		Last Year	Forecast	Budget
3,320	(1,949)	(8,343)	Operating Surplus(Deficit)	(4,582)	(8,586)	(14,869)
(4,756)	(4,773)	(5,360)	Depreciation	(9,476)	(9,692)	(10,720)
52	26	249	Loss(Gain) on Assets	(228)	260	253
(591)	(638)	(608)	Revaluations	3,668	1,901	2,594
-	-	-	Loss(Gain) Investments	-	-	-
(5,295)	(5,385)	(5,719)	Add Back Non Cash Items	(6,036)	(7,531)	(7,873)
8,615	3,436	(2,624)	Cash Operating Surplus(Deficit)	1,454	(1,055)	(6,996)
-	-	-	Reserve Investments Movements	-	-	-
8,615	3,436	(2,624)	Funding Surplus (Deficit) from Operations	1,454	(1,055)	(6,996)
(1,029)	(743)	(1,103)	Total Asset Acquisitions	(1,828)	(1,356)	(1,448)
(7,880)	(4,335)	(10,141)	Capital Project Expenditure	(8,879)	(16,740)	(23,069)
76	46	334	Asset Disposal Cash Proceeds	282	361	346
(8,833)	(5,032)	(10,910)	Net Capital Expenditure	(10,425)	(17,735)	(24,171)
10,107	(1,051)	(1,371)	Other Investments Movements	9,152	(2,062)	(3,039)
(7,441)	6,169	14,900	External Debt Movements	(1,359)	20,852	34,206
-	-	-	Internal Debt Repayments	-	-	-
-	-	-	Other Debt Movements	-	-	-
(2,448)	(3,522)	5	Working Capital Movements	1,178	-	-
-	-	-	Reserve Movements	-	-	-
-	-	-	Net Funding Surplus(Deficit)	-	-	-

Attachment 3: Balance Sheet

Wellington Regional Council			
Balance Sheet			
For the six months ending 31 December 2007			
Balance Sheet \$(000)'s	Current Actual YTD	2008 Budget	Last Year June Actual
Total Retained Earnings	364,789	345,854	367,547
Asset Revaluation Reserves	226,387	198,328	179,699
Departmental Reserves	8,901	7,417	8,093
Movement in Equity	-	-	-
Total Ratepayer Funds	600,077	551,599	555,339
Bank Accounts and Call Deposits	218	158	1,037
Receivables	13,338	8,101	11,338
Accrued Revenue and Prepayments	6,432	4,107	21,266
Stocks	2,171	1,945	2,143
Total Current Assets	22,159	14,311	35,784
Other Investments	50,582	48,066	49,531
Investment in Subsidiary	34,541	23,089	34,541
Derived Financial Instruments	1,908	-	1,908
Forestry Investments	13,666	18,194	14,303
Total Investments	100,696	89,349	100,283
Net Fixed Assets	554,786	558,709	502,936
Capital Works In Progress	9,812	2,500	14,693
Total Non Current Assets	665,294	650,558	617,912
Total Assets	687,453	664,869	653,696
Payables and Accrued Expenses	15,460	15,654	26,342
Employee Provisions and Accruals	3,739	3,000	4,302
Subsidiaries Current Accounts	199	500	1,443
Current Liabilities	19,398	19,154	32,087
External Debt	67,978	94,116	66,270
Non Current Liabilities	67,978	94,116	66,270
Total Liabilities	87,376	113,270	98,357
Net Assets	600,077	551,599	555,339

COMPLIANCE WITH TREASURY MANAGEMENT POLICY

Treasury Management Compliance

As at 31 December 2007

Total Council Limit Compliance Analysis				Notes	Yes	No
Risk management activities are related to underlying cash flows					✓	
A mixture of undrawn committed lines and liquid investments of no less than \$15 million are available for normal operations					✓	
A mixture of undrawn committed lines and liquid financial investments available for self-insured infrastructural assets and contingency reserves					✓	
Hedging of interest rate risk on debt and use of derivatives within allowable parameters					✓	
Hedging of interest rate risk on investments within allowable parameters					✓	
				<u>S&P's credit rating</u>		
Counterparty exposures: (on balance sheet)	ANZ National	≤ \$50 million	AA	✓		
	BNZ	≤ \$15 million	AA	✓		
	Westpac	≤ \$15 million	AA	✓		
	ASB / CBA	≤ \$15 million	AA	✓		
Counterparty credit limits within allowable parameters (> A credit rating for banks)					✓	
Consolidated group external borrowing limits compliance					✓	
Core Council external borrowing limits compliance					✓	
Internal borrowing limits compliance						✓

Due to the revaluation of Greater Wellington's forests at June 2007, the Forestry activity has, consistent with prior years breached its internal debt limit.

Parks and Forests have breached their internal borrowing limits due to the purchase of Waitangirua Farm in June 2006.

Consistent with the prior year Forestry's valuation includes Land, Trees and Infrastructural improvements

Consolidated Group External Borrowing Limits				Notes	Actual	TMP Limits
Net interest expense to total operating revenue					4%	≤ 12%
Net external debt to total operating revenue					70%	≤ 120%
Note: Group net external debt is total external debt less financial investments						

Core Council External Borrowing Limits				Notes	Actual	TMP Limits
Ratio						
Interest expense on net external debt to rates and levies					0.9%	25%
Net external debt to rates and levies					25.1%	210%
Net external debt per capita					\$50	\$400

Internal Borrowing Limits				June	Actual	TMP Limits	TMP Targets
Activity	Ratio						
Regional Water	Debt to water supply levy				182%	300%	220%
	Financial costs to water supply levy				15%	40%	20%
Flood Protection	Debt to rates				266%	400%	250%
	Financial costs to rates				21%	50%	25%
Parks	Debt to rates		59%		58%	50%	50%
	Financial costs to rates				5%	10%	10%
Transport	Debt to rates				22%	250%	150%
	Financial costs to rates				1%	25%	15%
Forestry	Debt to forestry market value		84.5%	88.0%	70%	35%	

Further Management Information		
Plantation Forestry	Debt to forestry market value	73%
Reserve Forestry	Debt to forestry market value	117%